

Millau Viaduct refinancing

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France's Millau Viaduct stands out as one of the most exceptional pieces of infrastructure to have been constructed in recent times - and now the bridge is attracting attention for its bleeding-edge refinancing

Millau Viaduct is a 2.46km cable-stayed toll bridge spanning the valley of the River Tarn near Millau in southern France. It is the tallest vehicular bridge in the world standing 240 metres high and has become an icon of French architecture.

The French bridge - which was designed by English architect Norman Foster - connects the A75 motorway from Paris to Barcelona at the point where it is interrupted by the River Tarn.

The valley had long been seen as an infrastructure challenge as drivers had to negotiate circuitous route to get from one side of the gorge to the other on a busy route heading south from Paris.

Initial studies, threw up four options to complete the motorway link, but the bridge - while an engineering challenge - was deemed the most efficient and cost-effective.

The construction of the Millau Viaduct was given the green light by ministerial decree on 28 June 1989.

The 78-year concession was awarded to Eiffage in 2001 and the bridge opened to traffic in December 2004. It has been the subject of numerous documentaries and was a feat of engineering excellence.

Eiffage financed the construction through shareholder debt. Earlier this year, it launched the refinance of the project which closed on 13 July 2007.

The refinancing

Eiffage held a beauty contest among the banking and monoline community for the refi, resulting in the first of its kind for infrastructure financing in France - index-linked, wrapped bank debt.

This contest was won by Depfa Bank and Dexia Credit Local with European Investment Bank, plus wrappers Financial Security Assurance and MBIA - providing financial guarantee for the €573 million (US\$783m) French CPI-linked loan facility [\[Transactions Database\]](#).

Eiffage refinanced the project through a two-tier acquisition structure involving a Finco and a Holdco. The Holdco share capital is split between Eiffage and Caisse des Dépôts et Consignations.

The Finco is financed by two French CPI index-linked facilities:

- Tranche 1 - €430 million (US\$587.6m) - a 44-year index-linked loan arranged by Depfa and Dexia
- Tranche 2 - €143 million (US\$195.4m) - a 30-year index-linked loan granted by EIB

Given that the debt facilities benefit from the credit enhancement provided by FSA and MBIA on a 50:50 basis, Standard & Poor's and Moody's assigned them triple-A ratings.

The loan agreement was signed on 13 July and drawdown of the funds took place on 24 July.

Sources close to the deal say that the competition resulted in "very aggressive" bidding from the banks and monolines and a particularly attractive option of wrapped bank debt which Depfa made famous in the [Golden Ears](#) Bridge in Canada - which was IJ's deal of the year for 2006.

While no price of debt has been given - and in fairness it is difficult to give a meaningful pricing without the monoline premium (which in the case of Hungary's [M6](#) was 22bp) - sources close to the deal say that the wrapped bank debt was around 10bp cheaper than current corporate debt.

According to one source: "The wrapped loan option was considerably more attractive than any of the offers based on straight bank debt due to aggressive bidding by the monolines and the appropriateness of the asset for such long-term loans."

Another of the outstanding features of this transaction was the tenor of the wrapped loans which was 44 years for the first tranche - Depfa and Dexia - and 30 years for the EIB second tranche.

Looking at UK PFI deals, the tenor for loans tends to be 20-30 years while France has often favoured the mini-perm structure with around a 15-year maturity.

The closest parallel to this infrastructure loan is the Marseille toll tunnel which was wrapped by CIFG - but that was not index-linked and it had a far shorter maturity.

Lazard acted as financial adviser to the sponsor with Linklaters acting as its legal counsel. The banks received legal advice from Clifford Chance.

Conclusion

This was a fascinating deal - one that saw the banks and monolines compete openly on pricing thought a beauty parade and a blended offering winning the day.

However, since the credit squeeze started to bite with the collapse of the US sub-prime market, it will be interesting to see how long it is before monolines lack the resources to offer such slim margins.

The refi of infrastructure assets is not likely to suffer from the current credit squeeze as this often involves existing facilities with an established credit history. This cannot be said of acquisitions of infrastructure assets using high leverage ratios.

The French transport sector is strong with the - in the heavy rail sector alone - €7.5 billion worth of projects making their way through the tendering process.

Against this backdrop, it shall be interesting to see if monolines make a recovery in time to wrap deals in this sector.

The project at a glance

Project Name	Millau Viaduct refinancing
Location	Millau Viaduct runs across the Tarn valley between Clermont Ferrand and Béziers at Millau - Département of Aveyron
Description	The 2.5km Millau Viaduct on the A75 motorway is the world's highest road bridge. It has been operational since the end of 2004
Sponsors	Eiffage CDC
Operator	CEVM - Compagnie Eiffage de Viaduct de Millau
Total Project Value	US\$783 million

Total senior debt	US\$783 million
Senior debt Tranche 1	Depfa Bank - US\$293.8 million Dexia - US\$293.8 million Both term loans have a maturity of 44 years and are CPI-linked
Senior debt Tranche 2	EIB - US\$195.4 million Term loan with 30-year maturity and is also CPI-linked
Mandated lead arrangers	Depfa Bank Dexia
Participant banks	EIB
Monolines	FSA MBIA On a 50:50 basis
Project rating	S&P - AAA Moody's - Aaa
Legal Adviser to sponsor	Linklaters
Financial Adviser to sponsor	Lazard
Legal adviser to banks	Clifford Chance
Date of financial close	13 July 2007

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