# Thailand – transport of delight

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Casting an eye around the global infrastructure market for this week's missive and the first thought was to write about American airports, but Thanksgiving put the kibosh on that. The second option was PPP across the whole of Asia Pacific, but that's just too much shoe-horn into one story. Then, after a few calls with chums in Singapore and a trawl of the *IJGlobal* database, the eye fell on Thailand… and stayed there.

In a world of shrinking greenfield pipelines it's heartening to turn the spotlight on a market that is embracing PPP to drive the delivery of economic infrastructure… however, there are fears that this blossoming love affair with the procurement model is turning a little bit Fatal Attraction.

The Thai infra market has evolved impressively in recent years with the government publishing the second version of its PPP Strategic Plan at the end of last year. The first one was launched in 2015 and was set to run until 2019, but it was replaced last December by a new-improved model, which now runs until 2021.

The second PPP Strategic Plan comprises 55 project (combined value THB 1.6 trillion / $51 billion) which fall into two sections: Group 1 which requires use of a PPP structure; and Group 2 where PPP is favoured. Needless to say, the first group – which is for projects in light rail, toll roads, ports and HSR – is of greatest interest to *IJGlobal* readers.

These projects are being driven by the Eastern Economic Corridor (EEC) development plan to revitalise the economy with the Eastern Economic Corridor Office (EECO) charged with driving the agenda.

It is initially focusing on three eastern provinces:

- Chachoengsao
- Chonburi
- Rayong

The procurement process is pacey – rarely the best policy for large-scale infra – with fast-track projects taken from feasibility study to contract award in a blistering nine months. Less urgent projects should take 25 months… a more realistic timeline, less likely to dish up disasters.

For the purposes of this piece (and for the sanity of its author), we shall focus on four projects in procurement that sources on the ground rate for greatest potential – one in high-speed rail connecting key airport, an airport and two ports:

- Bangkok-Rayon HSR
- U-Tapao Airport
- Laem Chabang Deep Sea Port
- Map Ta Phut Port

## The Big 4

Starting with the most advanced project, the $6.8 billion Bangkok-Rayon HSR which will connect three international airports – Don Muang, Suvarnabhumi and U-Tapao – greatly improving connectivity through five provinces: Bangkok, Samut Prakan, Chachoengsao, Chonburi, and Rayong.

This DBFOM has a five-year construction phase followed by a 45-year concession which received more than 30 bids, whittled to a shortlist of two by the State Railway of Thailand (SRT) with a winner due to be announced in January.

The team led by BTS Group includes:

- Sino-Thai Engineering and Construction
- Ratchaburi Electricity Generating Holding
- Bombardier Transportation

The consortium led by Charoen Pokphand Group (CP Group) includes:

- China Railway Construction
- CITIC Group
- Siemens
- Hyundai
- Bangkok Expressway and Metro
- JBIC
- Ferrovie dello Stato Italiane
- Italian-Thai Development
- CH Karnchang
- Japan Overseas Infrastructure Investment for Transport & Urban Development
- China Resources (Holdings)
- CRRC-Sifang

This rail line forms a key segment of the Eastern Economic Corridor programme to unleash the nation’s industrial potential alongside the creation of special economic zones.

Its success or failure will be judged by how many of the swathe of PPP projects make it off the drawing board. And when you have such a long list of projects, it is inevitable that a good number of them will wither on the vine.

It is this realisation that drives the Thai government to put its weight behind the key projects in the hope that the rest will follow at a more leisurely pace.

## On a wing…

Sources on the ground reckon that – after the HSR – the next most likely project to take off (pun intended) is the U-Tapao International Airport in the Pla sub-district of the Baanchang in the province of Rayong.

The current facility can support 700,000 domestic and international passengers per annum, but with a second passenger terminal and another runway, this should rise to 3 million passengers.

The airport will have a concession of 30-50 years and the invitation to tender was launched last week with CP Group is widely rumoured to have expressed interest, along with a good number of international bidders.

## Port out…

Laem Chabang Port Phase III in the Thung Sukhla sub-district of Sriracha in Chonburi is designed to increase container throughput from 7.7 million containers per year to 18.1 million. Alongside that target, it will increase the number of container shipments via railway from 7-30%.

Development plans are divided into five years for construction and a three years for the plug-in infrastructure. It will be procured with a concession of 30-50 years.

Map Ta Phut Industrial Port Phase III is predominantly involved in the shipment of natural gas and raw fluid material for the petrochemical industry. The upgrade will increase capacity to allow to handle 19 million additional tons of cargo within 20 years. As with Laem Chabang, it will have a concession of 30-50 years.

The invitations to tender for both ports were published two weeks ago and the deadline for submission is set for February 2019, with the winner selected in Q1.

It is understood the RFP package for Laem Chabang was bought by 35 companies, around half of which were foreign investors. The line-up is understood to include the likes of PSA, Hutchison and Mutsui.

## With great ambition comes great expense

The Thai government is prioritising the most impactful projects that it is seeking to deliver as PPPs – the ones that will kick start an economic revolution, while maintaining a pipeline of lesser deals that may or may not work their way through the system.

Thailand is doing the best it can with the resources available to each department to deliver these projects, while running these processes at an impressive click.

This style of procurement is not unusual for Thailand. Going by previous experience, it tends to go all-out with hugely ambitious programmes and then scale back to something more manageable, delaying or scrapping as they see fit.

To date, there has been no lack of interest in the projects that have been brought to market with international bidders teaming up with local players to compete.

As to financing, there is deep liquidity among the main Thai commercial banks, as well as a seeming enthusiasm to be involved. This will be bolstered by MUFG Bank which in 2013 acquired Bank of Ayudhya.

Further, as was the case with the IPP programme of old, there will be a dollar tranche on the larger projects and there is still a keen interest among the international banks to be involved in that… particularly as they recognise they will not have a look-in on the smaller deals.

International banks are known to be looking at the project – both for advisory mandates and from a lender perspective as they are confident the dollar tranche will be on offer.

For now, the primary goal of the sitting government is to get these projects beyond the point of no return prior to the general election in February.

Unfortunately, that does mean that a glut of mega projects are being brought to market simultaneously, but – you know – that's kind of the Thai way…