

Norway - E39 Road Project

25/05/2004

Overview

The E39 PPP road project in Western Norway has been one of the quickest executed transactions yet seen in the European PPP market. The design, build, finance and operate (DFBO) concession deal with a consortium of Laing Roads and partners Skanska BOT was completed in record time for a new PPP programme, with just over one year between pre-qualification and financial close. A major factor in this was the determination of the client, the Norwegian State Roads Authority (Vegdirektoratet) to adhere to their timetable by the provision of clear, complete and concise information with a well organised and advised client team.

Project detail

The E39 is the main arterial road in the western part of Norway and connects Trondheim with Kristiansand as well as the southwestern part of the country. The Klett to Bårdshaug section is one of the busiest and is the principal route in the area for local industry, housing around 10,000 companies and 2,500 farms.

The new route, due to open in autumn 2005, will serve over 200,000 people. At 27km long it will be 2.5km shorter than the existing poor quality route that winds around the edges of the nearby fjord, and is more direct with over 10km of hard rock tunnels and 13 bridges.

Process

Documentation and financing for the E39 project were completed only two and a half months after selection of the Laing Roads/Skanska consortium as preferred bidder. This was achieved as a result of the Vegdirektoratet's well managed tender process with clear and concise tender documentation and efficient negotiation and decision making. The concession will run for 25 years after completion of the project in Autumn 2005.

Laing Roads and Skanska BOT applied extensive experience of infrastructure investment in other markets to optimise the commercial and financial structure of the E39 project. Financial advisory support was jointly provided by Laing Roads and Skanska, rather than externally sourced.

Skanska Group's Norwegian construction subsidiary, Skanska Norge AS, is sub-contracted to perform design and construction activities as well as operations and maintenance once the road is open.

Risks

Initially the complex construction activity, involving considerable hard rock tunnelling and a number of bridges, is the most substantial risk, with a commitment to open a high quality road on a specific date. Once the road is open, project revenues will only be payable if the road is 'available' to users. Additional adjustments will be made to payments according to operational quality and road traffic accident levels.

Financing

Sponsors & Equity Share: John Laing PLC (Laing Roads) 50%; Skanska BOT 50% Date of Financial Close: 7 April 2003 Total Project Cost: £140 million Total Debt: \$ 205.8 million / NOK 1.4 billion Total Equity: \$ 22 million / NOK 150 million Arrangers: Lead:- Svenska Handelsbanken, Nordea, HSH Nordbank, , (), Co-arrangers:- Dexia, ING Bank, IKB, Swedish Export Credit Corporation () Participants: Vegdirektoratet (Norway's state roads agency) Financial Adviser to Project:

Laing Roads and Skanska Financial Services Financial Adviser Government: Ernst and Young Legal Adviser to Project:
Schjodt Legal Adviser Lenders: Wikborg Rein

Conclusion

The Klett to Bårdshaug section of the E39 is the first of three Norwegian pilot PPP road projects proposed by the Norwegian State, acting as a powerful example of how new markets can implement PPP to deliver vital infrastructure investment. The project is a fundamental part of the Norwegian Government's current interest in whether PPP can increase efficiency in the development of road projects and whether the model can give the Norwegian public sector the control of projects and the flexibility it requires.

Laing Roads is proactively expanding an already strong presence in mainland Europe as an investor, investment partner, developer and operator. The E39 concession is Laing Roads' second PPP investment in the Nordic region, following the £59m DBFO Finnish Helsinki - Lahti shadow toll road project. The 15-year scheme was the first Nordic infrastructure project to be developed through private finance.

Thank you for printing this article from IJGlobal.

As the leading online publication serving the infrastructure investment market, IJGlobal is read daily by decision-makers within investment banks, international law firms, advisory firms, institutional investors and governments.

If you have been given this article by a subscriber, you can contact us through www.ijglobal.com/sign-in, or call our London office on +44 (0)20 7779 8870 to discuss our subscription options.