

Infrastructure – you’re in the army now...

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Defence is no stranger to the infrastructure community, but sources this week are hinting that it’s being locked and loaded for a return to the mainstream.

For those more recent arrivals on the infra scene, there was a spate of defence-related transactions in early part of this century, but it petered out by 2016.

The earliest true PPP in the defence sector to appear in the IJGlobal database dates back to 2004 and, as with many that followed, it was a pretty chunky barracks financing. A straight concession-based financing – build it and they will live in it.

It all really started with the MoD’s \$1.24 billion redevelopment of [Colchester Garrison](#) that made it to FC in early 2004. At the time, it was lauded as a landmark bond-financed transaction.

Having gained confidence on the accommodation front, this built up in 2006 to the \$3 billion [Allenby Connaught](#), the more humble \$418 million [Northwood HQ](#) deal, and again at the lower end of the scale – the \$196 million [RAF Northolt](#).

There were other accommodation deals in the IJ database that closed in the early days, but the true PF elements of these transactions are a bit dubious.

You also had the LEAP programme in Australia for single living accommodation with the [first phase](#) of LEAP 1 closing at the end of 2006, followed by the [second phase](#) in the summer of 2007, and then [Leap 2](#) in 2011.

A couple of other accommodation deals from the IJ database are the [Kromhout Barracks](#) in the Netherlands and the [Fuerst Wrede Barracks](#) in Germany.

There are others, but these are the key ones.

It’s where the market moves away from bog-standard accommodations deals that it gets interesting... and this looks to be where the market’s heading.

More interesting deals

Stepping away from the barrack PPP deals that – while a long way from being run-of-the-mill – still fall squarely into that vanilla, cookie-cutter category... from a project finance perspective.

Back in 2005, Germany reached financial close on the [NH90 HFTS](#) helicopter flight training services project, an 18-year pilot- training contract. The first phase involved construction of 3 training centres and 4 flight simulators, followed by the 14.5-year operational phase.

Also in 2005 – and back in the UK – you have the MoD’s [C Vehicle](#) project which was the largest PFI scheme involving front-line operational land forces that concerned cranes, excavators, bulldozers, and mechanical handling equipment like forklift trucks.

Returning to Germany, the [Herkules Military IT](#) project – a sector that always sends a shiver down the spine – weighed in at around €7 billion and involved the outsourcing of Bundeswehr technology impacting more than 140,000 workstations, 300,000 fixed-line networks and 15,000 mobiles.

Zippering back to the UK, there was the rather wonderful [Future Provision of Marine Services](#) (FPMS) from the end of 2007 which involved the purchase of a fleet of vessels – mainly tug boats – for (largely) shepherding in the British fleet at Portsmouth, Devonport and on The Clyde.

The one that really challenged the market – having closed in March 2008 as the global financial crisis took hold – was the £2.6 billion [Future Strategic Tanker Aircraft](#) (FSTA).

Apart from dragging the lending community kicking and screaming to the table at a time they really didn’t want to a sniff more than 110bp over base rate, this project was to finance air-to-air refuelling services for the RAF, replacing vessels that were about to drop out of the sky.

Ignoring the other rather boring projects from the IJ database, the most recent one to have made it over the line and that stands out for being “a little bit different”, you have the UK [Military Flying Training System](#) (UKMFTS) PFI from 2016.

Are we going to see more?

In the same way that the Romans built roads to transport their armies from one end of the empire to the other in the swiftest possible manner possible, it was argued this week this is what the EU is seeking to achieve with its Trans-European Transport Network (TEN-T).

This summer the European Investment Bank (EIB) set a new high by approving a ceiling of €100 billion for this year (2025) and announced new programmes to strengthen Europe’s competitiveness, technological leadership and security.

A week prior to that, the EIB and European Investment Fund (EIF) gave the green light to increase financing for security and defence, energy grids and the new TechEU programme to boost Europe’s technological leadership. They also approved flagship projects including to support Ukraine’s economy and the construction of a major military base in Lithuania.

One infra banker pointed to the creation in his shop of a new sector team to focus on defence... with separate credit approvals.

And while – much like the above examples (many more of which can be found in the IJ database) – there is a consensus that these deals will not be front line / non-lethal infrastructure... they’re on the way.

Meanwhile, if you don’t think there’s MoD involvement in offshore wind farms – signalling and monitoring equipment – then you’re living in La-La Land.

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