

Paris, 26 October 2016

Arafer approves the draft concession contract for the A45 motorway between Lyon and Saint-Etienne

Declared to be in the public interest in 2008, the project for the new A45 motorway intended to connect Lyon to Saint-Etienne was opened up to a tender process. Last July, the French rail and road regulatory body (Arafer) was consulted on the draft concession contract. At the end of three months of inquiries, Arafer issues a positive opinion.

The concession project of the A45 concerns the construction of a new, free-to-use 47 km motorway between Lyon and Saint-Etienne, parallel to the existing A47 motorway. Following a competitive tender process, the preferred bidder declared by the State is a consortium led by the Vinci group.

Arafer is responsible for ensuring the efficient operation of the motorway toll system and gives prior notice of any new draft motorway concession contract or any amendment to an existing contract which would have an impact on tolls or the duration of the concession. It was in this regard that, on 26 July 2016, the Government approved the draft contract relating to the concession of the A45.

It is not for the rail and road regulatory body to decide on the utility of the project, which falls under the public utility declaration procedure (DUP). It is not within its sphere of authority to take a position on the way in which the work is carried out, by way of concession rather than under public control, or on the desirability of finalising the project given the level of public assistance required, even if it were high. The latter two decisions are the sole responsibility of the State.

On the basis of information gathered from State services, Arafer checked the nature of the bidder's expenses, while verifying the amounts compared to established reference averages and data from motorway projects with similar features. This analysis did not raise any particular observations.

Arafer also checked the justification of toll levels, taking into account the planned public assistance for the project (845 million euros, or about two thirds of the construction costs). Moreover, the traffic forecasts used in the bid, which are lower than those of the DUP but slightly more positive than the forecasts made by State services in 2005 in the preliminary draft, do not require comment, with the bidder alone bearing the traffic risk.

Finally, the regulator has endeavoured to assess the effectiveness of the clauses in the draft contract, which, where appropriate, outperform initial expectations. Arafer considers that the planned scheme is generally satisfactory, while noting in particular the priority given in this case to the reimbursement of the State and contributing local and regional authorities. This choice, which is not in itself debatable given the importance of their financial commitment, leaves little prospect for A45 users to see a reduction in the duration of the concession or a revision to the reduction of tolls.

Potential improvements are suggested for the future. In particular, Arafer invites the State to deepen its thoughts on the evolution of the clause sharing the results of the concession, in order not only to

include possible additional turnover but also to integrate any possible positive effects, for the bidder, of lower construction or operating costs than originally envisaged.

In conclusion, based on the analysis of revenue and projected costs, the rail and road regulatory body considers that the internal rate of return (IRR) of the project as well as the shareholder's remuneration forecast reflect a reasonable balance, taking into account, on the one hand, identified risks, the most important being linked to the competition of a free alternative route and, on the other hand, the framework provided by the clauses laid out in the draft specifications.

Under these conditions, on 19 October 2016, Arafer issued a positive opinion on the draft concession contract for the A45.

About Arafer

Since 2010, the French railway sector has had an independent regulatory body which accompanies its gradual opening to competition. The “Macron” Act of 6 August 2015 extends the powers of the regulator to road activities: coach transport and motorways.

On 15 October 2015, the rail regulatory body became the rail and road regulatory body (Arafer). Its mission is to contribute to the efficient operation of the public service and competitive activities for the benefit of rail and road transport customers. Its public opinions and decisions are adopted by a group composed of seven independent members chosen due to their expertise in railway, road, legal or economic matters or because of their expertise in competition matters and has been chaired since August 2016 by Bernard Roman.