



กระทรวงคมนาคม
Ministry of Transport



กรมทางหลวง
Department of Highways



M5



26 August 2019,
Anantara Siam Bangkok Hotel

Market Sounding Seminar

Public Private Partnership for the

Utraphimuk Elevated Tollway Extension Intercity Motorway

Rangsit – Bang Pa-In Section

Seminar Outline

- ☐ Market Sounding Objective
- ☐ Project Overview and Scopes
- ☐ Project Phases and Costs
- ☐ Project Development Timeline
- ☐ Traffic Demand and Toll Revenue Forecast
- ☐ Economic Feasibility analysis
- ☐ **Preliminary Performance**
- ☐ **PPP Framework**
- ☐ **Project Readiness**
- ☐ **Project Risk Analysis**
- ☐ **Laws and Regulations**

Preliminary Performance

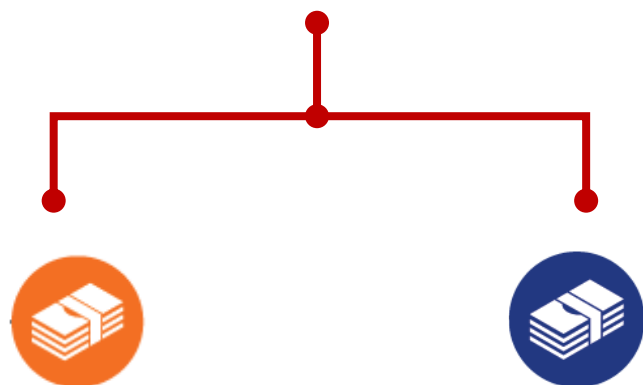


Preliminary Estimation of Revenue and Traffic

Project Cost

39,956

Million baht



Investment Cost

28,135 Million baht

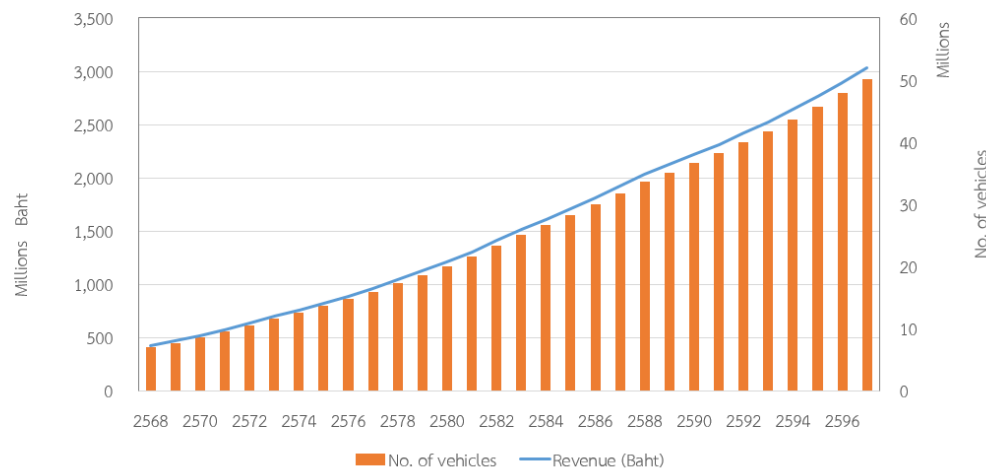
Operation & Maintenance Cost

11,821 Million baht

Revenue and Traffic

46,416

Million baht



Project NPV* : **-13,475 MB.***

FIRR : **0.9%**

B/C Ratio* : **0.5**

Payback Period : **28 years**

* Discount Rate 4%

PPP Framework



PPP Framework

Framework

Options

PPP Asset Ownership

- BTO
- BOT
- BOO/BOOT

PPP Investment Scope

- Land Acquisition
- Civil Work Construction
- System Work Construction and Installation
- Operation and Maintenance

PPP Payment Mechanism

- PPP Net Cost
- PPP Gross Cost
- PPP Modified Gross Cost

PPP Contract Period

- 10 – 30 Years after the commencement of commercial operation date.

Public Private Partnership Scheme in Consideration

BTO

Build: The private party finances and builds the project.

Transfer: The private party transfers the assets to the government.

Operate: The private party operates and maintains the project.

Other Common Public Private Partnership Schemes

BOT

Build: The private party finances and builds the project.

Operate: The private party operates and maintains the project.

Transfer: The private party transfers the assets to the government.

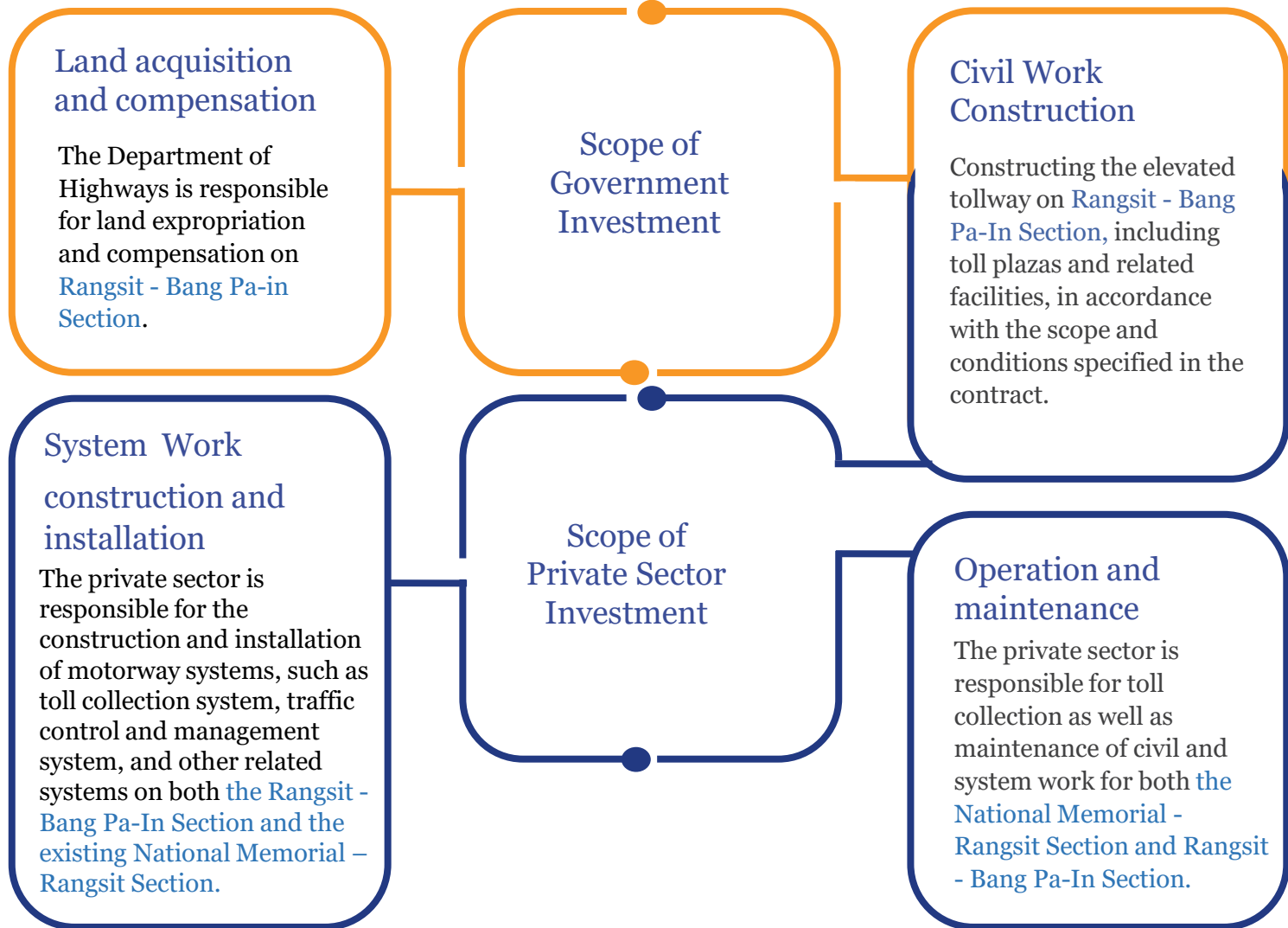
BOO/BOOT

Build: The private party finances and builds the project.

Own : The private party owns the project.

Operate: The private party operates and maintains the project.

PPP Investment Scope



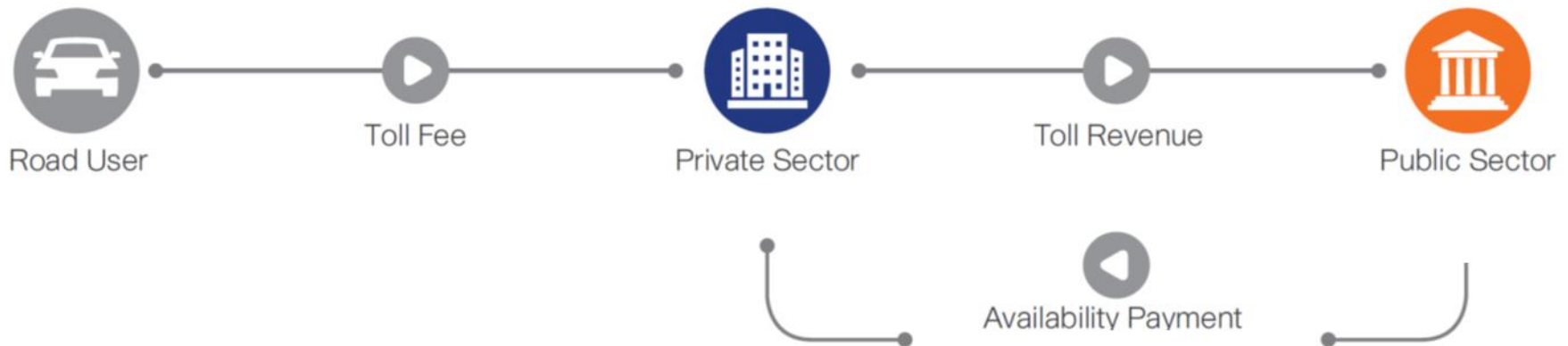
PPP Payment Mechanism

PPP Net Cost



PPP Payment Mechanism

PPP Gross Cost
























PPP Payment Mechanism

PPP Modified Gross Cost



Summary of PPP Payment Schemes

	Pre-operation			Open to Traffic			Financial Conditions
	Land Acquisition	Civil Works	System Works	Maintenance	Operations	Toll Revenue	
Net Cost		 					The private sector pays "concession/share revenue" to the public sector.
Gross Cost		 					The public sector pays " <u>Availability payment</u> " to the private sector
Modified Gross Cost		 					The public sector pays "Availability payment" to the private sector plus " <u>Extra payment</u> ".

 Government Sector

 Private Sector

PPP government support

- ❑ **Government sharing responsibility of construction**
- ❑ **Minimum revenue guarantee & revenue sharing**
- ❑ **Milestone payments**
- ❑ **Annuity payments**
- ❑ **Shadow toll payments**



Project Readiness



(1) Consistency and Readiness of Other Projects

- The Rangsit Bang Pa-In section is an **extension of Utraphimuk Elevated Tollway which is currently open to traffic**, is able to divide into 2 phases as follows:
 - 1) National Memorial - Rangsit Section (DOH)
 - 2) Din Daeng - National Memorial Section (Tollway)
- **Connect to the Bang Pa-In - Nakhon Ratchasima Intercity Motorway Project (M6)**, the project will be an elevated tollway system that directly links Inner Bangkok to the Northeastern regions.



(2) Project Area Readiness

(3) Readiness for Transportation and Related Utilities

(4) Legal Readiness

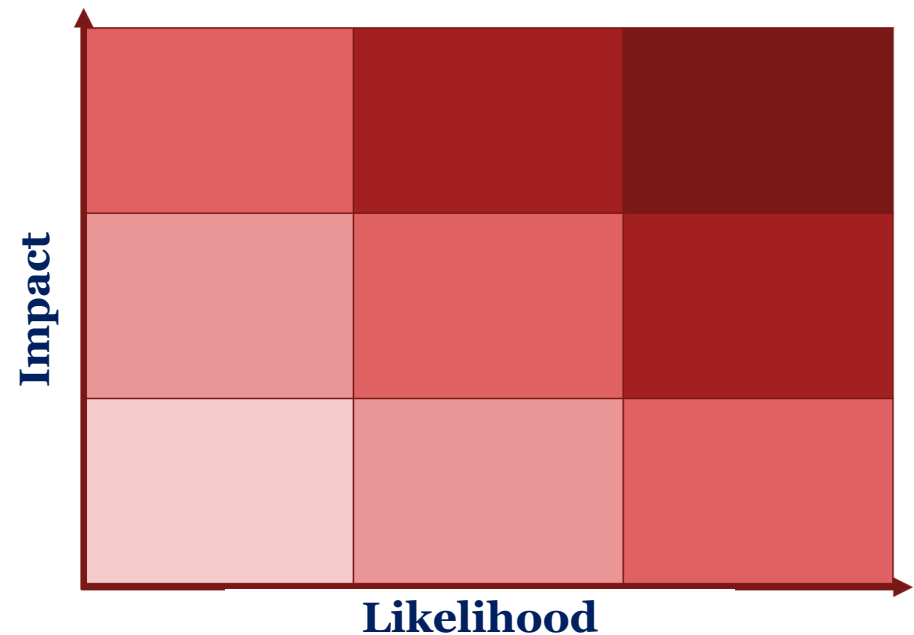
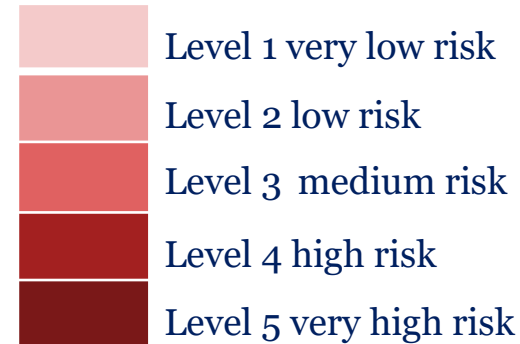
(5) Environmental Readiness

Project Risk Analysis



Project Risk Analysis

- ☐ Site Risk
- ☐ Design Risk
- ☐ Construction and commissioning Risk
- ☐ Readiness of Project Risk
- ☐ Financial Risk
- ☐ Commercial Risk
- ☐ Operation Risk
- ☐ Maintenance Risk
- ☐ Environmental Risk
- ☐ Social Risk
- ☐ Economic Risk
- ☐ Political Risk
- ☐ Legal and Regulatory Risk
- ☐ Counterpart Risk
- ☐ Network Connectivity and Utilities Risk
- ☐ Force Majeure
- ☐ Project Specific Risk



Project Risk Analysis

- ☐ Delay of land acquisition and compensation
- ☐ Re-design process
- ☐ Possibility of construction
- ☐ Other project developments associated
- ☐ Revenue and traffic forecasted
- ☐ Economic and Financial
- ☐ Environmental impact (EIA)
- ☐ Social impact
- ☐ Legal and Regulatory
- ☐ Project implementation plan
- ☐ Natural disasters



Laws and Regulations



Public Private Partnership Act B.E. 2562

The new PPP Act came into force on the 11th of March 2019. It replaces the Private Investment in State Undertakings Act B.E. 2556.

Descriptions of a PPP Project under the PPP Act

Project



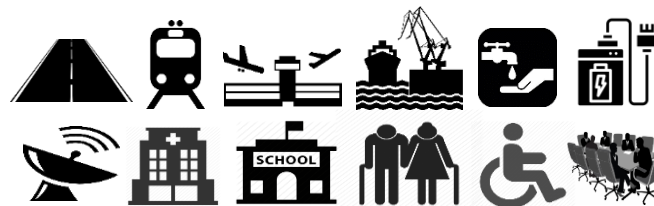
Laws & Regulations



Joint Investment



Infrastructure and Public Services Activities



Other activities as prescribed under the Royal Decree

Calculation of PPP Project Value

The Host Agency must calculate the value of a PPP Project, by methods specified by the Notifications, to find out specific rules and procedures that will apply to its Project.

Value of more than 5 billion Baht*

To follow the rules and procedures specified in the PPP Act

Value less than 5 billion Baht

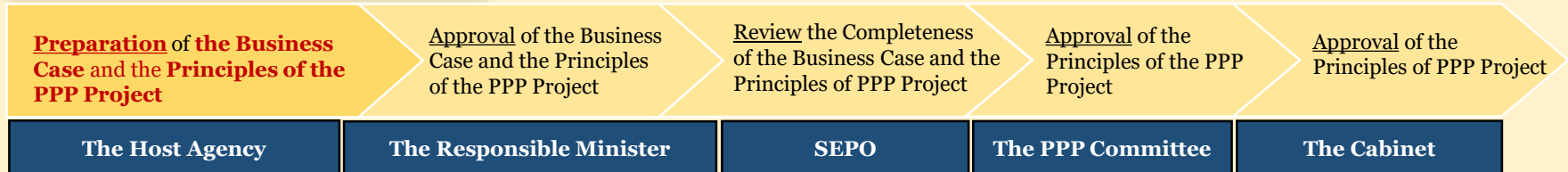
To follow the rules and procedures specified in the Notification by the PPP Committee

**Or other higher values which may be later determined by a ministerial regulation.*

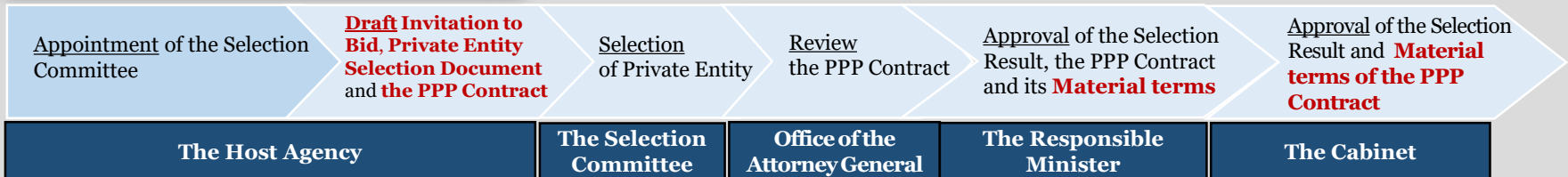
Public Private Partnership Act B.E. 2562 (cont.)

Summary of PPP Process under the PPP Act

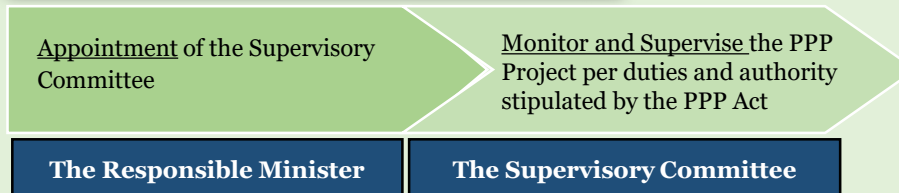
1. Proposal of PPP Projects



2. Selection of the Private Entity



3. Supervision of the PPP Projects



Public Private Partnership Act B.E. 2562 (cont.)

4. Amendment of the PPP contract and the Plan for Operating the PPP Project after the Contract Expires

4.1 Amendment of PPP Contract

Submit the rationale, necessity, impacts, and other information to the Supervisory Committee

The Host Agency

Provide opinion on the amendment of the PPP Contract

Supervisory Committee

Review the PPP Contract

Office of the Attorney General

Approval of the amendment of the PPP Contract

The Responsible Minister

If the Supervisory Committee deem that **the amendment differ from the principles of the PPP Project**, or **differs from the Material terms of the PPP Contract** previously approved by the Cabinet, further approvals of the PPP Committee and the Cabinet are required.

4.2 the Plan for Operating the PPP Project after the Contract Expires

Prepare a plan for operating the PPP Project subsequent to the expiration of the Contract at least 5 years prior to the expiration

The Host Agency

Approval of the operation by PPP

The Responsible Minister

Proceed under the PPP Act as if it is a new PPP Project

The Host Agency



PPP Promotional Measures



Under the new PPP Act, one or more of the following rights and benefits may be granted to the PPP Projects:

- To receive **rights and benefits under the law governing investment promotion**;
- To **enter into a land lease or property agreement in the PPP project for a term of not more than fifty years**;
- **Other Financial** and **Non-Financial PPP Promotional Measures** pursuant to Notifications of the PPP Committee

In the case of the use of a promotional measure, the Host Agency must specify the rationale and necessity as well as the opinion of the related agencies in the business case. If the promotional measure include utilization of budget, or incurrence of debt, or guarantee by the Ministry of Finance, then it is required to comply with the Law on Budgetary Procedures, the Law on Public Debt Management and the Law on the State Finance and Treasury Disciplines Act.



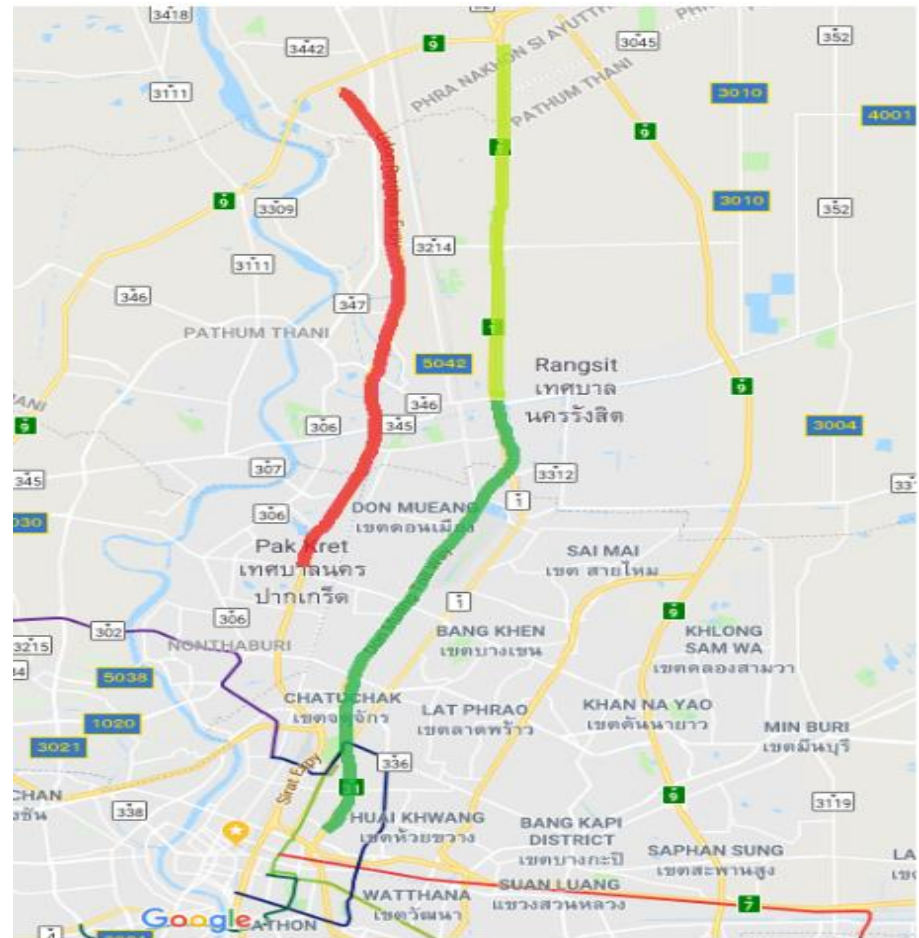
Legal issues on Competing Roads

- Other projects located within the same area of this Project (e.g. Pink Line Monorail: Khae Rai - Min Buri and Red Line Commuter Train: Bang Sue-Rangsit) do not have competing roads clauses nor competing road issues.
- The only exception being Bang Pa-in-Pak Kret Expressway.

Bang Pa-in-Pak Kret Expressway

- *Bang Pa-in-Pak Kret Expressway Agreement*
- *Arbitration Panel Ruling*
- *Supreme Administrative Court Ruling*

[Red] Bang Pa-in-Pak Kret Expressway
[Green] Utraphimuk Elevated Tollway
[Light Green] Utraphimuk Elevated Tollway Extension (The Project)



Analysis on the effect of the Project to Bang Pa-in-Pak Kret Expressway

- The construction of the Project is deemed to be a construction of road or highway within the area of Bang Pa-in-Pak Kret Expressway (“Bang Pa-in Expressway”) due to the fact that the Elevated Tollway Extension beyond National Memorial on Phahonyothin road is in parallel with Bang Pa-in Expressway. In addition, the Project is not included in the list of roads excluded from Competing Roads Clause, and may have a material effect on reducing the volume of traffic and revenues of Bang Pa-in Expressway.
- Thus, Northern Bangkok Expressway Company Limited (“NECL”) may claim compensation from Expressway and Rapid Transit Authority of Thailand (“EXACT”) as provided in Clause 15 of Bang Pa-in-Pak Kret Expressway Agreement for the reduction of revenue.
- However, in the case where dispute concerning “**Competing Roads**” arises, the private party will not be sued.
- Relevant government agencies together with EXACT and DOH are fully aware of the competing roads issues and currently in the process of taking appropriate measures to resolve them.

Legal issues on Vat and Tax

Issues	Special Highways Case	Concession Highways Case
Value Added Tax	<u>Department of Highway (“DOH”) is not required to pay value added tax.</u>	<u>The concessionaire has the duty to pay value added tax</u> (at the rate of 7%.
Land and Building Tax	<p>The part concerning the collection of land and building tax under the Land and Building Tax Act B.E. 2562 (“Land Tax Act 2019”) will be implemented from January 1, 2020, onwards. However, as of now, the enforcement of such act is still unclear in the following aspects:</p> <ol style="list-style-type: none"> 1. The Ministerial Regulation concerning properties that are exempt from the Land and Building Tax B.E. 2562 specifies that the <u>constructions that are roads are exempt from the collection of tax</u>. However, it is still unclear whether or not the <u>land that is used as roads are exempt from</u> such Act. 2. It is unclear whether <u>DOH as the owner of the land or the private party who has possessory right of the land</u> is subject to land and building Tax. 3. It is unclear whether the calculation of the <u>tax base requires the total value of land and building used in the project</u>. <p>DOH is made <u>aware of these unclear issues</u> and shall consult with the Council of State and/or relevant agencies for further clarification. In addition, DOH <u>shall prepare the funds for land and building tax in advance</u> in the case where DOH is liable to pay such tax.</p>	

Legal issues on Vat and Tax (cont.)

Issues

Special Highways Case

Concession Highways Case

In the case where the land that will be used as road is not exempt from tax, the tax rates shall be as follow:

a. Tax rates in 2020 and 2021

Section 94 (5) has specifically stipulates that in the first 2 years the tax rates for the usage of land or building for other benefits other than being a residential home and agricultural land shall be the following:

Buildings and lands Total Value (Tax Base)	Applicable Rate (%)
0 – 50 million Baht	0.30
> 50 – 200 million Baht	0.40
> 200 – 1,000 million Baht	0.50
> 1,000 – 5,000 million Baht	0.60
> 5,000 million Baht	0.70

Note: the tax rates specified in the aforementioned table are progressive tax rates

b. Tax rates from 2022 onwards

The actual tax rate shall be announced by the Royal Decree or Regulations of the local administrative organizations in due course. However, such rate shall not exceed 1.2% (Section 37)

Land and Building Tax

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Thank you