PPP Projects in Hong Kong and China

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PPP in Hong Kong & China
“A method of achieving efficient allocation of risk and reward between the public and private sectors to deliver and finance a service or facility for the benefit of citizens.”
HONG KONG

World Economic Forum
- The Global Competitiveness Report 2019:
  • Overall ranked 3rd out of the 141 economies (last yr 7th/140)
  • Infrastructure ranked 3rd

Source: Global Competitiveness Index 2019 Pillar Rankings, WEF
**FIRST PPP IN HONG KONG – CROSS HARBOUR TUNNEL**

- First underwater tunnel in Hong Kong with construction in 1969, and opened in 1972
- Dual-tube, 4-lane, 1.86 km long
- Investment: USD 40.8 million
- BOT model with concession period of 30 years until 1999
- Daily traffic: 112,440 vehicles @2018
ROAD TUNNELS
- BUILD OPERATE TRANSFER MODEL

1986

1988

1993

1995
RAILWAYS & METRO
- RAILWAY PLUS PROPERTY MODEL

Airport Express Line

Kwun Tong Line

TKO Line
RAILWAYS & METRO
- RAILWAY PLUS PROPERTY MODEL

Green Field Site

R+P Model

Land Premium

MTR Enhancement

Land Premium
INSTITUTIONAL FACILITIES
- DESIGN BUILD FINANCE OPERATE MODEL

HK Convention & Exhibition Centre

West Kowloon Cultural District

Cyberport
PPP DEVELOPMENT IN CHINA
– PEARL RIVER DELTA

- Proposed by Sir Gordon Wu in 1981
- Introduced the first BOT model for funding of Infrastructure project
- Joint Hong Kong and Mainland China investors
- Guangshen Superhighway
  - Dual 3-lane modern expressway standard
  - 122km fully grade separated
  - Hopewell, HK
- Guangzhou Ring Road
  - Dual 3-lane modern expressway standard
  - 60km fully grade separated
  - Northern Section (NWS)
  - Southern Section
PPP DEVELOPMENT IN CHINA – GUANGSHEN SUPERHIGHWAY

- Construction started in 1987 and official operation on 1/7/1997
- Operators: Hopewell (HK), Guangdong Provincial Communication Group Company Ltd. (PRC)
- Begins at Huangcun Bridge in Guangzhou and ends at the south of Shenzhen
- BOT model with concession period of 30 years (7/1997 – 6/2027)

**Project Data**
- Investment: USD 1.71 billion
- Length: 122.8 km
- Dual 3-5 lanes
- Daily traffic flow: 102,000 equi. vehicles @2018
NWS – Business & Footprint
NWS BUSINESS AT A GLANCE

Core Business

Roads
- 15 toll roads in the PRC (total length of c.700 km)

Aviation
- Goshawk Aviation Limited provides commercial aircraft leasing and management services

Construction
- Hip Hing Group provides professional construction services in HK
- Investment in Wai Kee Holdings

Strategic Portfolio

Environment
- 78 projects in 48 cities across Greater China through SUEZ NWS and Derun Environment
- Water and wastewater treatment, sludge treatment, waste collection and treatment, waste to energy, landfills, environmental remediation, design, engineering and procurement services
- Expanded into European solar power platform during FY2019

Logistics
- ATL Logistics Centre in HK
- Pivotal rail container terminal network across the PRC through China United Int’l Rail Containers (“CUIRC”)
- Port in Xiamen

Facilities Management
- Operation and management of HK Convention and Exhibition Centre
- Gleneagles HK Hospital (“GHK”)
- Free Duty shops

Transport
- New World First Bus
- Citybus
- New World First Ferry
Presence in Greater Bay Area

- 7 road projects in GBA
  - Total Length: Approx. 320 km
  - Total Average Daily Traffic Flow: Over 1.1M

- Goshawk
  - Platforms set up in HK and Tianjin Dongjiang Free Trade Port Zone

- SUEZ NWS projects located in GBA: HK, Macau, Shenzhen, Zhongshan, Zuhai
  - Water & Wastewater treatment (8), Sludge incineration (1), Waste projects (21)

- China United International Rail Containers
  - Guangzhou terminal at construction preparation stage

- ATL Logistics Centre
  - Largest multi-level logistics centre with ramp access in the world

HKCEC
- World-class venue with excellent service in global MICE industry

Gleneagles HK Hospital
- High quality medical and healthcare services with 35 specialties and subspecialties

Free Duty
- Stores located at HK-Zhuhai-Macao Bridge and most land ports

Citybus, New World First Bus and New World First Ferry
- Key bus routes from heart of HK to airport, ferry terminal and most of the key ports / border control points leading to GBA
NWS PPP Road Projects in HK and China
NWS – TATE’S CAIRN TUNNEL, HK

- Longest tunnel in Hong Kong with construction in 1988 and opened in Jun 1991
- Linked up Diamond Hill with Sha Tin, part of Route 2
- BOT model with concession period of 30 years until 2018
- 100% funded by private sector

**Project Data**
- Dual-tube; 4-lane; 4 km long
- Investment: USD 293 million
- Daily traffic: 61,499 vehicles @2018
NWS – TOLL ROADS IN CHINA

- **Yangtze Delta**
  - Hangzhou Ring Road
  - Length: 103.4km

- **Beijing-Tianjin-Hebei**
  - Tangjin Expressway
  - Length: 60.7km

- **Hubei & Hunan**
  - 3 Expressways
  - Length: 187.2km

- **Greater Bay Area**
  - 7 Expressways
  - Length: 313.9km

NWS TOLL ROADS IN CHINA
One of the demonstration projects with construction in 1990, and opened in Jan 1994

Operators: NWS, Guangzhou Communications Investment Group and Yuexiu Group

BOT model with concession period of 30 years (1/1994 - 12/2023)

Project Data
- Investment: USD 172.8 million
- Length: 22.0 km
- Dual 3-lane
- Daily traffic flow: 348,447 vehicles @2018
Innovations

- Invested over USD 14 million in toll collection, surveillance, communication and lighting systems in 1990’s
- The first magnetic ticket closed toll system implemented in China (1994)
- Auto-toll and automated card issuers to reduce manpower
- All-in-one intelligent toll booth
HangZhou Ring Road forms a complete loop around Hangzhou City

- Whole ring opened in 2003
- Concession period of 25 years (2005 - 2029)
- Hangzhou City Brain 2.0 - Application of AI to road management. Launched in 2018

Hangzhou City

**Project Data**

- Investment: USD 1.37 billion
- Length: 103.4 km (whole ring: 123 km)
- Dual 2 to 3 lanes
- Daily traffic flow: 307,149 veh @2018
“At the moment, private investment is slipping, and PPP will serve sustainability in driving private business development”

(the State Council executive meeting, 2016)

Li KeQiang, Premier, PRC
HOW TO PICK THE WINNER?

**Right Partner**
- Quality partner with well established network in government and relevant industry
- Proven track record in business
- Share the same vision and value

**Feasibility**
- Economical
- Technical
- Commercial
- Legal

**Mode of Payment**
- Income collected from users
- One-off subsidy provided by government
- Profits generated from construction contract
- Viability Gap Funding (VGF)

**Internal Resources**
- Affordable
- Duly prepared and structured
- Bankable
- Suitability

**Risk of Investment**
- Accuracy of the future revenue growth
- Government policy
- Cost of borrowing
- Location of projects
PPP DEVELOPMENT IN CHINA

- **Late 1980’s**
  - Landmark year
  - MOF established a PPP centre
  - Yearly registered 77 projects
  - Total investment of RMB232 billion / USD32.5 billion

- **2014**
  - GuangShen Superhighway started construction

- **2015**
  - MOF: Max of 10% of annually budgeted spending into PPP

- **2018**
  - Yearly registered 2,513 projects
  - Total investment of RMB3,162 billion / USD442.3 billion
  - MOF: Restriction on fund sources for Registered Capital
LATEST PPP DEVELOPMENT IN CHINA

- Regulations in the field of Infrastructure and Public Services
- Tighter scrutiny of risky PPP projects
- More private capital involvement
- Stringent regulation on local government spending
- Expanded financing channels
INSIGHTS

Monitor the legislative process

Form consortium with strategic partners

Good relationship with local governments

Scientific budgetary processes and financing cost control

In-depth research for provincial development

Investment Climate

Political Factors

Macroeconomic Situation
THANK YOU!

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