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

Intercity Express Program (IEP)



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making infrastructure happen

Key information

Intercity Express Programme (IEP)

Country	United Kingdom
Procurement Model	PPP (Design, Build, Finance, Maintain) over 2 phases
Train Scope	866 new electric and bi-modal passenger carriages delivered (122 trains)
Depot Scope	New depots in Bristol, Swansea, Doncaster and depot refurbishments in London and Edinburgh
CAPEX	c.£4.5bn
Construction	c.5 years for first train delivery
Maintenance	25 to 27.5 years (depending on train delivery date)
Client	UK Department of Transport
Revenues	Availability PPP (subject to availability, reliability and performance abatements)
Developers / Original Investors	Hitachi (70%) John Laing (30%)



Background and Highlights

Background

- UK Department for Transport needed to replace Britain's ageing fleet of intercity trains
- The IEP project was to deliver highly reliable and efficient train fleets to run on the
 - Great Western Main Line – London to Reading, Bristol, Cardiff and Swansea
 - East Coast Main Line – London to Doncaster, Leeds, York, Newcastle, Edinburgh and Inverness
- Hitachi Rail trains were procured in two phases
 - 57 x Hitachi Class 800 bi-mode trains for the Great Western Main Line
 - 65 x Hitachi Class 800/801 electric and bi-model trains for the East Coast Main Line

Highlights

- Largest rolling stock investment programme in the UK for over 30 years
- Innovative contractual structure with Concessionaire contracting with both Department for Transport and each relevant franchisee operator
- Project delivered concurrently with multiple other network projects including electrification of the Great Western Main Line
- Trains were manufactured across sites in Japan and the UK, ensuring skills in both countries were able to be leveraged and jobs created
- Project won PFI Award 2012 “PPP Deal of the Year” and Projects Grand Prix, Best Transport Project and Best Pathfinder at 2013 Partnerships Bulletin Awards Ceremony

Challenges

- Client wanted to procure the trains under a long-term PPP but retain flexibility to replace franchise operators within the concession term – an innovative contractual structure allows this with a concession agreement with UK DfT and a separate operational agreement with the franchisee operator
- Project finance was raised in the period shortly after the Global Financial Crisis which meant the consortium had to obtain funding across a group of commercial lenders, EIB and Japanese export credit agencies
- Flexibility was agreed within the PPP contract to give the client flexibility to:
 - Redeployed trains on alternative networks and for new maintenance facilities to be developed
 - Allow changes to the infrastructure to proceed even if the parties cannot agree on the impact on the performance of the system and for the impacts on performance to be subsequently resolved by reviewing the actual performance of the relevant change
 - Splitting the fleet between multiple operators following the refranchising of train operations



Revenue and financing

Payment mechanism

- HS1 revenue consists of an availability payment which is subject to a detailed performance regime which applies abatement for:
 - Failure to achieve required train reliability
 - Failure to meet performance standards
- Availability payments are made to the Concessionaire by the then current franchise operator with a payment guarantee ultimately made by the Department for Transport
- Clear demarcation as to who has responsibility for each of the trains as they are made available by the Concessionaire to the train operator at the start of each day with the train operator returning trains to the Concessionaire at the end of the day

Financing

- Each phase of the IEP project has its own project financing structure
 - Phase 1 for the Great Western Main Line reached financial close in 2012
 - Phase 2 for the East Coast Main Line reached financial close in 2014
- Improvements in financial markets allowed Phase 1 to be refinanced in 2014, with a pre-agreed % of the refinancing gains retained by the Department for Transport
- Long term financing achieved across tranches including a JBIC facility, a NEXI covered facility, an EIB facility and a commercial bank facility

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More information > www.ceskainfrastruktura.cz



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