

Fewer 'Grands Projets' for France

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Entering the fourth month of Emmanuel Macron's presidency in France, the new administration looks unlikely to boost activity in the domestic infrastructure sector. A major transport privatisation is rumbling on and the CDG Express project financing is nearing the market, but other ambitious greenfield projects look on the back burner.

As Prime Minister Édouard Philippe put it, France is grappling with a €2.1 trillion (\$2.49 trillion) debt "volcano". To tackle it there will be cuts to public spending, though there is promise of a €50 billion investment programme. With an eye on using the proceeds to fund innovation and research, Minister for the Economy Bruno Le Maire announced in early July a plan to raise €10 billion from selling public shareholdings of companies, though few details have yet been confirmed.

Airports opportunities

The French market is eagerly waiting for the privatisation of part of the share capital of the country's largest airport operator Groupe ADP (formerly known as Aéroports de Paris).

The state owns 50.6% of Groupe ADP, while other significant shareholders are Vinci with 8%, Schiphol Group 8% and Predica 4.8%. Co-shareholder Vinci, the market speculates, is likely to look at the government's stake. On 2 August, Groupe ADP's market capitalisation on Euronext Paris stood at around €14.4 billion.

In France Groupe ADP includes the Paris Charles de Gaulle, Paris Orly and Paris-Le Bourget airports, while globally it has operations at 26 airports, including through a 46.12% stake in Turkey-based TAV Airports.

Privatisations of the [Toulouse-Blagnac](#), Lyon and Nice airports took place in 2015 and 2016. The [sales of controlling stakes in Nice and Lyon airports](#) last year came in at valuations of 20x and 19x EBITDA. The H1 2017 EBITDA of Groupe ADP was €610 million.

And the Groupe ADP privatisation is not the only airports opportunity in Paris to excite investors.

With the 2024 Olympics all but confirmed to take place in Paris and draw a tourism boon, the Charles de Gaulle air-rail link construction project [CDG Express is moving ahead](#) with impetus to meet that opening deadline. Los Angeles dropped its rival bid to host the Olympics just this week, instead pitching for the 2028 games.

IJGlobal recently revealed that Groupe ADP, SNCF Réseau and CDC Group - the CDG Express sponsors - are expecting to have incorporated the special purpose vehicle for the project by the end of the summer. The bank market can be approached thereafter for the project debt, with a concession contract potentially signed by year-end. The equity commitment is due to come to around €500 million according to *IJGlobal's* sources, with the rest of the €2 billion cost to be met by debt.

"Day-to-day" transport projects to the fore

But the outlook for other greenfield transport projects is gloomier. In mid-July, the new Transport Minister Elisabeth Borne told the nation that various large infrastructure projects are on hold and under review as the country considers the mobility model it intends to advance.

The government said it would establish with the regions a National Council of France in mid-July 2017 and it would prioritise activities to formulate a five-year plan for investment. This council will also work toward a new transport law in early 2018 to confirm the plan in law and allow for financial commitments.

Legacy projects that Borne has paused are the Canal Seine Nord and Lyon-Turin Tunnel.

On 1 July, while attending the opening of the Le Mans-Rennes high speed rail (LGV) line President Macron said: “The dream of the next five years should not be new big projects like this.” Macron referred to improving the conventional network and “day-to-day” travel for citizens.

No new LGV?

On the same day as the unveiling of Le Mans-Rennes, the LGV Sud Europe Atlantique line also opened, between Tours and Bordeaux. While these projects are safe from Macron's disapproval, another proposed LGV project has now been thrown into doubt. Extensions of the line from Bordeaux on to Toulouse and Dax would require a further €9 billion capital expenditure, even larger than the €8 billion Tours-Bordeaux line.

IJGlobal spoke to the head of infrastructure at a member of the LISEA consortium of Vinci, Meridiam, CDC Group and AXA Private Equity, who said “we hadn’t put a lot of bets on the Canal Seine Nord and Lyon-Turin Tunnel projects. The critical topic is with the high speed rail extension from Bordeaux to Toulouse. Toulouse, being a top five city in France, is claiming they deserve a high speed line... There is probably going to be a tough political debate.”

On the same day as Macron denounced the idea of further large scale rail projects, Borne said on 1 July, *au contraire*, that the state will appeal the decision made days earlier by the Administrative Court of Bordeaux to overturn the Bordeaux-Toulouse LGV line project’s 2016 Declaration of Public Utility.

The project sponsor member added, “There is no way this can be financed on SNCF Réseau’s balance sheet... The question remains whether there is any chance it could be funded in a different way. Perhaps along the lines of the Grand Paris Express underground transportation scheme or even the way CDG Express is being funded with a dedicated SPV and a levy {charged to airport users}.” The €24.9 billion Grand Paris Express is being funded with earmarked tax revenues and borrowing and due to be completed in 2030.

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