Models for private financing of rail infrastructure

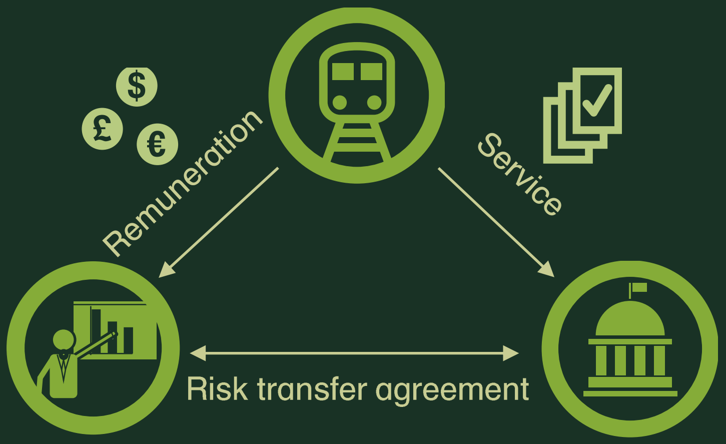
International Railway Congress

Andrew Meaney, Partner and Head of Oxera’s Transport team

18 March 2019

PPP, concessions and RAB model—definitions

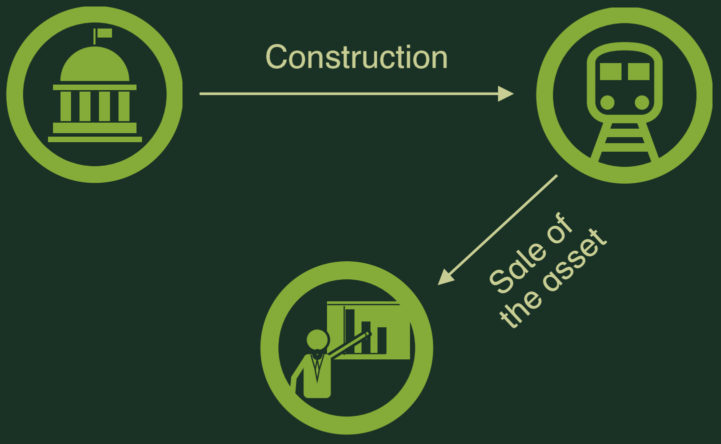
PPP



Private partner
Objective:
fair return on investment

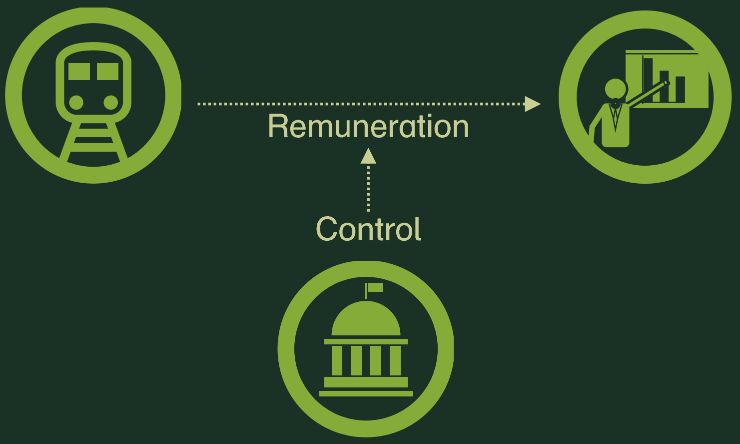
State
Objective:
service delivery

Concessions



Private partner
Objective:
fair return on investment

RAB model



State
Objective:
service delivery

Typical financing models to deploy for new rail infrastructure

oxera

Risk allocated to investor

PPPs

Benefits
- Potential efficiency gains during management and construction
- Lack of time-inconsistency problem

Issues
- Lack of flexibility
- Can require adopting long-term traffic risk

Concessions

Benefits
- Potential efficiency gains during management
- Lack of time-inconsistency problem

Issues
- Flexibility limited by contractual provisions
- Balance sheet treatment depends on risk allocation

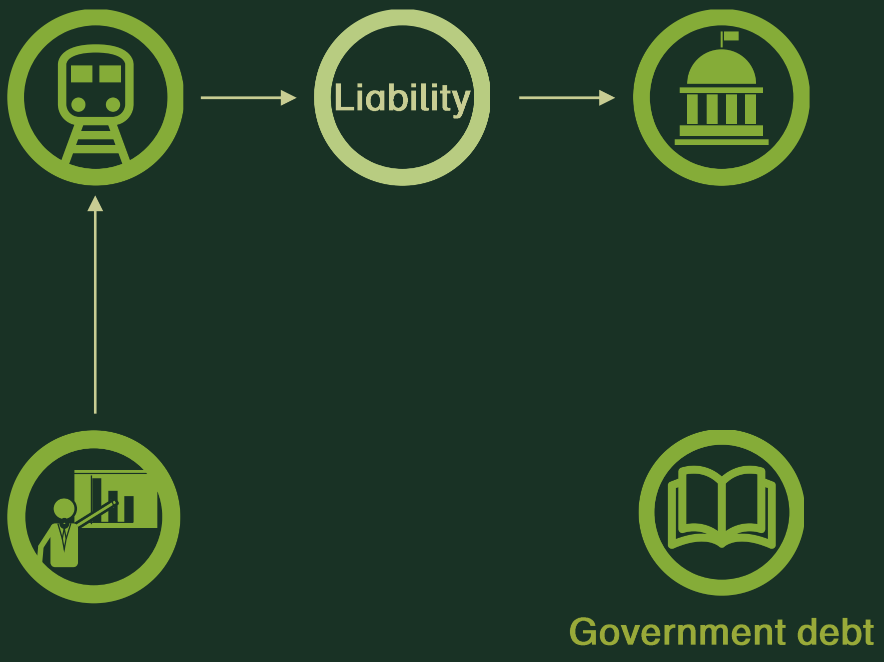
RAB model

Benefits
- Lack of time-inconsistency problem
- Less risky for investors than other models
- Enables regular reassessments

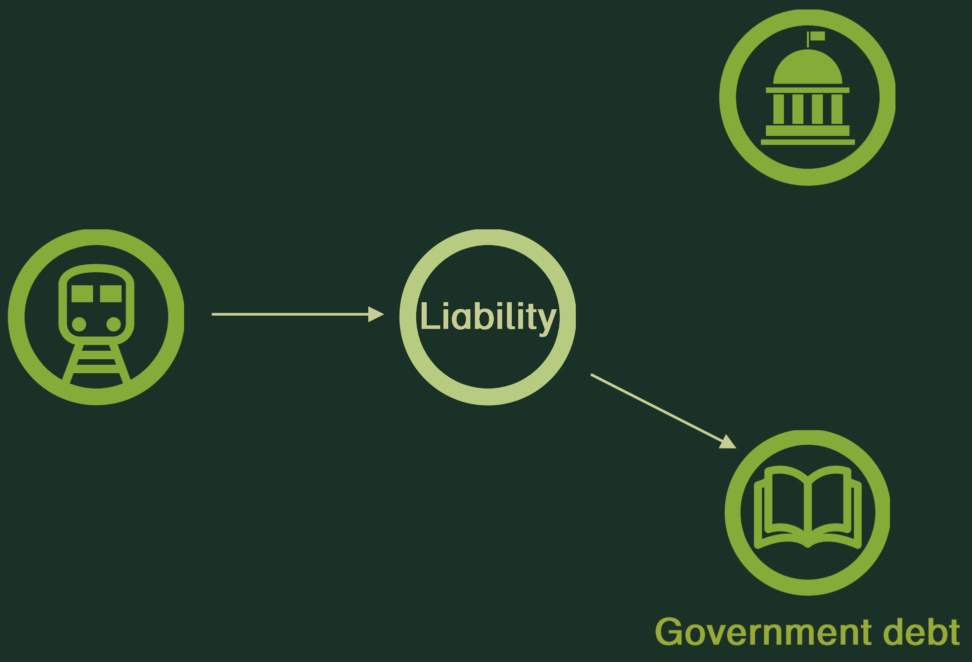
Issues
- Problem of the initial RAB valuation
- Public procurement

Government balance sheet issues

Private financing



Traditional procurement method



Models for private financing of rail infrastructure

Andrew Meaney

Partner and Head of Oxera’s Transport team

+44 (0) 7812 105978

www.oxera.com