Gautrain Rapid Rail Link - A Public Private Partnership Development Model

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TRAFFIC CONGESTION
Traffic on the already congested Ben Schoeman motorway connecting Johannesburg and Tshwane, was projected to grow at 7% per annum from 2005. The traffic volumes would double every 12 years.

URBAN RENEWAL
Gautrain has become a catalyst for urban regeneration and Gautrain’s primary target market is the private car owner, it is not compete with existing public transport

ENVIRONMENTAL SUSTAINABILITY
Gautrain rail transport is the most environmentally friendly mass transit system available. Carbon emissions are a fraction of those produced by equivalent private car usage.

HUMAN CAPITAL
Contributed significantly to the acceleration of socio-economic growth, black economic empowerment and skills development AND Created significant job opportunities and has stimulated business activities both directly and indirectly in the construction, manufacturing, services and communications industries.
The Gautrain will promote:
Public Transport
SMME & BBBEE Development
Tourism
Business development

The project stimulates:
Economic growth
Investment
New development
Job creation

Design to:
Restructure urban areas
Reduce travel distances, time and cost
Improve city sustainability

More than Just Another Transport Project
The Shareholders

- **Bombardier**: A Canadian company and world leader in the aerospace and rail transportation sectors.
- **Bouygues Travaux Publics**: A French company and a world leader in the construction sector.
- **Murray & Roberts Limited**: Listed on the Johannesburg Securities Exchange and one of South Africa’s leading engineering and construction contracting groups with projects worldwide.
- **Strategic Partners Group**: A broad-based consortium of black companies.
- **The J&J Group**: A South African investment holding and management company with investments in a select group of companies. The J&J Group is broad-based and extends to well over 200 000 individuals and their families.
- **Absa Capital, a division of Absa Bank Ltd.**: serving personal, commercial and corporate customers in South Africa.
- **RATP Développement**: Although not an equity partner in the Concessionaire, this is a leading global multi-modal operator a key contributor to the operating and maintenance of the Gautrain rail and bus service.
OECD Publication ‘Infrastructure to 2030’

Amongst 15 policy recommendations:

- ‘The governments of the World can no longer afford to provide necessary infrastructure unaided. There HAVE to be PPP’s’
- ‘Infrastructure is long term in nature and its provision is necessary irrespective of political persuasions’
- ‘Asset management is as important as new capital investment’
- (Recognise climate change, rising sea levels and extreme events)
PPP Projects

Gautrain is a PPP Project where public sector resources are expanded by Private Sector finance for the building of infrastructure for:

- Service delivery
- Job creation
- Fighting poverty
- Multiplier effect in economy
PPP Components

- Technical content
- Financial proposal
- Legal mark-up
- Socio-economic Development
PPP Requirements

- Feasibility
  - Value for money
    - Public Sector Comparator (PSC)
      - (What will it cost if Government does the work through normal procurement process; and including completion and integration risk and cost)
  - Affordability
    - Total cost of project, expressed in Net Present Value (NPV)
    - Yearly cost to the province (contingent liability)
    - Maintain the 80/20% ratio in social vs. rest split in budget
PPP Requirements (continue)

- Feasibility (continue)
  - Risk transfer
    - Identify, cost and allocate various risks to the role players best equipped to mitigate and manage them
The spectrum of PPPs

Outsourcing municipal vehicle fleets and services such as garbage collection, tendered bus services

Degree of private sector control of assets

Public control

Private control

Often broadly defined as concessions

Operations & Maintenance

Outsourcing municipal vehicle fleets and services such as garbage collection, tendered bus services

Operations & Maintenance

Water and Wastewater Facilities

Lease-Develop-Operate

Rent of municipal land

Design-Build-Finance-Operate

Build-Finance-Operate-Transfer

South African Toll Roads, Gautrain

Development of cellular phone network

Turnkey Operation

Degree of private sector control of assets
BOT Advantages

- What each party get from a BOT

Public Sector
- Taxes
- People
- Mobility
- Economic development
- Social function
- Associated benefits

Concession
- Time saving
- Environment protection
- Service Quality

Users

Private Sector
- Design & Construction Contract
- Operation Contract
- Debt Supply
- Incomes
- Profit

Incomes
- Profit

Economic development
- Concession

Social function
- Concession

People
- Concession

Time saving
- Concession

Mobility
- Concession

Associated benefits
- Concession

Taxes
- Concession
Lessons - successful BOT /PPP processes

- Three way institutional linkage
- Top level political patronage
- Ongoing public sector leadership
- Clear set of rules
- Ongoing private sector leadership
- Reality in costing and in revenue streams
- Consistency in application of the rules, including taxation