

European PPP – a torpid waiting game

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So, the UK's going to have a PPP agenda, once again to lead the European market? Raise the flag and let's have 3 cheers for the revival of a tried-and-tested infra procurement model. That flag will look like a relic from the Crimean War by the time we see the first financial close... if we even get that far.

It's with an eager huzzah that all those who reinvented themselves as "renewables experts" on demise of the last UK PPP agenda – PF2 – eye the closest phone box for the reverse-Superman transformation from exciting alternative energy professional to boring infra specialist, retiring personas they've been assuming (in many cases unconvincingly) for the last decade and change.



Grecian 2000 sales will plummet. Grey's back, and this time its PPPersonal.

Before you know it, we'll be talking about "vanilla deals" and "cookie cutter transactions" in monopoly positions, benefiting from stable (if meagre) government-backed returns, long-term predictable cashflows, capped returns for the private sector... yawn.

Oh my word, it's just so bloody dull.

Having said that, any development on the PPP front will be welcomed by a host of folk who have for long been frustrated by lack of opportunity to show off "a very particular set of skills" to deliver languorous projects.

Meanwhile, those who punch the air with Brexiteer glee to welcome an influx of deals that'll Make Britain Great Again... would do well to look at the state of the British construction industry that's pretty much on its knees.

Reviving the UK construction industry would require it having a pulse – however faint – to shock back to arrhythmic beat. It's gonna take a lot of renewable energy to charge up that defibrillator.

If it wasn't so depressing, it'd be funny.

And it's all the more depressing when you think back to the PPP glory days – early 2000s – when the sector was booming and the IJ news team struggled to keep up with financial closes on (what we then thought were) exciting projects, as one made it over the line after another.

However, as is so often the case – something the UK's trying not to repeat with the likes of carbon capture, SMRs and liquid air energy storage technology – the legacy for the UK construction industry has been pretty much zero.

Having delivered more PPP transactions than any other market (admittedly learning from first-mover disadvantage), it's heartbreaking to note that the UK construction sector has benefited so little from a government-sponsored investment

programme, while builders from other European nations seem to have done rather nicely from it – thank you very much.

It was always irritating to observe French PPPs being won by French construction companies, German PPPs being snapped up by German SPVs, Spanish PPPs swooped upon by Spanish teams... and the UK appearing to be the only country in the EU abiding by the spirit of an economic union. Really, it wasn't cricket.

But that's history and cruel experience of a free market that bore more witness to protectionist activity than was comfortably. The stats speak for themselves, and the paucity of deals won by non-national teams is undeniable... even if the likes of Vinci / Bouygues / Eiffage took a financial hit to win that French motorway PPP to fend off the likes of Hochtief and BAM.

Here in the UK, it was always a more level playing field... which is regrettable with hindsight... though inevitable given the lack of scale within the UK construction industry.

So, even if a PPP agenda is dusted off and redrafted to align with, say, the Welsh MIM procurement model, we will likely have to rely once again on our European neighbours to build the facilities. And fair enough. At least they have the scale to deliver major infrastructure.

It's just a bit sad that with such a legacy in delivering PPP transactions, the UK has so little to show for it... apart from a host of hospitals with expensive car parks and fewer run-down Victorian schools in operation.

View from the street

To be fair, most people in the UK infrastructure community don't buy into the dream of a PPP revival. And if they do (a little bit), they don't see anything coming out of government for the next 12 months.

Most are of the view that what we're seeing here is the UK infra support industry talking up the market, reflecting its aspirations for a pipeline of projects they would like to advise on.

It's definitely not the UK construction sector harping on about the lack of PPP deals. In fact, they have been noticeable by their silence... possibly recognising they wouldn't win in any case.

One source points out that the National Audit Office (NAO) aims to provide a report on infrastructure to parliament in Q1 2025 that will delve into different procurement models.

Added to which, this week's budget speaks of capital being deployed on schools and hospitals, while there is "noise about Euston being some form of PPP... but not likely in a form you would recognise", according to one old infra chum.

Wisdom has it that the focus for the here and now will remain on handback (handled in an [editorial from early 2023](#)) and tackling the growing number of disputes on existing PPP projects.

One infra veteran says: "I've been told that all work to date concentrated on the budget. No thinking had been done on infra. Hopefully, they will start now but that means at least 12 months for anything to start emerging."

Another hears mutterings of deployment of something along the lines of the Mutual Investment Model that was created by the Welsh, evolving the model from Scotland's Non-Profit Distributing (NPD) model.

One source says: "I hear a lot of people are looking at MIM closely, that's PPP with greater community impact... which is good, but not revolutionary."

Yet another is concerned over the ability to even deliver a programme: "The biggest challenge I can see is a lack of expertise within government to push forward with a PPP programme of any size."

Meanwhile, another has a radical view, but believes PPP will make a return: "HM Treasury is populated by Trotsky types

and will hate it... but it's likely to be a thing. PPP handback is an obvious target with extension and new capex. They will need to do load of work on what is already in private hands and needs to be extended. Meanwhile, Highways England has budget problems so is a likely contender to use PPP too, but the UK hates toll roads."

So, let's wait and see what the Q1 report from the NAO has to say and how the government responds to that. But let's not hold our breaths.

As one infra worth says: "Until government has sorted out whether PPP is an acceptable procurement model and produced a pipeline, I can't see it's worth paying too much attention."

There you have it. If you're poised to leap into the phone box to shed your exciting renewables guise in favour of your true infra colours, you might want to take a rain check on that.

Looks like it will take a good bit longer for you to resume your comfortable position in the terribly predictable world of PPP that will see you yawnsomely to retirement.

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