Financial and Contractual Structure Issues in BRT schemes

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Bus Rapid Transit

Our Experience: BRT and Urban Transit Projects

Ireland
- Department for Transport: Rail Franchising Review
- Department for Transport: Franchise Policy Review
- Eurostar UK: Asset Finance Restructuring
- Freightliner UK: Subsidy Negotiations with DfT
- FTSE 250 Transport Operator: Financial Review
- Greater Manchester PTE: Transport Innovation Fund
- Greater Manchester PTE: Manchester Metrolink Phase 3A
- Greengauge 21: Economic Impacts of High Speed Rail
- Henderson Private Equity: Living Rail
- Leeds New Generation Transport - Bus Rapid Transit Project

United Kingdom
- Network Rail: UK Rail Strategic Review
- Nottingham City Council: Nottingham Tram
- Office of PPP Arbiter: Contract Review
- Private Side Bidder: Angel Trams
- Private Side Bidder: First GB Railfreight
- Private Side Bidder: London Docklands Light Railway
- Private Side Bidder: Merseytram UK
- Private Side Bidder: Rail Franchising Bid
- Strategic Rail Authority: Franchise Review
- Transport Scotland: Edinburgh Trams Light Rail Project
- West Yorkshire PTE: Leeds New Generation Transport

Rest of Europe
- Austria: Brenner Base Tunnel
- Germany: Deutsche Bahn: Acquisition and Disposal Support
- Germany: Munich Maglev Train
- Greece: Attiko Metro Expansion
- Italy: Privatisation Feasibility Study / Options
- Italy: Terms of Service Contracts
- Italy: Operational Efficiencies in transport companies
- Norway: Svas-sticketing
- Portugal: RAVE High-Speed Rail
- Portugal: Metro Montepio Light Rail
- Portugal: Renegotiating Parápublica Transport Concessions
- Russia: Nadzennye Express Light Rail PPP Project
- Sweden: Stockholm Tram
- Sweden: Storstockholms Lokaltrafik: Transformation Review and Implementation

North America
- Canada: Rapid Rail Transit Line
- Canada: Metrolinx Transportation Investment
- Canada: York Rapid Transit System
- Canada: Golden Ears Bridge Project
- Canada: City of Calgary Fleet Services Governance Review
- Canada: City of Toronto Transportation Services Efficiency Review
- Canada: Infrastructure Ontario & Ontario Ministry of Transportation
- Canada: Province of British Columbia Gateway Program
- Canada: Sheppard Subway Rapid Transit System
- Canada: Light Rail Transit Ottawa
- Canada: Intermodal Rail Service Vancouver
- Canada: VIVA Bus Rapid Transit, Ontario
- USA: Anaheim Regional Transit Intermodal Centre
- USA: Texas Multimodal Transportation Network
- USA: Dukes Corridor Metrorail Project
- USA: LA Metropolitan Transit Authority
- USA: Regional Transport Authority Chicago
- USA: Virginia HOT / BRT Lanes
- USA: RTA Chicago Transportation Projects
- USA: California High Speed Rail
- USA: Riverside County Transportation Commission

South Africa
- Tshwane: Economic Evaluation BRT System
- Gauteng: Gautrain Model Integration Study
- Passenger Rail Association: Economic Impact Study Cape Town Rail Link
- Passenger Rail Association: Economic Impact Assessment Rolling Stock Replacement
- Department of Transport: Economic Impact Study - 2010 Soccer World Cup on Transport Sector

United Arab Emirates
- Dubai: Palm Jumeirah Monorail Transit System
- Abu Dhabi: Park and Ride Concession

AS PAC
- Australia: Cross River Rail
- Australia: Sydney Light Rail Extension
- Australia: Melbourne Regional Rail
- Australia: East Coast High Speed Rail Project
- Australia: Victoria New Transport Ticketing System
- Australia: Victoria Rail Franchising and Refranchising
- Australia: Chatswood Station Transit Hub
- Australia: Railways Rolling Stock Supply and Maintenance Procurement
- Australia: Queensland Inner City Transport Mode Capacity Study
- Australia: Melbourne Airport Transit Link
- Australia: New Generation Rolling Stock Project
- Australia: Queensland Rail New Generation Rolling Stock Project
- Indonesia: Study on Financial Sustainability of PT MRT Jakarta
- Jakarta: Feasibility Study on BRT
- Japan: Tokyo Tama Intercity Monorail
- Japan: Kumamoto Electric Railway
- Japan: Tokyo Tama Intercity Monorail – Phase 1
- Japan: Kurnemi Electric Railway
- Pakistan: Karachi Bus Rapid Transit Project
- Singapore: Land Transport Authority Rail Franchising Framework
- Taiwan: Kaohsiung Light Rail System
- Taiwan: Tachung MRT System
- New Zealand: Auckland EMU Procurement

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Bus Rapid Transit
**Introduction**

- Bus Rapid Transit ("BRT") is an effective, cost efficient and high quality public transport system.
- Emulates many characteristics of a modern light rail-based transit system however at a much lower cost.
- While this is the case BRT should be considered as a distinct and separate system with its own specific application and features.
- Various forms of BRT worldwide and various modes of implementing a BRT system with common differences including:
  - Integrated v segregated approach
  - Trolley based buses v diesel fuelled buses
  - Contract structures – managing contractual interfaces
  - Funding - Public, Private, Mixed sources
Bus Rapid Transit
Wider Policy and Market Issues

- Integration
- Flexibility
- Interface
- Legal Framework
- Market Capacity
- Funding
- Revenue Risk
- Planning
- Economic Case
Bus Rapid Transit
Contracting Strategy

- Infrastructure
- Vehicles
- Operations
- Maintenance
**One Contract**

There will be one single, overarching contract for Infrastructure detailed design & construction, maintenance, Vehicles (design, construction and maintenance) and Operations.

**DBOM Contract**
- Contract Length: 25 – 30 years

**Subcontractors**
- Infra
  - Contract Length: 25 – 30 years
- Vehicles
  - Contract Length: 10 – 15 years
- OPs
  - Contract Length: 10 – 15 years

**Promoters**

**SPV Infra, Vehicles & OPs**

**Headline Contract (Project Agreement)**

**Sub-contract**

**Interface Agreement**

**Private Sector consortia interface**
Bus Rapid Transit
Contract Options – One Contract

Advantages

• Optimal interface risk transfer
• Short term risk management
• Reduced administration burden
• Straightforward dispute resolution
• Consistent with general procurement objectives

Disadvantages

• Clear Communication strategy essential
• Intense dialogue process
• Less flexible
Two Contracts

Two contracts for: (i) Infrastructure detailed design, construction & maintenance; and (ii) Vehicle design, construction & maintenance and Operations
Bus Rapid Transit
Contract Options – Two Contracts

Advantages

• Stronger bids than single competition
• Increased flexibility

Disadvantages

• Increased interface risks
• Complex Performance Regime
• Complex Payment Mechanism
• Requires collaboration
Three Contracts

Three contracts for: (i) Infrastructure detailed design, construction & maintenance; (ii) Vehicle design, construction & maintenance; (iii) Operations.
Advantages

- Increased flexibility for bespoke contracts

Disadvantages

- Increased interface risks
- Future upgrades complex
- Complex performance regime
- Increased administrative burden
For BRT to be successfully delivered, it is essential that the procurement strategy considers BRT as an integrated system rather than a series of individual components. Consequently, when evaluating a procurement approach, this should be at the forefront of the evaluation criteria. Some of the key issues to be considered are outlined below:
Bus Rapid Transit
Financing BRT Projects

• Most BRT systems tend to be publicly funded through Government Departments and Local Authorities

• Public funding gaps however could be bridged by private finance to cover shortfalls

• Private finance could also help to align the incentives of all parties; for example, operators with an equity investment in the project will be more likely to focus on ensuring performance targets and objectives are met

• While private finance may be a valuable source of financing for future BRT projects there are a number of issues to be considered in attracting private investment

• These include, for example:
  ➢ Wider policy, strategic and legal framework;
  ➢ Technical and operational aspects of the project;
  ➢ Contractual structure – does it allow private finance;
  ➢ Risk allocation under the structure / contract;
  ➢ Payment mechanism / performance regime
Few banks were prepared to provide long term infrastructure finance, particularly at the riskier end, in recent years.

However, there has been an uplift in the market of late and increased funding appetite from banks and institutional debt providers (both domestic and foreign).

Nonetheless, cost of capital and access to long-term liquidity coupled with Basel III regulation make long-term lending more difficult.

EIB will lend long-term (but only to the maximum tenor of the commercial banks (if any)).

Patronage risk is a simple “no” for many banks. Those who will take the risk will be robust in their analysis and pessimistic in their assumptions.

General market trend is fewer and fewer banks able to look at patronage projects on a long-term basis.
Bus Rapid Transit
Other Issues for Consideration

- Bus Contract Duration
- Structure
- Authority Role
- Future Routes
- Latent Defects
- Integrated Ticketing
- Maintenance
- Integration
- Vehicle type
- Performance Management
- EU & National Laws
Thank You

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