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Direct Contractual Agreements - Case Studies

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Case study - Brownfield concession agreements for asset monetization

Toll-Operate Transfer (TOT) of Asset Monetization (Bundle 1) in India

The TOT Bundle 1 consisted of 682 km of highways across nine highways in Andhra Pradesh and Gujarat, with strong traffic from the presence of ports, industrial and commercial areas in the vicinity of the project. The TOT Bundle 1 toll roads had a higher share of commercial traffic at 85% as compared to the corresponding national average of 75%.

Transaction Details

Asset Type	Toll Roads
Investor	Macquarie Infrastructure and Real Assets
Transaction Size	INR 96,820,000,000
Initial Estimated Concession Value	INR 62,580,000,000

Concession Period	30 years

Investor Class: TOT Bundle 1 garnered strong interest from strategic and financial investors. The bidders of the project include Macquarie Group (winning bidder), Brookfield Asset Management, IRB Infrastructure, Roadis, and the National Investment and Infrastructure Fund (NIIF).

Bidders	Bidder Profile
Macquarie Group (winning bidder)	MAIF Investment of Singapore (Macquarie), an investment bank and financial services company.
Brookfield Asset Management	An alternative asset management company focusing on real estate, renewable power, infrastructure, and private equity.
IRB Infrastructure	An Indian highway construction company.
Roadis and the National Investment and Infrastructure Fund (NIIF)	JV of a road developer and operator, and an infrastructure specific investment fund (set up by the Government of India).

Key Takeaways

- Asset selection: Assets should be (i) be operational with observable traffic demand from historical data and be supported by (ii) reliable traffic forecast with (iii) substantial capital expenditure already incurred thereby de-risking the concession from development and construction risks.
- Risk allocation: Market-appropriate commercial terms and risk allocation, such as, (i) ensuring no competition during concession period (ii) providing downside protection by extending the concession period under certain circumstances (iii) toll charges are subject to periodic escalation indexed an appropriate index (iv) market accepted termination clauses (v) and an independent body for dispute resolution significantly encourages participation by investors.
- Market testing: Ensure that key terms in the draft concession agreement are made available for the stakeholder consultation before the tender process, including investors, and for public consultation.

Source: Ministry of Road Transport & Highways (https://pib.gov.in/PressReleasePage.aspx?PRID=1580287)

Case Study on long-term lease agreement

99-year Lease of Transgrid under Asset Recycling Initiative (ARI), Australia

Transgrid is the owner and operator of the high voltage electricity transmission network in NSW. Transgrid was leased out by the New South Wales Government in Australia for 99 years to the consortium, NSW Electricity Networks in 2015. Transgrid’s infrastructure assets include transmission lines, high voltage underground cables, substations, switching stations, and digital infrastructure.

Transaction Details

Asset Type	Electricity Transmission Network

Investor	NSW Electricity Network Consortium: • Hastings Fund Management (20.02%) • CDPQ (24.99%) • Tawreed Investments (19.99%) • Wren House Infrastructure (19.99%) • Spark Infrastructure (15.01%)
Transaction Size	AUD 10.258 billion (14.7x EBITDA)
Lease Period	99 years

Investor Class: The lease transaction garnered strong interest from institutional and financial investors, including the NSW Electricity Networks, China State Grid, Macquarie Infrastructure and Real Assets, consortium consisting of IFM Investors and QIC, and a consortium comprising AustralianSuper, CPPIB and Borealis Infrastructure.

Bidders	Bidder Profile
Hasting Fund Management	Specialist infrastructure fund manager
CDPQ Tawreed Investments	Canadian pension fund Infrastructure investment vehicle of Abu Dhabi Investment Authority
Wren House Infrastructure	Wholly owned subsidiary of the Kuwait Investment Authority
Spark Infrastructure	Publicly listed owner of energy infrastructure
China State Grid	China state-owned electric utility corporation
Macquarie Asset Management	Macquarie Group’s global asset manager investing across multiple infrastructure sectors of power, utilities, airports, roads, rail, and ports
IFM Investors QIC	Global fund manager investing on behalf of institutional investors Government-owned investment company
AustralianSuper	Australian superannuation fund
CPPIB	Canadian pension fund
OMERS Infrastructure	Canadian asset manager

Key Takeaways

- Significant preparation: Significant time invested on pre-transaction planning on size and shape of asset to be monetized considering policy issues, identification of any gaps that may affect the valuation and addressing those gaps before going into the transaction phase.
- Strong advisory team: Procuring specialist advisors that are appointed early, including lead financial advisor, legal, technical, environmental, economic forecasting, tax, and accounting

- Clear transaction process: A transparent and well-prepared transaction process
- Clarity of assets and price path: Significant due diligence on assets made available to bidders
- “No surprises” for bidders: Well-structured procurement process with transparency throughout the transaction process
- Flat hierarchy and simplified governance: Flat hierarchy with minimum number of stakeholders involved between the Federal Government, State Government and SOE have allowed a close collaboration and clear communication in the transaction process
- Striking the right balance in risk allocation for assets to be recycled

Source: IJ Global (https://www.ijglobal.com/articles/99114/transgrid-australia)

Case study on brownfield concession agreement

15-years Concession Agreement (Asset Recycling) for the Ninoy Aquino International Airport (NAIA), Philippines

Ninoy Aquino International Airport (NAIA) is the primary international gateway to the Philippines, located approximately 8 kilometers south of Manila. NAIA consists of four passenger terminals with a handling capacity of 32 to 35 million passengers per year. In 2023, it handled around 45 million passengers, at around 30% to 40% above its planned capacity. The airport faced significant challenges related to capacity and infrastructure, leading to long queues and delays.

The government initiated the asset recycling of NAIA with the twin aim to monetize the future revenue potential and significantly improve passenger experience and operational efficiency across all facilities of the airport (this includes runways, four passenger terminals, and associated facilities, e.g., commercial assts and utility systems, airside facilities, surface access facilities for intermodal transfer and inter-terminal passenger transfer facilities):

- Increase passenger capacity from 35 million passengers per year to 62 million passengers per year, and
- Increase air traffic movements (ATMs) from 42 ATM per hour to 48 ATM per hour

This asset recycling transaction marks the first public-private partnership (PPP) contract awarded under Philippines’ new PPP Code that took effect in December 2023[1].

Transaction Details

The New NAIA Infra Corp (NNIC), the winning bidder for this transaction, signed the concession agreement on 18 March 20241. NNIC will rehabilitate, operate, and expand the airport under a rehabilitate-operate-expand-transfer (ROET) arrangement1. It assumed management of the airport on 14 September 2024[1].

NAIA Concession Details	
Asset Type	Airport Infrastructure

Investor(s)	New NAIA Infra Corp (NNIC), previously known as SMC-SAP & Company Consortium: • San Miguel Holdings Corp., • RMM Asian Logistics Inc., • RLW Aviation Development Inc., and Incheon International Airport Corp[1]
Transaction Size	Approximately USD 3 billion (approx. PHP 170.6 billion) The initial terms of reference include[1]: • Upfront payment: USD 0.5 billion (approx. PHP 30 billion) • Annuity payments: USD 0.03 billion (approx. PHP 2 billion) Remit a percentage of future gross revenues to government: 82.16% of future gross revenue excluding Passenger Service Charges1 (proposed by the SMCSAP & Company consortium in their winning bid)
Concession Period	15 years, with a potential extension of an additional 10 years[1]

Note: The extension will be determined on the 8th year[1] of the concession. It will be contingent upon the concessionaire's adherence to the terms and performance standards set in the agreement.

Investor Class

The concession generated strong interest from conglomerates and strategic investors in the Philippines. The final three (3) bidders that qualified for the bid were Manila International Airport Consortium, GMR Airports Consortium, SMC SAP & Company Consortium. The consortiums consisted of a mix of global and local conglomerates, which focus on infrastructure development and investment in the Philippines with strong experience in airport management and construction.

1. The Manila International Airport Consortium (MIAC) was led by US-based global infrastructure investor Global Infrastructure Partners, with the support from several Philippines based conglomerates such as Filinvest Development Corp., Aboitiz InfraCapital, Inc., Alliance Global Group, Ayala Corp, JG Summit Infrastructure Holdings Corp., and Asia’s Emerging Dragon Corp.
2. The GMR Airports Consortium was led by GMR Airports International B.V. (an Indian infrastructure company) and supported by House of Investments, Inc., (a Philippines-based family-owned investment firm), and Cavitex Holdings Inc. (a local infrastructure company).
3. The SMC SAP & Company Consortium was led by San Miguel Holdings Corp. (a Philippines-based conglomerate) and supported by RMM Asian Logistics Inc., (Philippines-based freight forwarding & logistics company), RLW Aviation Development Inc., and Incheon International Airport Corp. (a South Korean airport developer and operator). The consortium proposed the highest share of future revenues at 82.16% (compared to 33.30% by GMR and 25.91% by MIAC).

Sources: Public Private Partnership Center, Philippines [Press release] releases/smc-sap-company-consortium-signs-naia-ppp-concession-agreement-first-ppp-contract-to-be-awarded-since-effectivity-of-ppp-code/

Sources: Public-Private Partnership (PPP) Center, Republic of the Philippines [Press release] releases/smc-sap-company-consortium-signs-naia-ppp-concession-agreement-first-ppp-contract-to-be-awarded-since-effectivity-of-ppp-code/

Asian Development Bank https://www.adb.org/news/speeches/signing-ceremony-ninoy-aquino-international-airport-concession-agreement-scott-morris

Manila International Airport Authority https://www.miaa.gov.ph/images/stories/Bidding/20230918-information-memorandum-naia-ppp.pdf

Case study on brownfield concession agreement

25-years Concession Agreement for the Mactan-Cebu International Airport, Philippines

Mactan-Cebu International Airport (MCIA) is the second largest airport in the Philippines located on Mactan Island approximately 8 kilometers from Cebu City. It serves as a crucial hub for both domestic and international flights. In 2013, the Terminal 1 of the airport handled 7 million passengers, almost 50% above its planned capacity of 4.5 million passengers.

The government of Philippines sought private investment through a public-private partnership (PPP) model to attract capital and expertise to (i) expand infrastructure, and (ii) improve the service quality at the airport.

The GMCAC, a consortium formed by GMR Group and Megawide Construction Corporation, signed a 25-year concession in 2014 under a Build-Operate-Transfer (BOT) agreement to develop, operate, and maintain the airport:

1. Construction of new terminal (Terminal 2) dedicated to international flights. The construction started in 2015 and operations commenced on July 1, 2018. The new terminal has an annual capacity of 8 million passengers; this increased the planned capacity of the MCIA by 1.8 times to 12.5 million passengers per year.
2. Renovation of existing terminal (Terminal 1); the renovations and rehabilitation works to the existing passenger terminal building was completed on August 27, 2019. The Terminal 1 is now dedicated to domestic flights after the renovations,
3. Development of associated facilities; the associated facilities developed include an apron for Terminal 2 and landside amenities, such as baggage handling system, parking, and check-in counters.
4. Improvement of operational efficiency: the GMCAC assumed operations and maintenance (O&M) since November 2014, leading to improvements in efficiency and overall operations of the airport.

Transaction Details

The New NAIA Infra Corp (NNIC), the winning bidder for this transaction, signed the concession agreement on 18 March 20241. NNIC will rehabilitate, operate, and expand the airport under a rehabilitate-operate-expand-transfer (ROET) arrangement1. It assumed management of the airport on 14 September 20241.

Mactan-Cebu International Airport Concession Details	
Asset Type	Airport Infrastructure

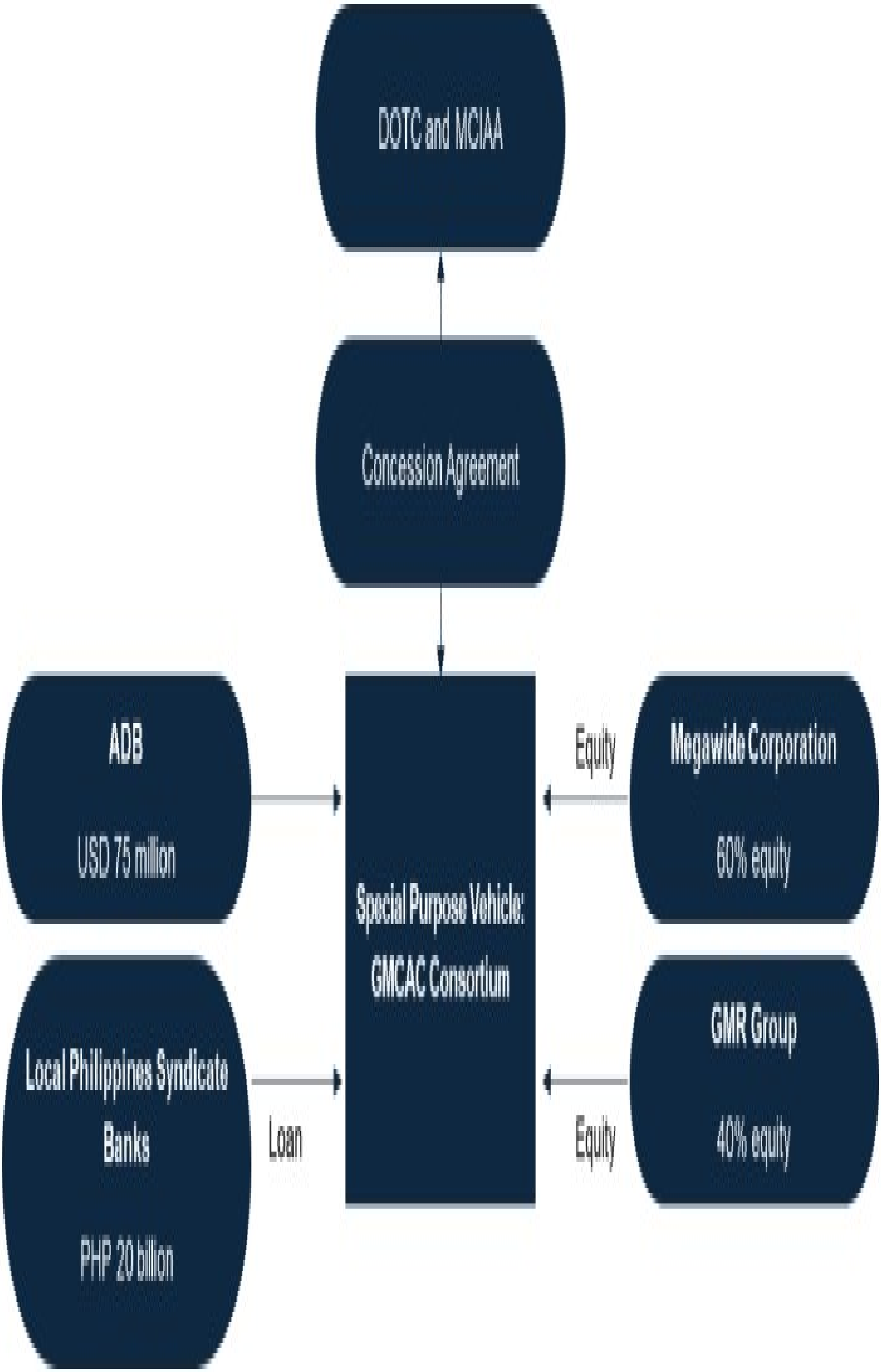
Investor(s)	GMR Megawide Cebu Airport Corporation (GMCAC): • GMR Group • Megawide Construction Corporation
Transaction Size	Upfront payment of USD 250 million (PHP 14.4 billion) to the Philippines government
Concession Period	25 years, with a potential extension of an additional 10 years[1]

Project Financing

The GMCAC consortium required approximately USD 560 million (approx. PHP 33 billion) in project financing to undertake the construction, comprising:

1. USD 73 million (approx. PHP 4.3 billion) commitment of ADB, and
2. USD 340 million (approx. PHP 20 billion) commitment from 7 Philippines banks

[insert figure: 25-years Concession Agreement for the Mactan-Cebu International Airport, Philippines]


DOTC and MCIAA
Concession Agreement
ADB
USD 75 million
Local Philippines Syndicate Banks
PHP 20 billion
Loan
Special Purpose Vehicle: GMCAC Consortium
Equity
Megawide Corporation
60% equity
GMR Group
40% equity
Equity

Source: Asian Development Bank (https://blogs.adb.org/blog/cebu-airport-expansion-clears-path-future-large-scale-ppps-philippine

Investor Class[1]

The bid attracted several notable consortia, each with a combination of local and international expertise:

1. The MPIC-JGS Airport Consortium comprised Metro Pacific Investments Corporation (MPIC), MPIC JGS Airport Holdings Inc., and Aéroports de Lyon. The consortium included a Philippine-based investment and holding company, a joint venture between the prominent Pangilinan and Gokongwei families, and a French airport developer known for its operational excellence.
2. The AAA Airport Partners Consortium, comprised A2 Airport Partners and ADS & HAS Airports Worldwide Inc. This group represented a joint venture of Ayala Land and Aboitiz Equity Ventures, and a U.S.-based airport developer and operator.
3. The Filinvest–CAI Consortium comprised Filinvest Development Corp. and Changi Airports Mena Pte Ltd. This consortium leveraged the strengths of a leading Philippine conglomerate and Singapore's Changi Airport, known for its world-class airport management and development capabilities.
4. The San Miguel Corp–Incheon Airport Consortium comprised Incheon Airport International Corp., San Miguel Corp’s Optimal Infrastructure Development Inc., Mactan Capitana Holdings Inc., and Skylake Incuvest & Co. It featured South Korea's leading airport developer and local-based conglomerates.
5. The First Philippine Airports Consortium comprised First Philippine Holdings Corp. and Infratil Asia Ltd., representing a Philippines-based management company paired with a New Zealand-based infrastructure investment firm.
6. The Premier Airport Group comprised SM Investments Corp., Citadel Holdings Inc., Zurich Aiport Internation AG and Prospector Investment Holdings Inc. This combined local conglomerates with the Zurich airport operator.
7. The GMR Infrastructure–Megawide Consortium comprised Megawide Construction Corp. and GMR Infrastructure Ltd. This partnership combined a prominent Philippines construction firm with an Indian infrastructure group with airport development and operator experience.

Sources: Public-Private Partnership (PPP) Center, Republic of the Philippines , l, Sources: Public-Private Partnership (PPP) Center, Republic of the Philippines https://ppp.gov.ph/ppp_projects/mactan-cebu-international-airport/?wppa-occur=1&lang=en&wppa-cover=0&wppa-album=dd4a46d51c2efeda.2e82467829e30ad1&wppa-photo=c0cc27341918fc1d

Asian Development Bank https://www.adb.org/projects/48271-

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This section has not been prepared with any specific transaction in mind and are meant to serve only as general guidance. It is therefore critical that the content will be reviewed and adapted for specific transactions.

This is a new section of the website and is currently in draft form. For feedback on the content of this section or to suggest additional links or materials, please contact the PPP Resource Center using the feedback form.