Asia Regional Workshop on PPP
« Engaging the private sector »

What can the private sector bring to the delivery of infrastructure and public services?
The case of France

Tokyo, June 2nd, 2015

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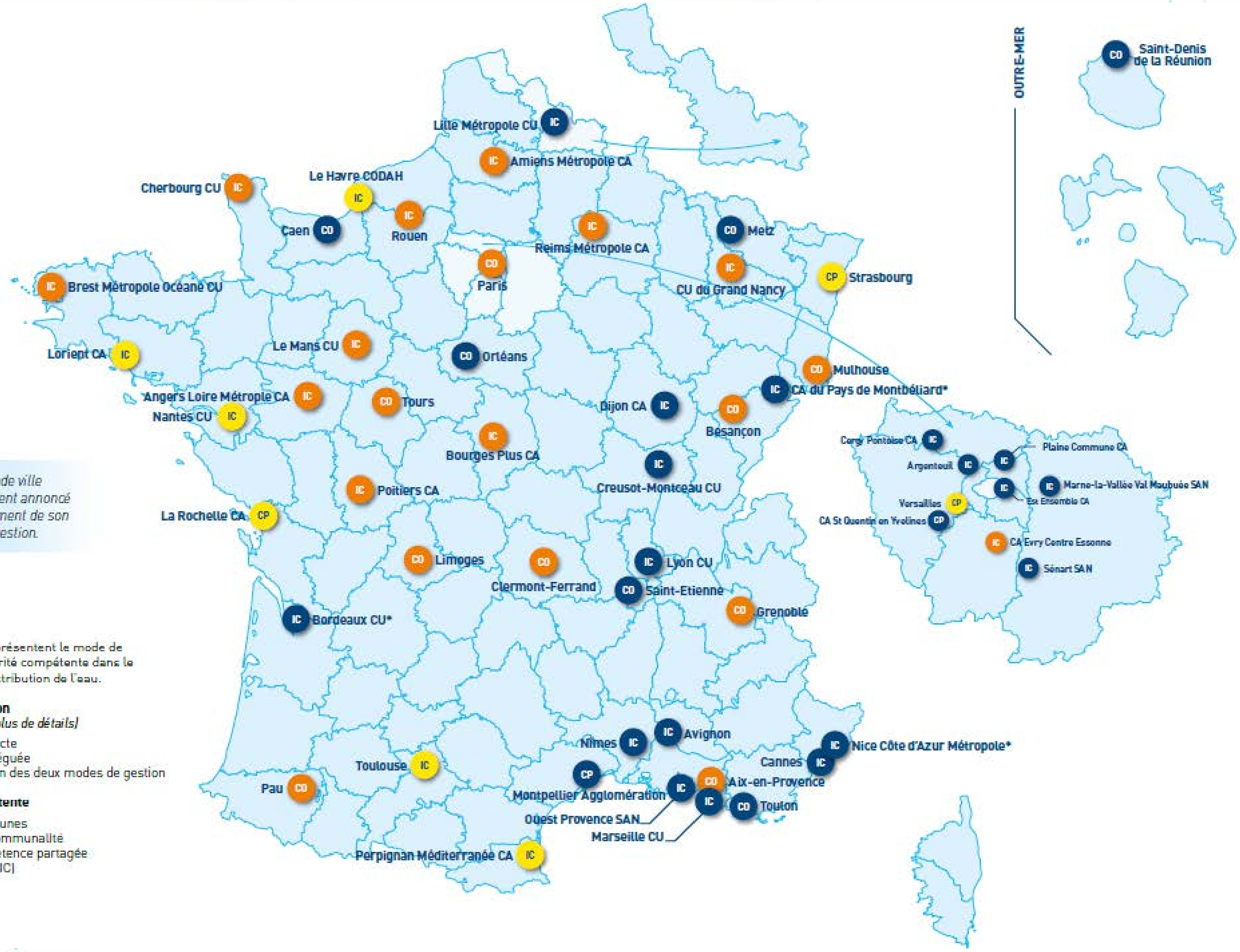
History (1)

- Roman Empire: Several types of contracts committing public and private partners already existed (e.g. construction of ports)
- Middle age: Award of the exploitation of communal facilities (oven, mills, halls, butcher's shop....) in order to finance construction and maintenance of roads, bridges, bulwarks, prisons, halls…
- Middle age – Renaissance: "O&M contracts" of the King's properties (mines, colonies, construction of new cities)
- Between the XVIth and XVIIIth centuries: first civil works concession contracts (canals in particular)
- XIXth century: urbanization accelerates, development of urban services through concessions (railway, metros, roads, marketplaces, street lighting, water, energy and telecommunications networks…)

History (2)

- PPP use going up and down in the XXth century
  - Growing role of the welfare state favors public ownership and operation of infrastructure
  - Yet water supply and sanitation and most urban transport services remained under PPP schemes (contractual or institutional)
  - Resurgence of infrastructure PPPs in the 1980s
- The “Sapin” law (1993) seeks to prevent corruption and promote transparency by submitting “Delegations of public service” to effective competition
  - Preliminary competition followed by negotiations with selected candidates
  - The contract duration is limited to the assets’ amortization period
  - Increased controls and penalties by anti-trust authorities (~2005)
- New “Partnership contracts” (created by the June 17th, 2004 Ordinance)
  - Introduce the possibility of procuring both the construction and operation of infrastructure and facilities through performance payments instead of direct procurement (previously, the private partner had to also have a share of commercial revenue risk)
  - PPP are authorized in three cases: the project is complex, the project is urgent, the partnership arrangement provides value-for-money (*efficience économique*)

Service delivery today in large French cities: Water distribution



** Cette grande ville a récemment annoncé le changement de son mode de gestion.*

Légende

Les pastilles représentent le mode de gestion et l'autorité compétente dans le secteur de la distribution de l'eau.

Modes de gestion
(cf. page 5 pour plus de détails)

- Gestion directe
- Gestion déléguée
- Combinaison des deux modes de gestion

Autorité compétente

CO | Communes
IC | Intercommunalité
CP | Compétence partagée (CO et IC)

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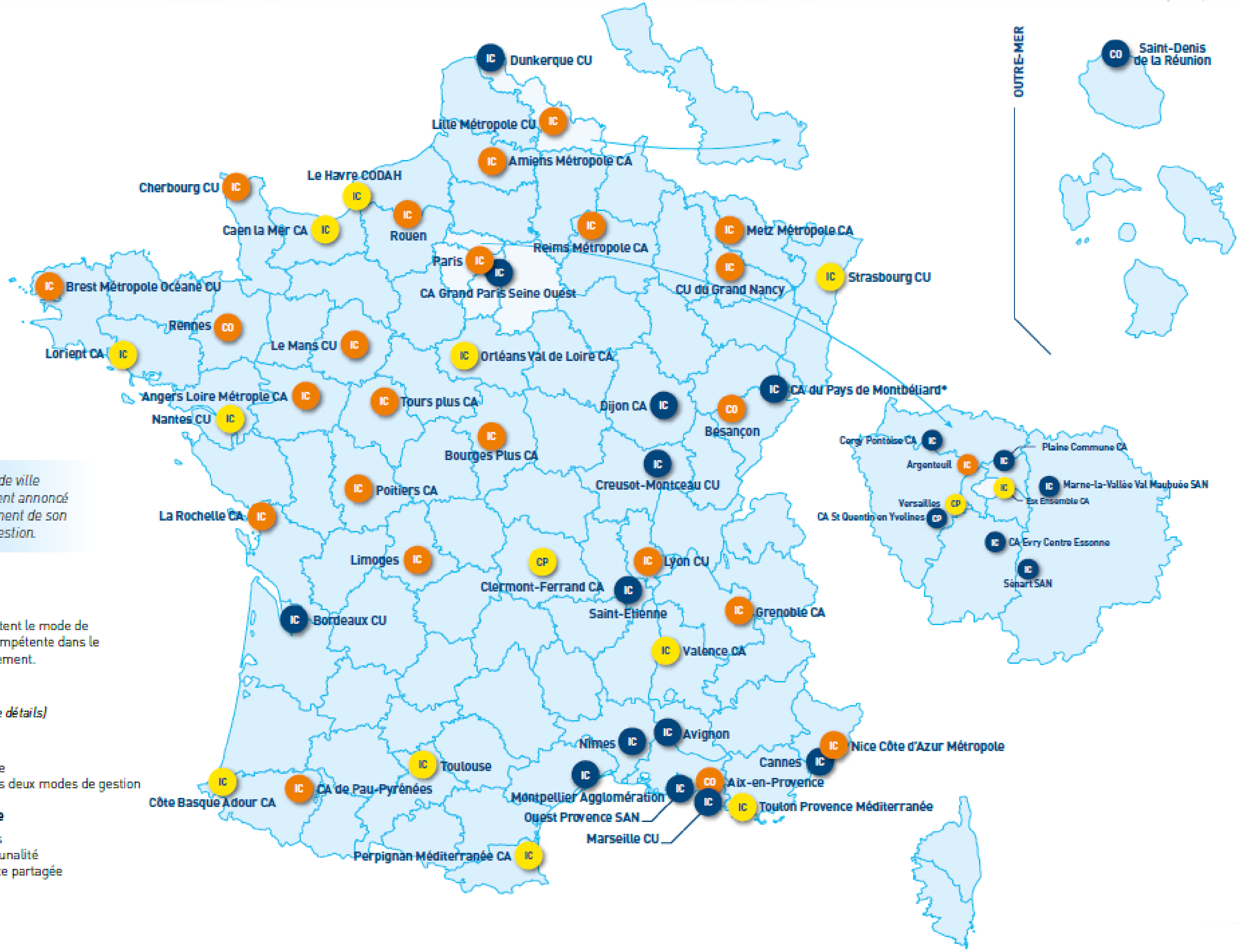
Service delivery today in large French cities: Sanitation



* Cette grande ville a récemment annoncé le changement de son mode de gestion.

Légende

Les pastilles représentent le mode de gestion et l'autorité compétente dans le secteur de l'assainissement.

Modes de gestion
(cf. page 5 pour plus de détails)

- Gestion directe
- Gestion déléguée
- Combinaison des deux modes de gestion

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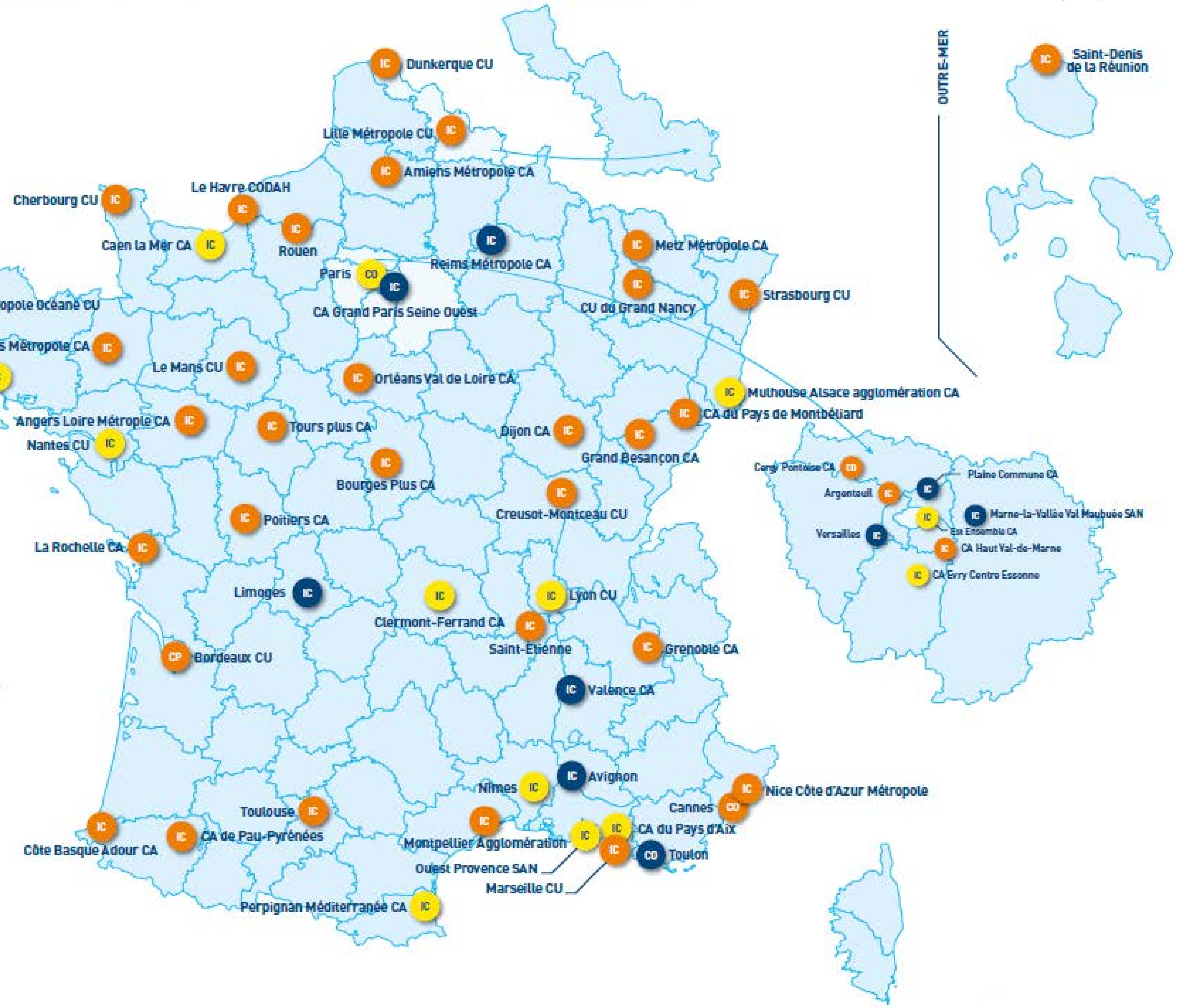
Service delivery today in large French cities: Waste management



Légende

Les pastilles représentent le mode de gestion et l'autorité compétente dans le secteur de la collecte des déchets.

Modes de gestion
(cf. page 5 pour plus de détails)

- Gestion directe
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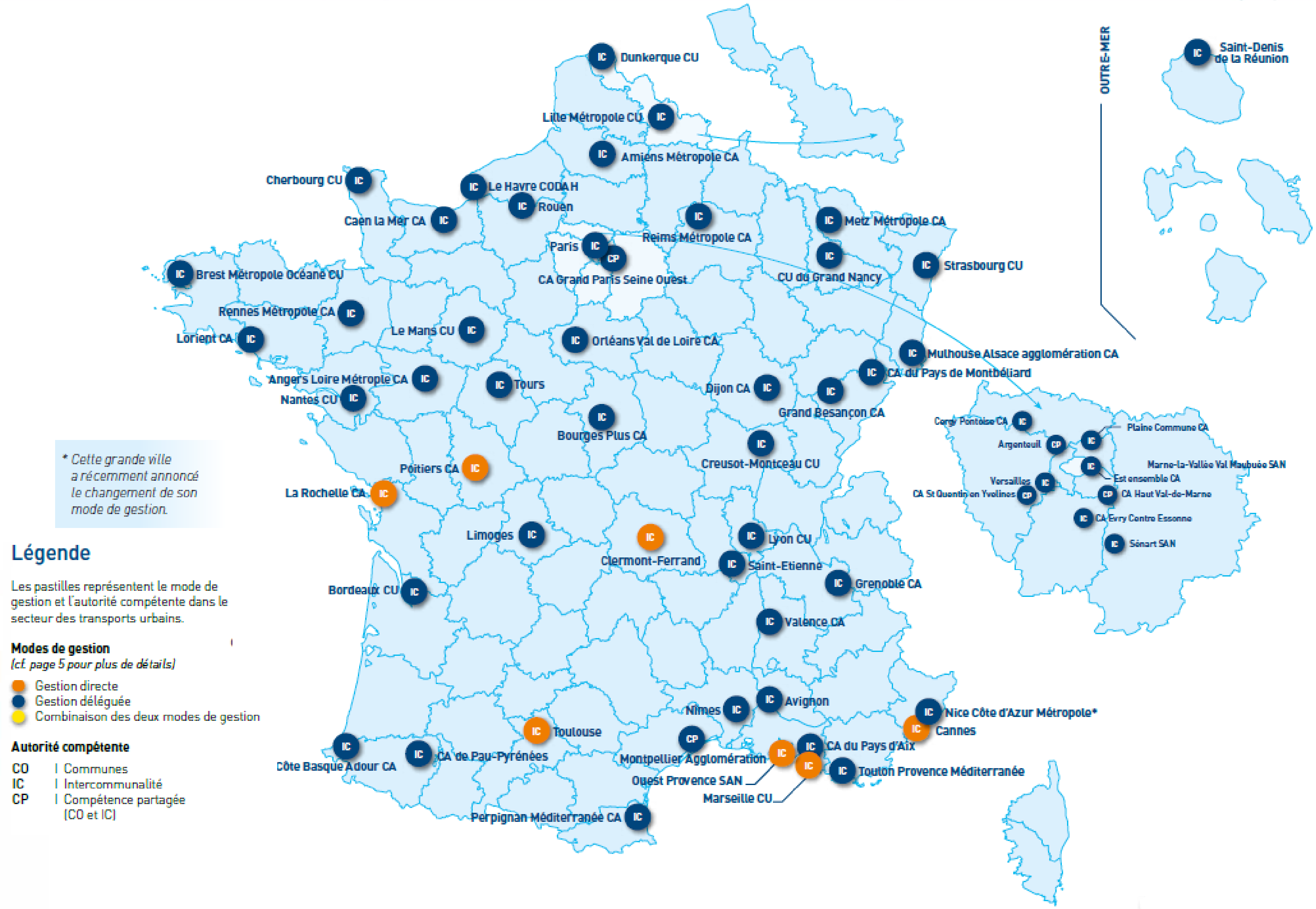
Service delivery today in large French cities: Urban transport



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Strong market players: Services

The wide use of PPPs for service delivery has created a powerful, skilled and innovative services industry:

- **Suez Environnement (*ex*-Lyonnaise des Eaux)**
  - 2014 revenue: €14 billion
  - 2014 net result: €417 million
  - Over 80 000 employees in 70 countries
- **Veolia (*ex*-Générale des Eaux)**
  - 2014 revenue: €23 billion
  - 2014 net result: €326 million
  - 179 000 employees over 5 continents
- **CDC Group (State-owned)**
  - Affiliated companies: Transdev, Egis, CDC Climat., etc.
  - 2014 net result: €1.8 billion
  - 127 000 employees in over 90 countries
- And also other subsidiaries of large State-owned companies: EDF (energy), Keolis (passenger transport),…

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Strong market players: Infrastructure

Large infrastructure contractors have embraced public-private partnerships

- France hosts 3 of the 12 biggest contractors worldwide (Vinci, Eiffage and Bouygues), and one of the largest rail rolling stock and systems manufacturers (Alstom Transport)
- PPPs have provided them with opportunities to develop and diversify, for instance in airport management the exploitation of motorways
- The 3 majors have won 90% of France’s biggest “Partnership Contracts” (>40 M€):
  - Vinci: almost half, in terms of value
  - Eiffage: 21%
  - Bouygues: 21%
- Few contracts are awarded to independent contractors
- Foreign investors show little interest in the French PPP market
- Raises competition concerns and complaints from independent contractors

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PPPs for public services remain much more frequent than pure infrastructure delivery PPPs

- There are about 10 000 "Delegation of public service"-type contracts in force throughout France (a majority with local authorities)
- They may or may not include the provision of infrastructure, but in any case the primary focus is on service delivery
- About 10% are renewed every year

- In the new "Partnership contracts", the private partner is remunerated by the public body through availability payments only
- Over 550 "Partnership contracts" have been signed since 2004
- The 72 have been considered by a public body, then either converted to traditional public procurement, converted to public service delegation, or abandoned

Challenges for the future

The French PPP market has performed well despite the economic crisis, but…

- In the short/medium term, large infrastructure projects will be constrained by curtailed public budgets, whether for public procurement or ‘partnership contracts’
- Strong public debate over the performance/private profitability (public value for money) of current contracts
- Perception of undue profits has even lead to a push, in some cases, to reconsider/renegotiate/cancel contracts – even through legal action
- Needed harmonization and simplification of the legal framework (too many types of contracts each with narrow rules)

Thank you for your attention

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