

# Blankenburg Tunnel, Netherlands

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**25/10/2018**

As one of the last projects in the current Dutch PPP programme – which has often (and rightly) been described as the posterchild for efficiency – procurement for the [Blankenburg Tunnel](#) should have been a demonstration of the speed and ease with which the cogs turn in a well-oiled machine. Instead, the deal took over a year to go from preferred bidder stage to financial close, compared to a typical expectation for Dutch projects of around 12 weeks.

Delays were largely caused by the appeal lodged by the losing bidder after the Macquarie / Ballast Nedam / DEME consortium was chosen, and also by disagreements over the choice of route.

## Appeal

The preferred bidder was announced in [July 2017](#), which prompted the losing VolkerWessels / BAM / Boskalis consortium to [complain](#) about the double role played by engineering consulting firm Witteveen + Bos, which advised procuring authority Rijkswaterstaat first and then joined the winning consortium. This meant they could have divulged inside information that competitors did not have, the losing consortium argued.

They also said that the winning consortium's plans for the project did not match the technical requirements stipulated in the tender documents.

Ultimately – however – the judge sided with the Macquarie-led team on both counts – concluding that sufficient measures had been taken to ensure that Witteveen + Bos's double role did not give the winning consortium an unfair advantage.

## Route

Meanwhile, the route for the tunnel had been disputed for years. There were disagreements over the position and design of the Blankenburg tunnel itself, and there had also been other proposed alternative schemes.

One of the other contenders was the so-called Orange Tunnel or Oranjetunnel which would have been located further to the west, straddling the same waterway, which is known as the Nieuwe-Waterweg close to the port of Rotterdam to the west and Het Scheur to the east. The waterway is part of the Rhine-Meuse-Scheldt delta formed by the confluence of three rivers, and is also crossed further to the east (closer to central Rotterdam) by the Benelux tunnel.

Both the Blankenburg and the Orange tunnels would improve traffic to and from the port. However, the Orange Tunnel would have less damaging environmental impact than the Blankenburg tunnel, which is likely to damage the Aalkeetpolder, an area of peatland populated by a large number of rare bird species, some of which are endangered.

Meanwhile, supporters of the Blankenburg option argued that it is cheaper and will be better for traffic flow because it is closer to the congested Benelux tunnel.

The Blankenburg option was ultimately chosen with the understanding that its environmental impact and the increased nitrogen emissions it would encourage would be compensated by investing in parks and nature reserves elsewhere.

## Financial close

The winning consortium, which calls itself BAAK, reached financial close on the €1 billion (\$1.15 million) project on 18 October (2018), after signing the contract in [December](#) 2017.

The equity is divided:

- Macquarie Capital – 70%
- Ballast Nedam – 15%
- DEME – 15%

Total senior funding for the project was about €900 million.

The term loan was €660 million, of which the European Investment Bank (EIB) provided €330 million under the European Fund for Strategic Investments.

The remaining lenders were:

Floating-rate:

- KBC
- Korea Development Bank
- Belfius Bank
- KfW IPEX
- BNG
- SMBC

Fixed-rate:

- Natixis
- MEAG
- Samsung Life

Among the lenders, Natixis, KfW IPEX and KBC provided the largest tickets, each around €75 million.

## Pricing

Pricing on the long-term floating tranche was around 120bp over Euribor. This compares to a margin between 100bp and 110bp for the [Afsluitdijk](#) dyke PPP project, which reached close in May (2018), and a similar level for the [A16](#) road PPP, which followed in June.

The technical complication of the Blankenburg project contributed to higher debt pricing, as did the lack of a strong construction sponsor, said one source close to the deal.

The Afsluitdijk sponsors are:

- BAM PPP PGGM
- Van Oord Aberdeen Standard Investments, APG Group
- Rebel Group, EPICo

And for the A16 the sponsors are:

- Besix
- Dura Vermeer

- Van Oord
- John Laing
- RebelValley
- TBI

Meanwhile, equity for the Blankenburg project was just under €100 million.

Debt for the scheme also comprised:

- Equity bridge loan – just under €100 million
- Milestone bridge – around €120 million
- Debt service reserve facility – amounting to about half a year of debt service

The other shortlisted team for the Blankenburg Tunnel – the one to lodge a complaint – was called BBV24 and included:

- VolkerWessels
- BAM
- Boskalis
- Crédit Agricole – financial adviser
- Nauta Dutilh – legal adviser

The project has a 20-year management and maintenance period following a construction period of 5.5 years.

## Construction

The EPCM consortium consists of a JV between Ballast Nedam and the DEME Group companies DIMCO and Dredging International. DIMCO and Ballast Nedam will execute civil infrastructure works, tunnel installations and project management activities. More specifically, Dredging International will perform the trench dredging and nautical works, and DIMCO will perform the immersion works of the tunnel elements.

Preparatory works have started on the site to create access on land and water.

The design, build, finance and maintain project comprises construction of a tunnel connecting the A20 motorway west of Vlaardingen to the A15 east of Rozenburg. The scheme also consists of fitting a three-lane highway between two existing highways.

It includes construction of a 900-metre waterway tunnel (Maasdelta Tunnel) and a 500-metre land tunnel (Holland Tunnel). The project also involves widening the A20 between the A24 and the Kethelplein junction, and building two flyovers.

The tunnel is part of the masterplan Rotterdam Vooruit to develop the Rotterdam region between 2020 and 2040.

Advisers were:

- Macquarie Capital – financial, debt arranger
- Norton Rose Fulbright – sponsors' legal
- Stibbe – lenders' legal
- Allen & Overy – EIB's legal
- Atkins – technical
- E&Y – tax and accounting
- AON – insurance
- Operis – model audit

The project is one of the last in the Netherlands' greenfield infrastructure PPP pipeline.

It will be followed by the [A9](#) road scheme, for which bidders were shortlisted last month (September 2018), and

the [Via15](#) project for which bidding consortia were whittled down to two also last month.

It was also expected to be followed by the Michiel Adriaanszoon de Ruyter [barracks PPP](#) project in Vlissingen, however opposition from the marine corps who don't want to move to Vlissingen mean this scheme is unlikely to go ahead.

As a result, activity going forward for the next few years in the Netherlands will be focused on maintenance and optimisation of existing infrastructure, with some doubling of roads, and refinancings.

\*Image provided by Ballast Nedam

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