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# A lesser concession…

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Interesting times and stretching the definition of infrastructure, it's all you hear these days. Heck, it's all we've heard for a good long time and anyone relentlessly beating that drum needs to take a look at just how worn the skin's starting to look.

Don't you just yearn for uninteresting days? You know, back when people ploughed through deals, everyone was overworked and permanently tired, wondering whether a better work/life balance was what they really needed.

Sadly, a good work/life balance is what most folk seem to have nowadays – whether they want it or not – and the latest generation of deal-doers has cut its teeth in a far from tooth-sharpening market.

With all this free time on people's hands, a horrifying evolution has manifested itself with people – not just infra types – moving towards healthy living. This is a societal shift that seems to be sweeping the globe as the next generation (essentially anyone up to recently-promoted VPs) embraces a lifestyle that is alien to the old guard.

They go to the gym a couple of times a day and jog their merry ways through "lunch hour" and then hang around the office (usually preparing a protein shake in the kitchen area) genuinely believing people are interested in their "shredding" and "bulking", while enthusiastically slurping down a pint of diarrhoea.

Different times, not interesting times.

But then you spend a few days at a conference – the eighth IJ World Energy & Infrastructure Summit in Barcelona – and you refresh old friendships, make new ones and re-engage with your market.

As with all networking events, there's a lot to be taken away… beyond a pocketful of cards, business leads and two Moody's back-up mobile battery chargers (sorry about that, but the wife wanted one too).

Talking to folk at the event there was one particular evolution – not shredding and bulking (really guys, get down to the pub) – that piqued particular interest… and that is a move towards shorter concessions on European infrastructure projects, a shift that may gain popularity in other markets.

**Time and a gain**

Reduced concession lengths is emerging as a shift in the landscape that's worth keeping an eye on. While it remains early days – too early for anyone to call it a trend – the market is headed in this direction and it looks likely we will see it gain a foothold in the next wave of road projects in the Netherlands.

According to some sources, shorter concessions make projects more adaptable and flexible – a distant cry from traditional, concession-based projects where all parties are locked in for, say, 30 years.

The flip side of this, however, is that with flexibility comes the need to ask lenders for the occasional waiver. Now that's a double-edged sword as the cheapest one of those (say, to change a word in the contract) will cost you a cool £50k… and that's an easy one.

It gets a whole world more expensive if the lenders take a view (or reckon they would win the argument) that this waiver changes the risk profile… at which point you better start rifling down the back of the sofa for those hundreds of grand you tend to leave lying around the place.

As seems so often to be the case these days, the Netherlands is leading the charge on this front – though it has yet to fully impact the market. No surprise there, but it does leave one wondering whether the Dutch are just so darned clever… or they just have projects to play with and – like everyone else out there – they have time on their hands!

But it's not just the Dutch who have been moving in this direction. Arguably the Norwegians are at the same place with their roads programme, where 50% of construction cost will be retired by the government once complete.

Further afield, in the Middle East we have already seen a shift towards mini-perms and the evolution of that discussion could well end up in shorter concessions.

In Turkey you bid based on concession length. The winning bidder is not awarded on price, but rather how long it will take before the asset is handed over to the public sector. Now that's a whole different ball game, but clearly being played on the same pitch.

And why not? Any procurer seeking to deliver a project that involves an iota of technology should definitely be looking down this line… which opens it up fairly wide as self-healing asphalt is on its way.

This will come as music to the ears of many bankers and brings back to the table any number of lenders who have been frustrated by long tenors, but still have the people in place who can deliver… and now possibly projects where they can play.

One source was particularly bold in suggesting we are witnessing the "early-stage death throes" for long-term bank lenders and is definitely not suited to the institutional investors. This development would also be welcomed by closed-ended funds as a place to park money for a few years, if not by the O&M teams.

There's not a whole bunch going on in the European theatre, but it would appear idle hands are anything but the devil's plaything – at least we can look around at wall-to-wall muscle-bound gorillas devouring a daily dose of protein soup.