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High-Speed Rail in Europe & Private Capital
Contracting & Financing Options for the Czech HSR

High-Speed One (HS1)



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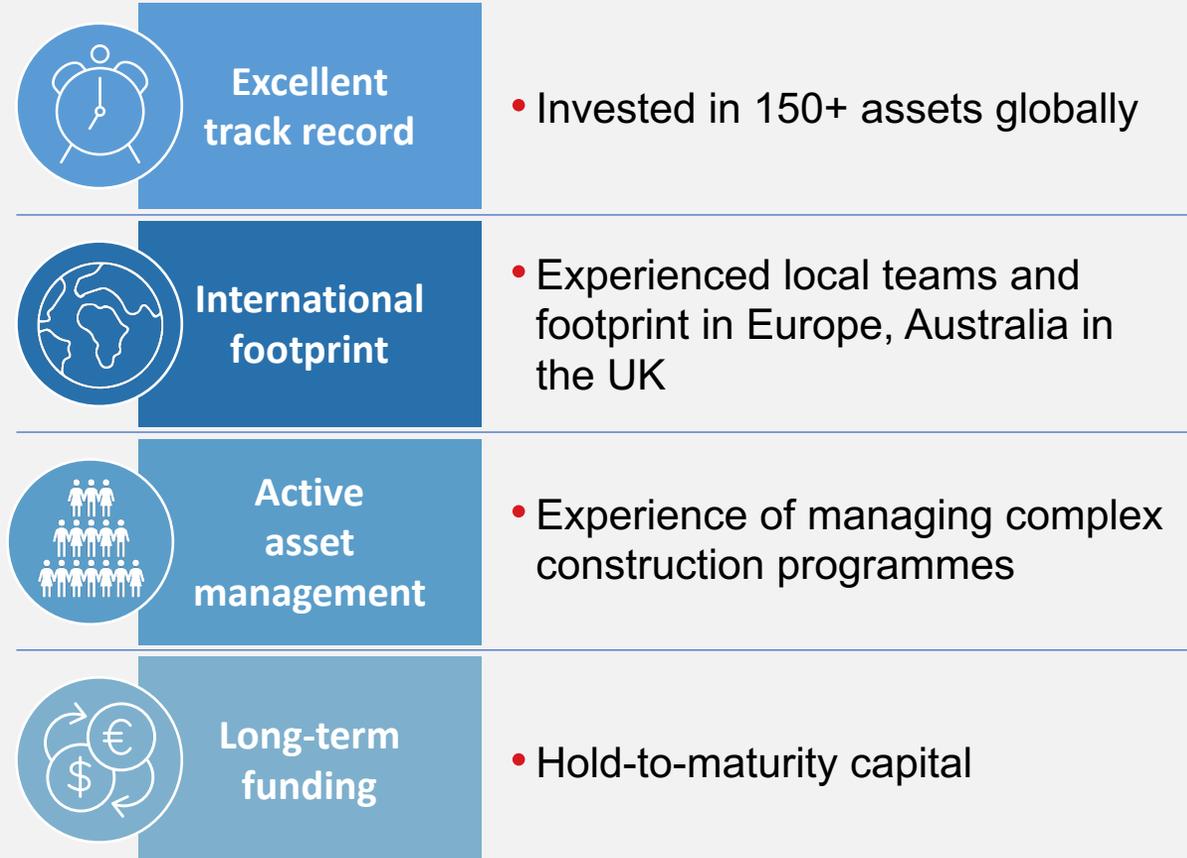
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making infrastructure happen

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Introduction and company profile

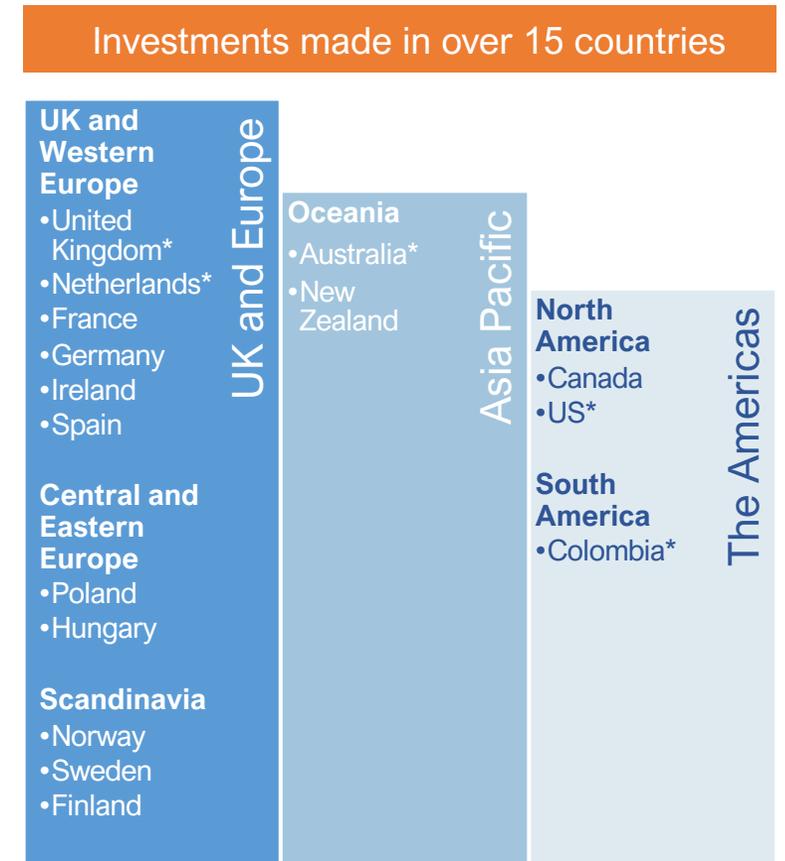
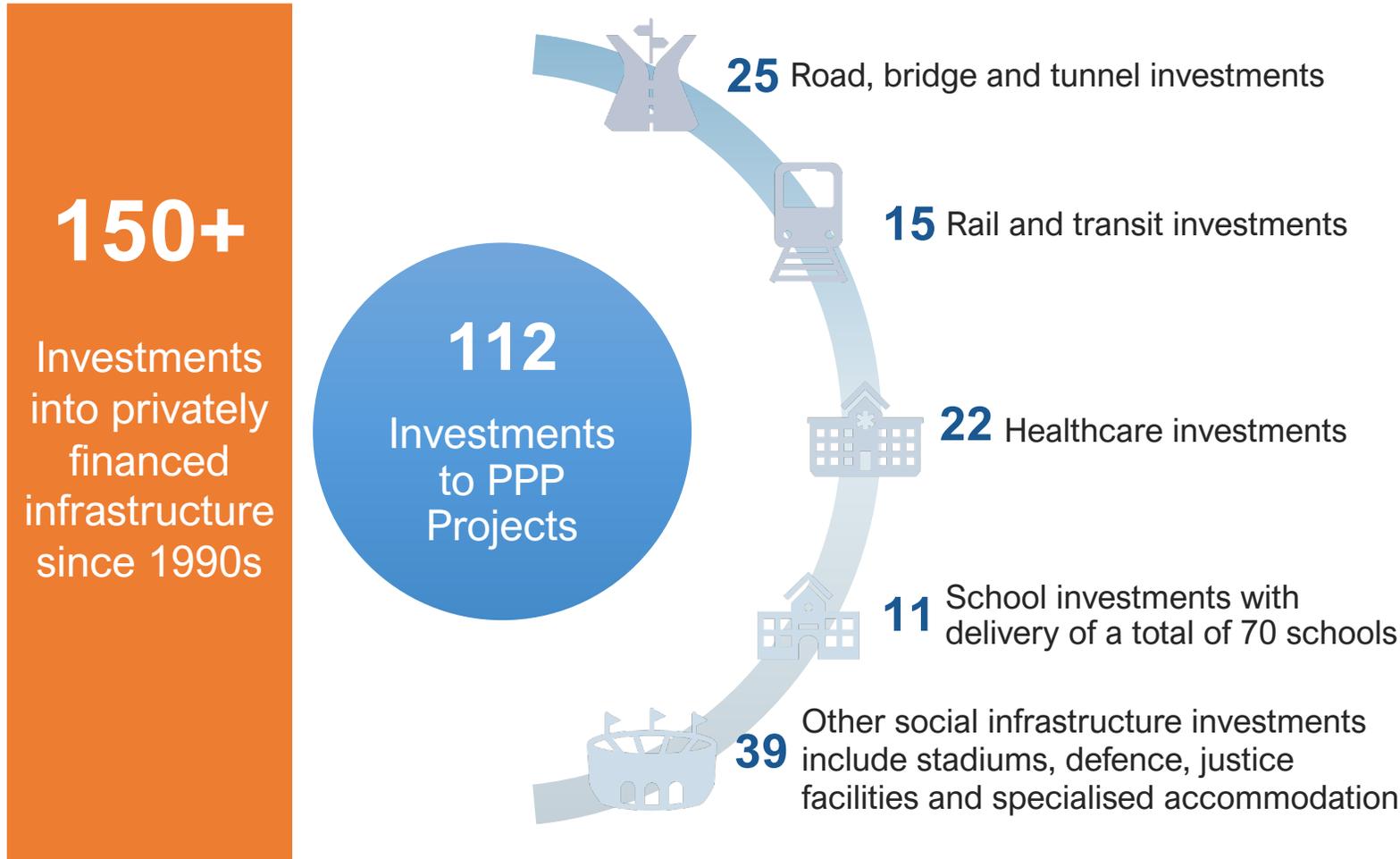
- London-based, **core infrastructure investor owned by KKR**
- All of our capital comes from KKR's open-ended **Direct Core Infrastructure Fund** (over US\$ 8bn AuM)
- Offices in London, Amsterdam, North America, and Australia with **over 40 investment professionals**
- Portfolio of over 30 assets with **NAV of over GBP 1.5bn**
- Investment mandate focuses on greenfield PPPs as well as acquisition of core infrastructure businesses and brownfield PPPs
- We aim to hold our investments over life and derive return from operational performance and dividends

John Laing as a partner for governments and investors



Deep Experience in Infrastructure, Strong Focus on PPP Projects

John Laing's global track record of successful project delivery makes it the partner of choice for PPP projects



* John Laing Office

Key information

High-Speed One (HS1)

Country	United Kingdom
Connects	London and the Channel Tunnel
Length	108 km in total Built for passenger and freight traffic
CAPEX	£ 5.2bn
Construction phase	1998 – 2007 (9 years)
Concession phase	2010 – 2040 (30 years)
Customers	London & South Eastern Rail (UK) Eurostar (International)
Revenues	- Track Access Charges - Retail, parking (~5%)
Max. speed	225 km/h for Javelin (UK) trains 300 km/h for Eurostar trains



Background and Highlights

Background

- 999-year concession contract awarded to London & Continental Railways (LCR) in 1996
- Revenues from Eurostar were substantially below forecasts. In 1998, the DfT agreed to guarantee most of LCR's £4.8 billion debt. LCR was brought into public ownership in 2009
- LCR was restructured into a 30-year concession as HS1 and sold to Borealis Infrastructure and Ontario Teachers for **£ 2.1bn** in 2010
- HS1 revenue is underpinned by the DfT (~60% of pre-pandemic revenue) for ~53k domestic train paths
- In 2022-23 the traffic has recovered to 85% of pre-pandemic level and expected to recover completely in 2024-25

Highlights

- First high-speed railway in the UK
- **~£ 430m p.a.** of economic benefits to the UK and continental Europe, equivalent to adding 4,600 new jobs
- Shorter journeys and better experience for the **11 million international passengers** and **15 million domestic passengers p.a.**
- Almost 4 million of these passengers have switched from using cars and planes, delivering significant CO2 reductions
- Allows **164,000 households** in Kent to access job opportunities in London

Technical Challenges

- Built by Rail Link Engineering Consortium (Bechtel, Arup, Halcrow, and Systra)
- Publication of all route options caused local protests and pushback
- Design cost pressures caused the removal of a dedicated depot and control centre
- Environmental impact on rural Kent had to be carefully managed
- One of the longest concrete bridges (1.3km) in the UK across River Medway
- 19km of tunnels running through London to St Pancras
- Inclusion of stopping services complicated timetabling and route management due to the need to accommodate different running, acceleration and deceleration speeds



30-year Concession Sale

In 2010 British Government sold HS1 to Borealis and OTPP as a 30-year concession

- In 1996, the Department for Transport (DfT) awarded a 999-year PFI contract to LCR to build HS1
- By the end of 1997, revenues from Eurostar UK were half of LCR's forecasts. In 1998, the **DfT agreed to guarantee most of LCR's debt to fund construction**
- **Construction was completed in 2007.** The construction cost overrun was estimated at 18% with a delay of 11 months, compared to 240% for West Coast Main Line
- **DfT took ownership of the LCR in 2009** with a view to reduce ongoing tax-payer support for the project. Access charges paid by Eurostar to HS1 previously funded by the government were reduced by an estimated £ 0.9-£ 1.4bn through 2051
- In 2009, DfT restructured Eurostar retaining a 40% shareholding and decided to privatize HS1
- 4 consortia bid for HS1: Borealis / OTPP; Allianz / Hermes / PSP; ADIA / 3i; Eurotunnel / InfraCap
- **Borealis / OTPP acquired HS1 in 2010 for £ 2.05bn** funded with ~£ 1.3bn debt and £ 0.7bn equity
- HS1 has operated reliably since commissioning with the average train delay of ~4 seconds compared to other UK services where only 75% of trains arrived within 1 minute of the scheduled time
- HS1 was sold to InfraRed, Equitix, and Korea's National Pension Service for over £ 3bn in 2017

Responsibilities

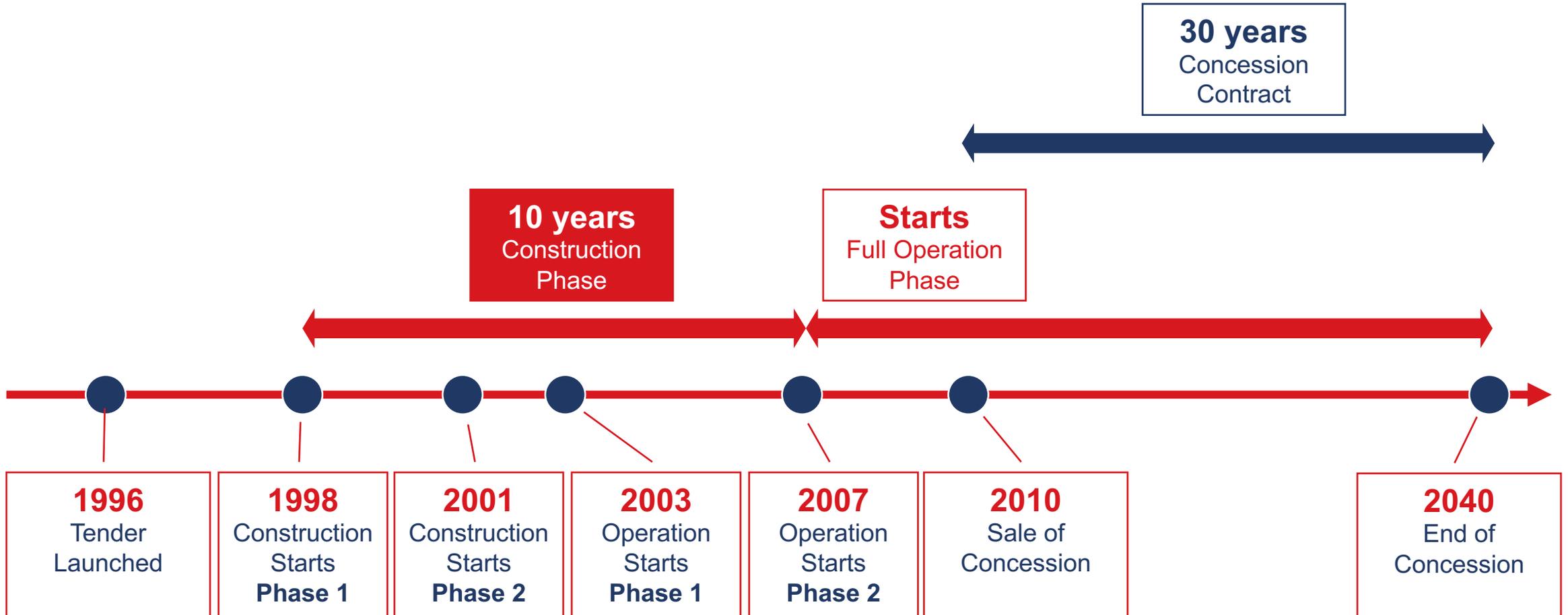
HS1 Role

- HS1 is the SPV owning the concession and managing the respective contracts
- HS1 employs approximately 40 people
- HS1 sells train paths to train operating companies as well as manages contracts with the O&M provider (NR), electricity supplier, retailers, etc.
- HS1 management's key responsibilities include sales, customer management, contract management, regulatory management, shareholder reporting, and raising debt financing

National Rail (“NR”) role

- NR is responsible for all aspects of operation of HS1. NR's HS1 SPV employs 200-300 people
- HS1 pays a fixed price for O&M on a quarterly basis
- There is a performance sharing mechanism between HS1 and NR based on delays and cancellations
- The O&M contract is periodically renegotiated (most recently in 2015 until 2025)
- The UK rail regulator (ORR) tests the efficiency of the cost to operate HS1 once every five years

Project Timeline



Revenue and debt financing

Payment mechanism

- HS1 revenue consists of the following parts:
 - ~50% **Investment Recovery Charge (IRC)**. Fixed as a price cap per minute spent on HS1 over the life of the concession. Inflated at RPI.
 - ~30% **Operations and Maintenance Recovery Charge (OMRC)** set by ORR every five years. Includes funding of track renewal account. Inflated at RPI.
 - ~10% **Station Charges** pass-through to train operating companies ('TOCs'). Includes station renewal reserve account.
 - ~5% **Power Charges** pass-through to TOCs.
 - ~5% **Retail and parking.**

Debt financing

- The original capital structure was set up at the acquisition in 2010 and has been refinanced since
- Current capital structure contains index-linked bonds (ILBs). ILB interest is charged net of inflation, whilst outstanding principal increases with inflation
- As at the end of 2022, the fully amortizing capital structure of HS1 is roughly as follows (in £m):

Senior secured fixed-rate bonds due 2038	610
1.566% index-linked bonds due 2038	319
PP notes due between Mar 28 and Dec 39	848
Bank facility due 2024	13
HoldCo Debt	500
Total debt	2,278

Contact details

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Thank you your attention.

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