Here come the Belgians…

Angus Leslie Melville

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Belgium looks to be on the verge of launching a pipeline of projects – a development that may stay the hand of the European greenfield community which is currently tying a hangman's noose, one eye firmly fixed on the sturdiest beam.

This news offers a rare glimmer of hope to the crushed spirits of aspiring PPP developers, lenders and the entire advisory community throughout Europe.

As has been repeatedly reported, the sun is setting on the glorious Dutch pipeline as it runs out of projects, and it now falls to its Benelux neighbour to pick up the baton.

This infrastructure programme is the brainchild of Belgian Prime Minister Charles Michel who has yet to flesh out details on an investment plan to address years of under-investment. But at this early stage in the process, it's sounding pretty chunky.

Some €60 billion will be spent in Belgium by 2030 – with contributions from the private sector – on digital infrastructure, energy, transport, healthcare, defence and justice projects.

The PM is launching the process with the following schemes: Myrrha, a nuclear reactor used to research the feasibility of accelerator-driven nuclear energy; cyber security; and the Brussels Regional Express Network, a rapid transit solution covering a 30km radius around Brussels.

Mr Michel is also considering the deactivation of half of its nuclear generating capacity – including Doel and Tihange power plants where there have been a number of issues, including cracks found in reactor vessels. This is likely to result in a splurge of investment in renewable energy.

With the European Investment Bank showering its affections on Belgium, the launch of an infrastructure investment programme looks to be all but a fait accompli – held up purely by the pesky procurement process.

This week the EIB approved €8 billion of financing for 34 European projects across education, energy, telecoms, transport, urban development and business lending programmes. One of the projects to benefit from Luxembourg largess is the 10km Oosterweel Link – a project to complete the ring road around Antwerp – which is in line for €1 billion of support.

This project has been kicking around since biblical times.

In fact, it has something of the feel of Messina Bridge, that glorious white elephant to connect Sicily to mainland Italy. This challenging engineering feet is still designated a priority Trans-European Transport Network (TEN-T) project. Over the years, this project has been on and off more often than a racehorse's head.

Actually, while on the subject, it also feels a bit like Seine-Nord Europe Canal, also a priority TEN-T project. This €3 billion French canal extension has been hanging around forever – with EIB support – but never progressing.

Sticking with this… how about Fehmarn Bridge linking Denmark and Germany? Last we heard of that old chestnut was in 2009 when consultants were competing for advisory roles. It will continue to languish as long as rich Germans with holiday homes in Puttgarden have any say on the matter. Curiously, they don't want a ruddy great motorway ploughing through their lovely slice of rural idyll.

So, when looking at Oosterweel – with €1 billion of EIB support – what could go wrong? After all, the need for it is a lot more compelling than Stretto di Messina.

It will connect Expressweg (E34) near Blokkersdijk via a toll tunnel (Oosterweeltunnel) underneath the River Scheldt, leading to a dual-layered tunnel under the Albert Canal and connecting with the R1 Antwerp ring road at Merksem and Deurne.

Good news for Belgium, but...

EIB support for Oosterweel is, without question, a good sign for the Belgian market. And let's quietly ignore that Messina too was in line for EIB support… and the same could be said for the other two projects mentioned above.

However, when you look at the Netherlands and Belgium you see two very different playing fields. The Dutch has an outstanding procuring authority in Rijkswaterstaat and an impressive track record of bringing well-structured PPP deals to financial close.

The same cannot be said of Belgium. It has some eight bodies that will be running these processes across a range of sectors, and some of them will have had no experience of project finance.

That doesn't bode well and fills the infrastructure community with concern. And most of that concern is based on experience.

Cruel experience…

Belgium has never been an easy market to work in given national fragmentation with Dutch-speaking Flanders to the north, French-speaking Wallonia to the south, and a German-speaking community to the east.

Flemish Schools PPP proves the point that it's a tough market to work in. What an absolute stinker of a deal that was.

It never made sense at the time it closed and, as it progressed, it made less and less sense. As one banker said this week, the project was "of the wrong structure, of the wrong complexity… and possibly in the wrong country!"

The goal for the deal that closed in June 2010 was to deploy €1 billion into schools in the region and deliver 200 new facilities.

However, it was an up-hill struggle from the get-go with the SPV reaching out to the individual municipalities and get their buy-in before any projects proceed. As it turned out, getting each individual authority to sign up to the programme was not as easy a job as they had hoped.

Sources close to the programme say they were supposed to sign up 20 schools a year and that in reality just 5-6 came on board. The programme will be lucky if it got away half of what they had intended. You will notice that nobody ever speaks about it any more – and that's why.

The lenders to the project – AG Insurance, BNP Paribas, Dexia, KBC and SMBC – provided €694 million in senior debt over a tenor of six years and pricing of 300bp. Fortis stood backstop with the government standing behind it. Nobody lost money.

However, it was a vastly complicated deal with far too many moving parts. We'll never see its likes gain… hopefully.

And then the stalled…

A cursory glance at IJ's glorious database and you will find 70 project finance deals (in procurement and closed) with a total deal value of $28.5 billion and an average deal size of $475 million. The average tenor comes out at 15.2 years and a debt:equity ratio of 93:7.

Of the 70 projects, 19 are at pre-finance stage or are in financing. Most are moving slowly and many of these project might need a visit from the IJ data team, because some of them may even have been scrapped.

Haren Prison Complex PPP is a case in point when it comes to slow, stalled and just darned annoying. *IJ* reported back in March 2012 that six bidders had submitted proposals. It's still slugging its way through procurement to everyone's eternal boredom.

And then you have Liege Tram PPP that first came to market in 2010 as a PPP, then decided not to be one… and more recently has come back as one. I hear bad things about this project.

Belgium… it's one crazy, mucked up market. But it's pretty much all we've got – so welcome back.