

A65 Autoroute de Gascogne toll road refinancing, France

Beatrice Mavroleon

09/08/2018

Although concerns over traffic volumes on France's [A65 Autoroute de Gascogne](#) toll road seem to have lessened since it became operational in the wake of the financial crisis, a recent refinancing reveals that the road's sponsors still couldn't be too ambitious when it came to debt tenor and pricing.

The A65 motorway originally reached [financial close](#) in February 2007, with the following lead arrangers for €980 million (\$1.1 billion) of senior debt:

- Fortis
- Helaba
- ING
- Natixis
- Santander

The facilities – which were later [syndicated](#) – consisted of two tranches comprising:

- €935 million senior term loan, with an eight-year tenor, a five-year extension option and a debt pricing margin rising from 110bp to 140bp over Euribor
- €45 million VAT facility, with a 54-month tenor

The concessionaire, A'lienor, is jointly owned by:

- Eiffage – 65%
- Sanef – 35%

Traffic volume concerns

The project – consisting of a 150km greenfield toll motorway between the towns of Langon, near Bordeaux, and Pau in south west France – opened to traffic in December 2010. However, press reports at the time indicated that traffic volume seemed to be about 20% below the sponsors' expectations.

Firstly, the A65 is located in a remote, rural region of the country. Additionally, given the high cost of the toll, a significant proportion of the heavy vehicles travelling through the region seemed to prefer the free N524 national road and local, departmental roads.

Because the A65 is expensive.

In fact, it is among France's most expensive toll roads. In 2012, each kilometre cost drivers over €0.12, compared to

€0.07 per kilometre for using the A1 that connects Paris to Lille in the north of the country.

And tolls have increased further since then, making the cost for the largest vehicles travelling the full distance of the road €73.80.

Heavy vehicles and local roads

In 2015, a law came into force prohibiting the circulation of heavy vehicles on 250km of free local roads across the Landes department (in which the majority of the A65 is located), which increased numbers of trucks on the tolled A65 and A63 motorways, boosting revenue for the toll road sponsors.

This law was reversed in November 2016, under pressure from road transport lobbyists. However, opposition by residents to large trucks on local roads ultimately led to the reintroduction of the prohibition on part of the local road network in March 2017, and heavy vehicles were forced back on to the A65 and A63 toll roads.

Refinancing

With the project's senior term loan due to expire in 2020, and the concession running to 2067, the sponsors needed to [refinance](#) the motorway's debt.

Initially, they attempted to put in place a 35-year tranche – on which pricing is said to have been flat at 150bp over mid swaps – however, this fell through.

Demand from lenders was limited for tenors stretching beyond 30 years, one source said. However, tenors around 30 years would have made swap breaks coincide with refinancing risk, which was undesirable, they said.

In the end, the sponsors settled for a less ambitious 10-year tenor, for which there was strong demand.

This was provided by a group of 11 banks and four institutional investors.

The banks comprised:

- Bankia
- Banco Sabadell
- Banque Postale
- BBVA
- BNP Paribas
- Caixa Bank
- CBA
- Crédit Agricole
- KfW IPEX
- Santander
- Société Générale

And the institutional investors are:

- Barings
- DWS (formerly Deutsche Asset Management)
- Generali
- MIDIS

Among the lenders, BNP Paribas took the largest ticket, of €120-150 million, according to a source close to the deal.

The debt was 100% oversubscribed, another source said.

Interestingly, with a pricing margin rising from 130bp to 185bp over mid-swaps, this seems higher than the 110bp to 140bp margin on the original financing, which was put in place before the 2008-2009 financial crisis.

Advisers on the refinancing were:

- BNP Paribas – financial
- Clifford Chance – sponsor legal
- White & Case – lender legal
- Infrata – technical
- Mazars – model auditor

Thank you for printing this article from IJGlobal.

As the leading online publication serving the infrastructure investment market, IJGlobal is read daily by decision-makers within investment banks, international law firms, advisory firms, institutional investors and governments.

If you have been given this article by a subscriber, you can contact us through www.ijglobal.com/sign-in, or call our London office on +44 (0)20 7779 8870 to discuss our subscription options.