

Silvertown – make-or-break for UK PPP

Angus Leslie Melville

25/08/2017

The UK government dubs Silvertown Tunnel a “nationally-significant infrastructure project” ... and not without good reason. It’s the only one out there.

Let’s look at Silvertown (a road tunnel linking north and south banks of the Thames, downstream from London) another way... a sailor, shipwrecked on a desert island is barely significant when viewed in the context of all hands lost at sea – but he’s nationally significant as the only living being on an atoll in the middle of the Pacific.

It is excruciating to watch Silvertown meander through procurement as those who have the poor taste to live east of London eagerly await the arrival of an escape route from Essex, with almost the same glee they await opening of the business end of the London Super Sewer.

Well, all good things come to those who wait – and wait you will. The £750m road tunnel won’t close until early 2019.

In the meantime, the infrastructure industry has grandstand seats to witness glacial progress on a PPP project that will be as impactful on the UK market as a mountain of ice sliding down a (newly-created) valley.

With so little to fill their days and no sign of change (the government having made it profoundly clear we should not expect a pipeline of deals any time soon), the industry has long-since embraced the adage that necessity is the mother of invention.

To that end, it created a new reality in a bid to remain gainfully employed, wheeling out more refinancings than you can shake a stick at, a host of M&A deals and the evolution of an incredibly aggressive equity and debt market.

Good lord, it’s quiet out there...

Looking around the UK, we have seen three transport PPP projects make it over the line since the start of 2014 – and only two of them were of any real scale. They are:

- Aberdeen Western Peripheral Route
- Mersey Gateway Bridge
- Central Scotland Motorway Network PPP to upgrade the M8, M73 and M74

Of the two Scottish projects – [AWPR](#) (a stinker of the first water) and the 28.6km [Central Scotland](#) upgrade (now operational) – the Aberdeen bypass is fairly large with a deal value of £600m, while the other one is a fairly simple project and required £350m of debt.

As for [Mersey Gateway](#), it’s a bridge, so it’s challenging and expensive. It has a deal value of £600m and closed in April 2014.

Taking all that into account, Silvertown – which will make it to financial close a full five years after England’s only other

major transport project to have closed in recent years (Mersey: 2014), it really is pretty damned important.

At least it's in good hands...

As one industry grandee puts it, Transport for London is “dangerously left as the guardian of PPP” for the UK – all the more worrying given that it doesn't have good track record in the sector.

If TfL drops the ball on Silvertown, efforts to coax the PPP sector back to life in the UK (in spite of HM Treasury's insistence we won't see any projects any time, ever) are doomed to failure.

It's bad enough that Silvertown got off to a bad start a year ago with a pig's ear PQQ process that effectively disqualified all UK bidders as they had no recent experience of delivering a road tunnel project.

And it came as no surprise to see a shortlist with a distinctly mainland Europe feel to it:

- Silver Thames Connect – Hochtief and Iridium John Laing
- Skanska, Strabag and Meridiam Infrastructure
- RiverLinx – Cintra, Kier, Macquarie, Aberdeen European Infrastructure GP II

Strong bidders all of them. But a line-up like that would never have been allowed in any other European country. You can put money on it that had it been French, German or Spanish, the shortlist would have reflected the project's home nation to an impressive extent.

For all that, Silvertown stands as a test for TfL to see if it has the stamina to deliver a project of this nature, never mind allowing it to move on from the disaster tube PPPs and the farcical Crossrail rolling stock deal.

From the very start, questions have been asked over TfL's ability to deliver Silvertown as a PPP, but the good news is that it doesn't have an option. It has been forced to embrace the concept of PPP simply because it can't afford to deliver it by any other means.

So – no pressure TfL – make a mess of this and you've destroyed PPP for the whole of the UK.

And think of those poor folk in Essex, they need an escape route... it's only fair.

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