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# *Development of the motorway infrastructure in France: background and recent developments*

at

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On behalf of Dominique Perben, the French minister for transport, infrastructure, tourism and the sea, I would like to tell you how Canada and PPP are important for us. The minister sends his regret at not being here and asked me to represent him. I thus have the pleasure to be here with you today.

I would also like to thank the Canadian council for public private partnerships for inviting me to this 13th annual conference. I've been asked by the 2 C 3 P to deliver a speech showing "**how"** I quote "**France has achieved to develop such a high quality motorway network** over the past 50 years".

To answer this question, I will first present to you a few figures about France, secondly the 4 phases which have led to our current motorway infrastructure, then I will speak about the lessons that we can learn from the last 50 years, and to conclude I will say a few words about the current French motorway network.

First, I shall go over some **facts and trends** that occurred in France in the second half of the 20th century.

From 1950, the country's population has climbed from 42 million to 62 million today, and the number of cars on the road has increased from 2.5 million to almost 30 million.

Our present motorway network is made up of almost 1 million kilometres of road. The national road network, which falls under the responsibility of the State, represents 4% of this distance, but accounts for 40% of the traffic.

Motorways represent almost 25% of the national traffic while accounting for only 1% of French roads in linear distance. Three-quarters of this motorway network is run by concessions.

How has France built and financed this excellent 10,509 km long motorway network?

***__The construction of the French motorway network came about through 4 phases__.

**.I. The First phase began in the immediate post-war period.**

- A law affording motorway **legal status** was voted in 1955. It imposed the general principle that motorways should be **free of charge**, but, the **use of tolls in the case of a concession** should be authorised. The only authorised concessions were local authorities, chambers of commerce and semi-public companies with a majority public holding.

With 80 km, the French motorway network was still to get off the ground.

- A wave of construction began with the **creation of 5 semi-public motorway companies,** funded with primarily public capital, between 1955 and 1963.

These companies had no real independence, very few employees and were all managed by the SCET, a subsidiary of the Caisse des Dépôts et Consignation, an investment bank belonging to the State.

Technical studies continued to be carried out by the ministry of transport.

In fact, the primary objective was to remove the cost of constructing concessionary infrastructures from the State budget and from the scope of State debt: semi-public motorway concession companies were authorised to contract loans and to charge tolls in order to reimburse their debts and the associated financial costs.

The State offered major financial advantages to these new companies: **major funding and a full State guarantee** were applied to the loans contracted by those companies.

- The **national motorway fund (Caisse Nationale des Autoroutes)** was created in 1963. Its purpose was to finance the loans of the various semi-public companies operating motorway concessions.

From 1955 to 1969, the State maintained **total control** over the system: it drew up the motorway construction programme, decided on toll charges and oversaw the proper operation of the network.

- it remained sovereign in the attribution of new concessions. Furthermore, the major concept of “***Adossement***” was built up.

This “*Adossement*” concept became a formidable lever for the rapid development of the network.

The State conferred new sections of the network to concessions which were already set up locally, giving the operator the responsibility for matching revenues on old motorway sections and the cost of setting up new ones. In exchange, concession periods were extended to ensure the overall economic feasibility of such operations.

The highly effective mechanism created geographical monopolies within the network.

At the end of the 60s, the motorway network developed on this basis had reached **1,500 km** of which 1,000 km were subject to concessions.

**.II. In 1970 it became possible to offer motorway concessions to wholly private companies. Thus began the 2nd phase.**

- Four companies, included Cofiroute, which is part of the French delegation, primarily backed by major public works companies, were created.
- At the same time, public companies gained more autonomy and responsibility: they progressively acquired a certain standing, in particular through more substantial structures and their own operating departments.
- Jointly, they **created the road engineering office SCETAUROUTE,** which operated as a project manager.

Although the State was still omnipresent in the system, the liberalisation of the sector was under way. Toll charges were being fixed by companies according to the original contract and financial aid from the State was reduced.

At the end of the 70s, there were **5,000 km of motorway of which 3,700 were under concession.**

**.III. However, at the beginning of the 1980s, the whole programme hit turbulence and we entered a** new phase**.**

Four facts :

- the first oil crisis;
- traffic levels were much lower than initial, rather optimistic, forecasts;
- for a large number of concessions, it was a crucial moment: the first loans were falling due while initial investments had not yet been amortized. At the time, when they were putting new refinancing solutions in place, both the financial condition of these companies and of the financial markets were in a sorry state.
- It was at this crucial stage that the second oil crisis struck.

- Thus, three of the four private concessions were taken over by the State. Only COFIROUTE remained private, while all its competitors became companies with semi-public status and primarily public funding.

- This period also saw new laws on motorways, making projects more complex and costly, especially in environmental field.

- Finally, the 1989 **European "Works" directive** removed the possibility of freely choosing concessions. It marked the end of the third period.

In 1994, the motorway network accounted for some **8,500 km of which almost 6,000 run by concessions.**

**.IV. The fourth period:**

Between 1994 and 2000, the State sought to give public concession companies more resources and more independence.

First, the biggest semi-public societies were subject to massive recapitalisation.

At the same time, three geographical groups were set up: ESCOTA, SAPN and AREA respectively becoming the subsidiaries of ASF, SANEF and APRR.

The capital of these companies was 98% owned by the State.

Second, Independence: the State put in place an additional contract system with motorway concession companies in the form of 5-year plan contracts which covered works programmes, pricing policy, management objectives, services to road users, etc…

Since 2000, the State has intensified the **privatisation of the sector**, with the mid-term objective of improving the competitiveness of semi-public companies and ensuring equal treatment between public and private concessions. It was the principle of **balanced public funding**.

It resulted in greater transparency of motorway costs. Furthermore, it made intermodal comparisons easier.

With the approval of the European Commission, a final concession period extension was allowed to cater for the inherent changes in economic conditions. The first deadlines for these concessions are between 2028 and 2032.

A reform took place: With it, the semi-public companies have a similar financial and legal status to common law companies and have to pay dividends to their shareholders, and in particular, to the State.

The State progressively **opened up part of the capital** of these concessions to private investors : in 2001 ASF, in 2004 APRR and this year SANEF.

All new concession contracts since 2001 have been allocated on a tender basis to companies that have been especially set up, along with the arrival of new entrants, and why not in the future foreign ones.

What overall **lessons** can we learn from these 50 years which have resulted in **a motorway network of over 11,500 km, of which three-quarters are concessions and subject to tolls**?

**First lesson**: the **State has always maintained a major role** in the system and kept substantial power of decision.

It has exercised strong direct control over public concession companies who played a key role during the half-century spanning the history of French motorways.

**Second lesson**: **the French mechanism has not been blighted by dogma**.

**Third lesson**: the construction of a coherent network was made possible through **tolls** which generated sufficient revenue to cover the loans required to build the network in the first place. As well as tolls, ***Adossement*** was very useful to top-up motorway financing. Without adossement, we would have used public subsidies.

**Fourth lesson**: the construction of the whole motorway network was completed by **12 concessions**: there is a notion of **capitalising on know-how and imposing dialogue**.

The separation between a strong franchising authority – the State – and experienced and progressively independent operators – the concessions – has created a **climate** which is propitious to the emergence of good practice and therefore effective cost control.

Furthermore, all those involved in the system have to be **customer-oriente**d which have substantially modified over time the perception of the State as a road manager.

**To conclude**, I would like to say a few words about **today's French motorways**.

1. In 2005, the c**omplete privatisation of the three historical motorway companies** controlled by the State was launched.

The tendering process is currently in progress on the principle of a block sale, company by company.

This high-profile privatisation process is leading to a profound change in the nature of State control. Former contracts with the historical concessions are currently being re-drafted to adapt them to future dialogue between State and concession which will be "confined to a contract" beyond any capitalistic control or State tutelage.

2. A few words about the **new type of public-private partnersh**ip currently being developed in France.

In 2004, a new contract : "partnership between the public sector and private enterprise" was set up, in parallel with public tenders and public service devolution. It is a new form of association between private companies that run on investment and the operation of a public infrastructure and the government which pays each year for a long period.

This new type of contract has already been used for the construction of prisons and hospitals, and has yet to be used in the road sector. Over the coming two or three years, at least 4 contracts of this type will be tested.

These roads PPPs should be an interesting solution in those cases where it is not possible to base the financing of a partnership contract on tolls alone.

They should allow us to make use of private capital to upgrade existing roads to motorway status, which is not possible with existing concession contracts, because French people don't accept to pay toll on already existing roads.

We will use private financing for roads, railways, sea ports, airports and water links, etc. We will finance them with concession any time it's possible to make users pay for it. Otherwise, we will use the new ppp contract, and when the amount of the contract is too small, we will finance it ourselves.

As you see, the debates we are having today are as accurate in France as in Canada, like in many other countries and can only enhance our mutual understanding and lead to better practices in our respective countries.

Thank you for your attention.