

Is there a Concession Route to PtP?

Marcos Kisil
PtP Hanover, Ge
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mkisil@idis.org.br



Public concession

- A contract between government and a private company whereby government transfers to the second the responsibility to perform a public service, not the ownership. A concession is for a limited period of time and can involve the construction and maintenance of infrastructure, operation of facilities with fare paid by users, and hiring of personnel outside of the public service labor law. In general the government makes a public auction receiving the best offer in cash.



Concessions: Key Features for PtP

- It is a kind of **Public/Private Partnership**.
- Based on **bidding and specific contract**.
- It gives a concessionaire the long term right to use all utility assets that public authority conferred, including responsibility for operations and some investment.
- **Asset ownership remains with the public authority. Assets revert to the authority at the end of the concession period, including assets purchased by the concessionaire. Because of it, each cycle of a concession assets gain value due of investment done.**
- **The concessionaire will pay a concession fee to the authority.**
- The concessionaire has responsibility for not only operation and maintenance of the assets but also for financing and managing all required investment.
- The concessionaire takes risk for the condition of the assets and for investment.
- A concession is typically for a period of 25 to 30 years (i.e., long enough at least to fully amortize major initial investments).
- Concessions can occur in areas of infrastructure but also in management of forestry, water system, cultural places, highways, ports, airports, public parks.
- **It is a well-consolidate mechanism for public/private partnership.**
- **A concession is a specific term in civil law countries.**



During the 90s: Privatization in the top of agenda

- Success, efficiency in several cases (Mining, Communication, Steel Industry) now acknowledged
- Abuse of privatizations (Health Insurance in Chile)

From 2000 on leftist regimes (Venezuela, Bolivia, Brazil, Argentina): decrease, almost stop, and in some cases re-nationalized (Aerolineas Argentina, Oil and Gas in Bolivia and Venezuela)

2014-2015 crisis → bailout-nationalizations → new liberal regimes

- Paraguay
- Peru
- Argentina
- Brazil

Re-started privation through concessions (oil and gas, transportation- including ports, airports, highways, natural reserve areas, and others)

- A long list of concessions and PPP for the next five years



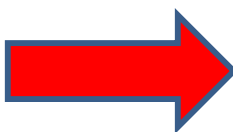
2015 Global PPI Update

World Bank

TABLE 2: TOTAL INVESTMENT COMMITTED BY SECTOR, 2015

	Number of Transactions	Average Investment Commitment (US\$ Millions)	Total Investment (US\$ Billions)	% Total
Transport	55	\$1,271	\$69.9	63%
Energy	205	\$184	\$37.6	34%
Water & Sewerage	40	\$113	\$4.1	4%
Total	300	\$372	\$111.6	100%

TABLE 3: TOTAL INVESTMENT BY REGION, 2015

	Number of Projects	Total Investment (US\$ Billions)	% Total
 LAC	128	\$35.2	32%
ECA	15	\$48.7	44%
EAP	79	\$13.5	12%
AFR	23	\$6.3	6%
SAR	43	\$5.6	5%
MNA	12	\$2.3	2%
Total	300	\$111.6	100%*

Brazil 2015: Privatization and Concession

Next five years

Projected Investments
US \$ 60 Billions



Highways
US\$20 billions



Railroads
US\$20 billions



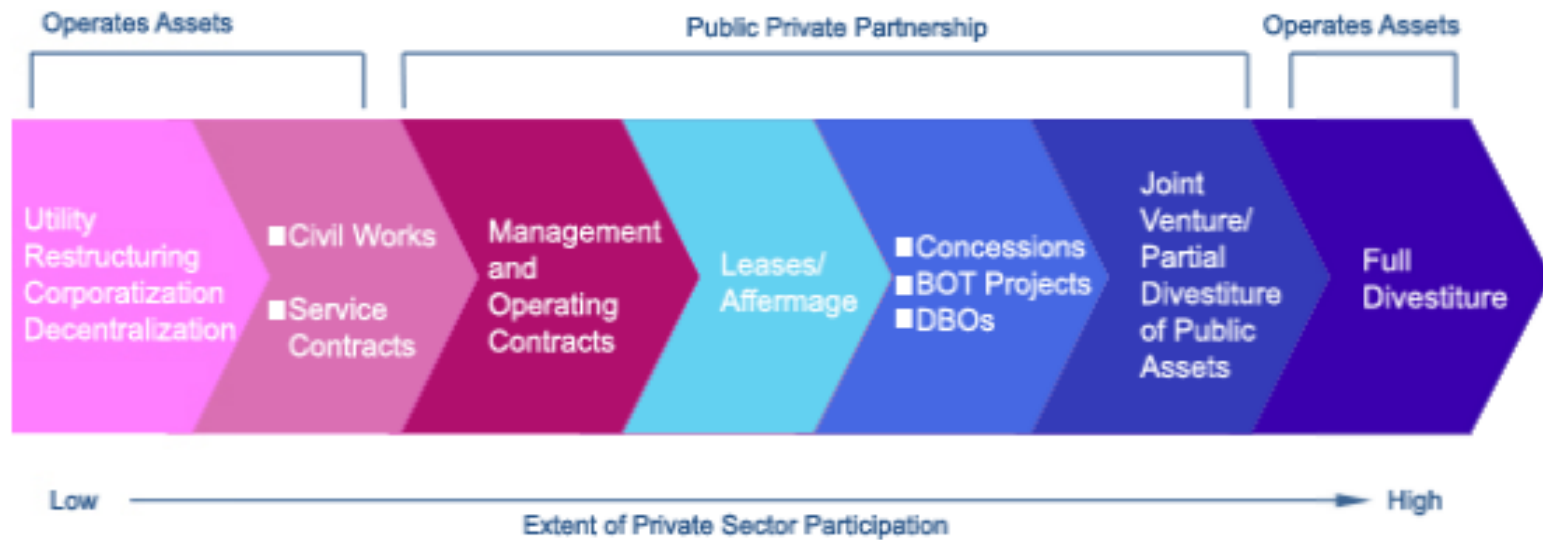
Ports
US\$12 billions



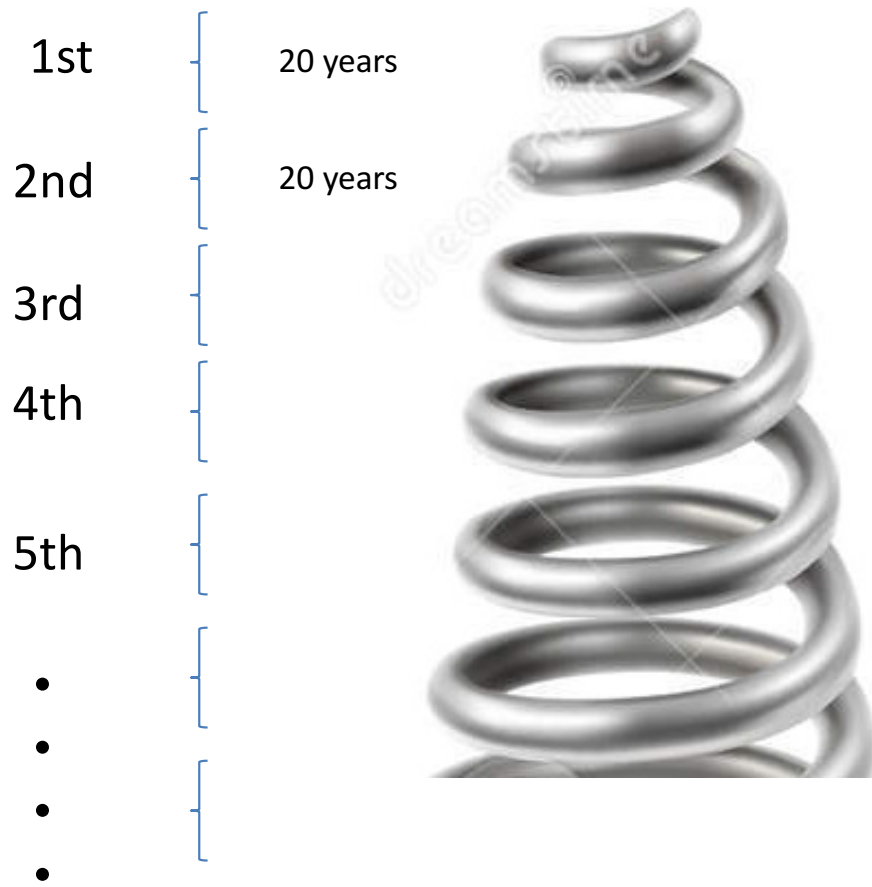
Airports
US\$ 8 billions



Types of Public-Private Partnership Agreements



Concession

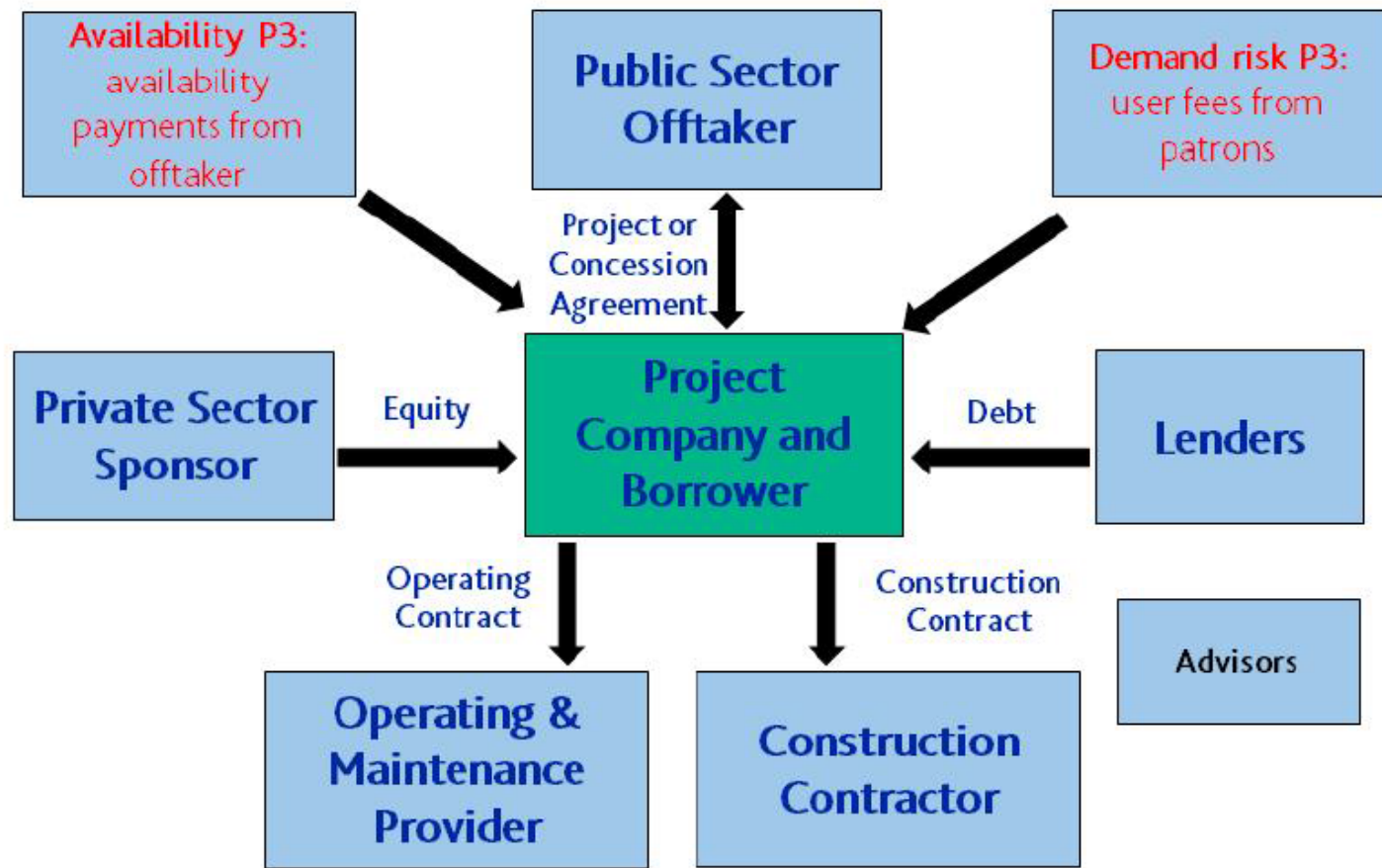


The same bridge should receive \$\$ for investment besides de maintainance. The value of the bridge increase for each term of concession



Who are the key parties in a Concession

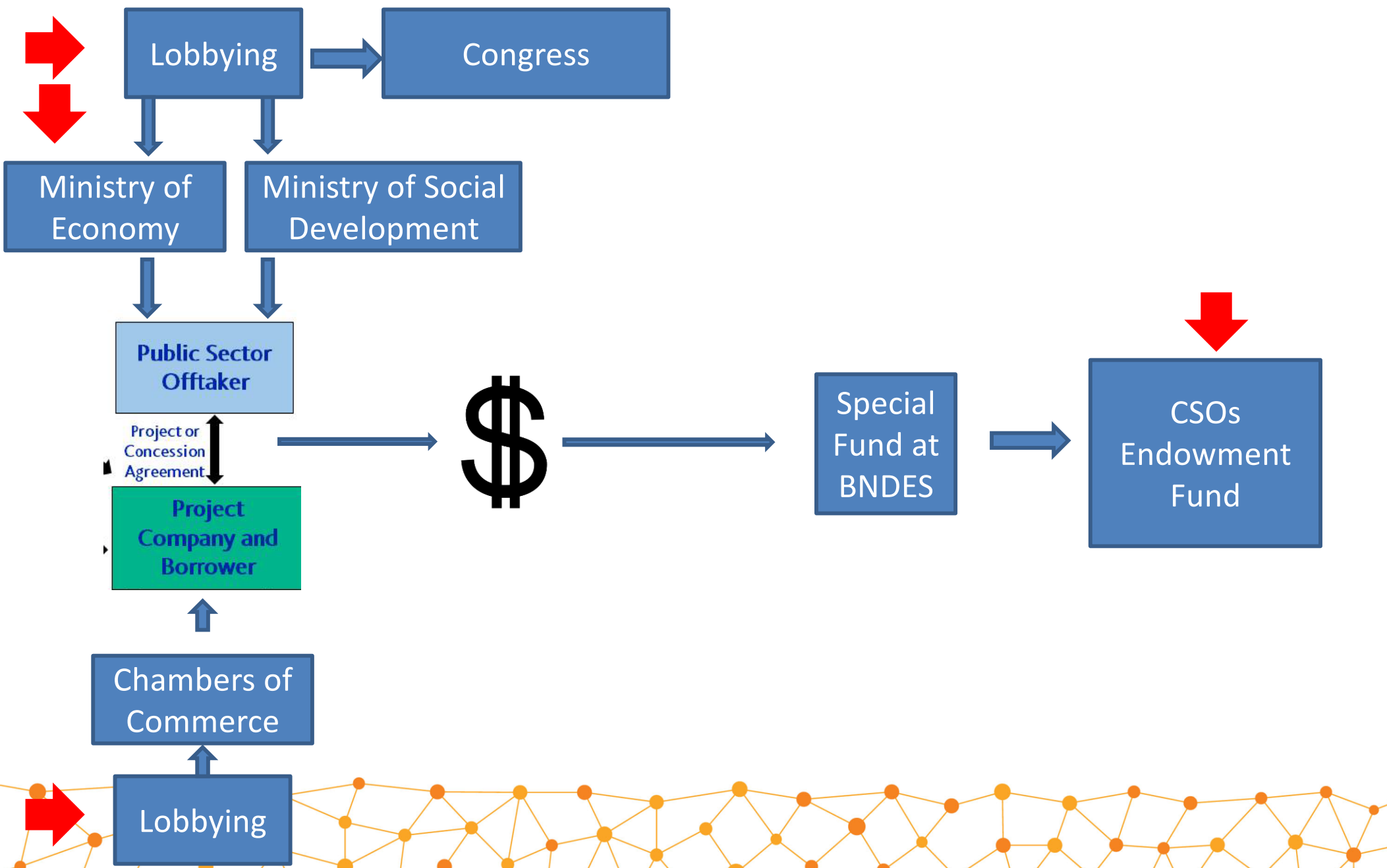
- Include Social Fund
- Value CSR



Source: Moody's Investors Service



Where to lobby potential key parties in Endowment Funds for CSOs in Brazil



Concession: a route to PtP

- Concession has less resistance than pure privatization
- Private shareholders for a period of time **reduce probability of reversal** of concessions with change of government (more common in pure privatization).
- For the same, or increased assets each concession cycle is an opportunity for new endowment funds.
- PtP should be recognized as a way to increase endowment funds by public authorities and by private concessionaires.
- Civil society organizations must be engaged to lobby for PtP.



More Information

Marcos Kisil

mkisil@idis.org.br

