

Central Galician Highway: Santiago de Compostela to Ourense (photo courtesy Autopista Central Gallega)

# Spanish enlightenment

Julián Núñez, president of ASECAP, gets his teeth into the vision of a European strategy for toll roads. **David Arminas** reports from Madrid

Getting European politicians to agree to a long-term cross-border highway infrastructure programme for toll roads is extremely difficult. It's a bit like pulling teeth. People want to avoid the pain. This is perhaps a bad analogy to use in the case of Julián Núñez, president of ASECAP - European Association of Operators of Toll Road Infrastructures. Núñez had just sat down with *World Highways* for an interview in the Madrid office of SEOPAN, the Spanish toll road operators' association of which he is also president. After the interview about the future of European toll roads, he was heading off for a major dental appointment. Pain was on his mind.

But pain is something that Spanish operators, including Abertis, OHL, ACS, FCC and Acciona, have been going through for the past decade. The country has battled the economic recession with a much-reduced highways budget. Casualties have mounted within the ranks of concessionaires, the most recent being OHL Concessions (see box).

Many of the toll roads built prior to the financial downturn in the early 2000s suffered reduced traffic volumes as they competed for

cash strapped drivers heading for the free highways. Many of free highways run close, or parallel, to the toll roads - an issue for Núñez.

Only now are toll road traffic volumes starting to recover but it has been too late for up to a dozen concessions that have gone, or are in the process of going, bankrupt. Some of these roads are being divested from the concessionaire as the parent group attempts to sell the rump business to investors as a going concern. In some cases, the divested toll roads are being taken over by a state-led group.

But last July, Spanish prime minister Mariano Rajoy announced a €5 billion public-private investment programme for around 2,000km of highways over the coming three years. Núñez is cautiously optimistic about the future, at least in Spain. The money will be for completing unfinished highways, with many tenders being on a 30-year maintenance contract. Around 190,000 jobs will be created, according to Rajoy.

At the time of the announcement, SEOPAN said government spending on infrastructure as a percentage of economic output was at record lows. Government-awarded infrastructure concessions in 2016, a year before Rajoy's announcement, was a mere 2% of their value in 2007.

Is it a new dawn for Spanish toll road operators? Possibly. However, to avoid similarly dark financial days in the future, there needs to be major changes in government-private sector relations, not just in Spain but right across Europe, he says.

Spanish concessions were under financial pressure for several reasons. First there was the cost of expropriation of the land in the financially stressed toll roads. An estimated €800 million jumped up to around €2.2 billion, throwing financial plans out the window for many concessionaires. Government, too, panicked and halted their plans or looked to contractors and concessionaires to take on more responsibilities. "But when you increase investment, you need more time to recoup the investment," he says.

"Sometimes public administrators who manage construction of a toll road believe the money to build it is free and so anything can be done. For example, to improve the highway, you can just build another lane, or another bridge or tunnel. Remember, all this will eventually be paid for by road users."

Add more construction and design demands and the private sector's cost goes up. The original concession length may be too short to recover the increased investment demanded by the government.

At other times, the government would figuratively shoot itself in the foot, he explains. Grant a concession for a toll road and then upgrade and improve the free local roads that often run beside the toll road. Or even build a new road. This will siphon traffic off the toll road and throw into confusion traffic volume forecasts and jeopardise the private sector's investment.

One example is OHL's M12 motorway. The 9.4km toll road between Madrid and the city's Barajas airport was opened in 2005 at a cost of around €380 million to OHL, according to a report by El Pais newspaper in 2014. However, expected traffic volumes failed to be reached as motorists preferred the free road that runs alongside it. OHL reportedly cited "construction and compulsory purchasing costs significantly higher than those predicted" and "extraordinarily low" traffic volumes for the roads' financial problems.

Núñez also points to a toll road between Madrid and Cordoba. After the concessionaire built the Madrid-Toledo section, the government pulled the plug on the other two sections to Cordoba. The effect was to have a "motorway to nowhere", says Nunez. It is not that Toledo is unimportant. Far from it. But Toledo is only 75km from Madrid and is well served by free roads, so the toll road is little used. Madrid to Cordoba is almost 400km.

To be fair, he says, these not-so successful examples of failed toll roads can tarnish the very many that are a great success. Spain is not unique. Other European governments are under similar financial pressures and they often shift budgets from roads to other infrastructure, depending on perceived needs of their country.

Given that priority-changing tendency, Núñez says he has a vision for a long-term toll road strategy. "Never less than 10 years," he says. "We need a long-term strategy and politicians shouldn't change the rules of the game in the middle of the game."

You likely can't remove politicians from the strategy process, but you can get rid of the politics. "Long-term prioritisation of highways infrastructure should be at state level rather than a political one," he says.

"It shouldn't depend on the thinking of one political party in power and then another political party when it takes over. They should get together around the same table and hammer out a common strategy that won't change if the government changes in the next five or so years."

Núñez also extends his vision to being pan-European where a toll road strategy sits independently of national politics in EU member countries.

Why not? There is a strategy for free European roads north and south, east and west. What is needed is a similar strategy for toll roads. At the moment, one country's toll road will stop at a border where drivers cross onto a free road. At a different border, two toll roads meet but they will have different physical road standards and toll payment systems.

As president of ASECAP since the middle of last year, his priorities have been clear and three take precedence. The first is to inform the public about the advantages to them, including safety, and to the wider economy, of Europe's 50,000km of toll roads. Even with so many kilometres of toll roads, many travellers still question why there should be a toll.

This attitude may not be as ingrained as in the US where the travelling public still hankers after roads built and maintained with tax money, such as the variable by state gas tax. He is keenly watching toll road development in the US, he says. His understanding is that while the US government is keen to invest in road infrastructure, that investment will be tied in some way to hefty investment from each state and with some form of private investment.

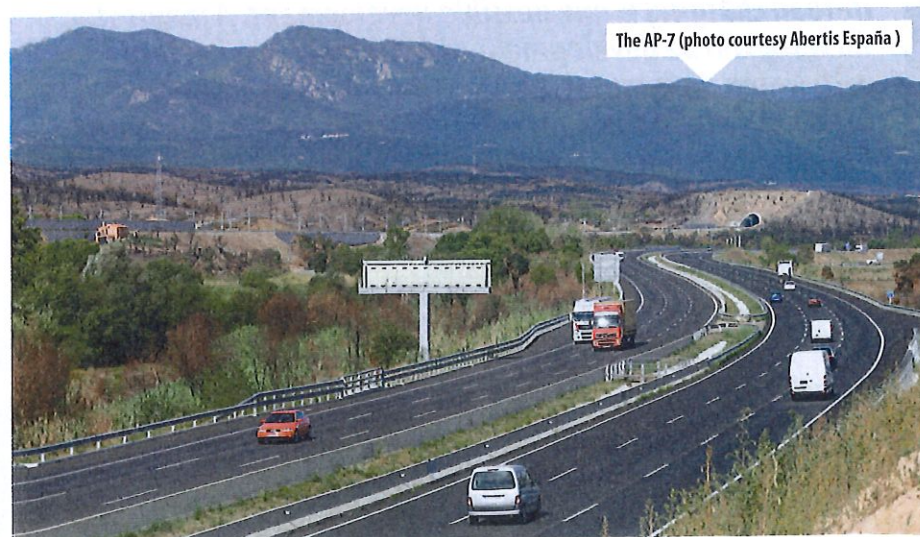
"We know that they have plans for more managed lanes," he says "But for managed lanes you need a lot of traffic [as in some parts of the US] and in Europe we have shorter distances to drive. So it is not so easy to develop managed lanes around European cities."

The second challenge is to get more EU support such as better cross-border legislation on toll road strategies and standards, as well as financing. "At the moment there are only three or four EU directives detailing how you 'apply' a toll road. A lot of countries adapt these

**“ Maybe traffic lane marking will have to be much more accurate to ensure autonomous vehicles can read them. Perhaps there will be sensors embedded in the road to help the car know where it is exactly. There will be much more development in a tolled data-highway than the outward appearance of the highway itself ”**

## Snapshot: Julián Núñez

- President of SEOPAN - the Association of Infrastructure Contractors and Concessionaires;
- Since May 2017 president of ASECAP - European Association of Operators of Toll Road Infrastructures;
- Board director of the Washington DC-based International Bridge Tunnel and Turnpike Association;
- Vice president of the National Spanish Confederation of Construction (CNC);
- Chairman of the Concessions Commission of the Enterprise Spanish Confederation (CEOE);
- He holds a PhD in civil engineering from the Madrid Polytechnic University and an MBA from Instituto de Empresa in Madrid.



The AP-7 (photo courtesy Abertis España)



Julián Núñez, president of ASECAP: think pan-European

» directives to suit their own national laws. The EU could be a little more involved in how these national laws are applied to toll concessions.”

This he says is part of his pan-European toll road vision that will make constructing and operating roads more of an even playing field for governments and the private sector. “In one country I pay a toll, in another country I don’t pay. I don’t know if the Eurovignette is the answer...in principle it is good. Maybe a different toll for heavy and light vehicles. What is more important is that this be harmonised across Europe.”

In Eurovignette countries - Denmark, Luxembourg, the Netherlands and Sweden - heavy goods vehicles with a gross vehicle weight of minimum 12tonnes must buy a Eurovignette in order to use motorways and toll highways. Many other countries operate their own national non-cross-border vignettes.

A pan-European toll service that automatically handles any toll charges for any vehicle - heavy goods or passenger car - when crossing a border could also be part of the answer.

The third challenge for ASECAP is to push for more pan-European funding for toll road development. “All the members of ASECAP have different visions of financing infrastructure. We need a common vision.”

The EU helped national governments during the recent recession with more money from the European Investment Bank, under the Juncker Plan, explains Nunez. The European Commission’s Investment Plan for Europe, often called the Juncker Plan, is an infrastructure investment programme announced by European Commission president Jean-Claude Juncker in November 2014. The idea was to unlock public and private investments as Europe moves out of the recession to the tune of around €315 billion over a three years to the end of 2017.

Part of the wider Juncker Plan is the European Fund for Strategic Investments (EFSI) to provide an EU guarantee when mobilising private investment. This is done through the European Investment Bank but aimed mainly at small- to medium-size businesses.

“We need similar financial investment for tolling roads,” says Núñez. “The EU can’t forever be giving financial aid to governments for infrastructure. We need a new financing structure for roads and tolling roads, it’s the only way to do it.” ■

## OHL heads for the exit lane

By the middle of this year, OHL will be out of the concessions business when it finalises an agreement with Australian infrastructure group IFM Investors. Last October the companies announced that IFM will pick up OHL Concessions for nearly €2.3 billion, after adjustments.

Meanwhile, in December global hedge fund managers said they would pursue the Spanish government through the courts - Spanish and international - for years if necessary in order to get what they consider a fair payout over their investment in bankrupt toll roads. The companies said they are chasing around €4.5 billion invested in the nine roads

whose operating companies went bankrupt. The assets were taken over by the government.

For more than a year the government has been trying to set up a public company to operate the failed highways and also to drive down the payout to around €2 billion, according to news reports. Discussions continue on all fronts. OHL Concessions manages 20 projects in Spain and Latin America, including 15 toll roads in Spain, Mexico, Chile, Peru and Colombia. It also operates Toluca Airport in Mexico and two light-rail urban lines in Spain.

Importantly, OHL’s deal with IFM excludes OHL Concessions’ two bankrupt projects, the metro rail line

Ferrocarril Móstoles-Navalcarnero and the toll road Eje Aeropuerto-Access to T4, otherwise known as the M12 motorway from Madrid to Barajas Airport. These remain subject to compensation with the government who would likely roll the toll road into a proposed highways public management company.

OHL stands to gain at least some compensation from such a deal with the government as the international construction group looks to accelerate its own infrastructure divestment programme to drive down its debt. Projects that could be on the chopping block run from holiday resorts to hydroelectric plants.

## ASECAP and SEOPAN

ASECAP, based in Brussels, was formed in 1973 and originally called SECAP, the French acronym of *Secrétariat Européen des Concessionnaires d’Autoroutes et d’Ouvrages à Péage*. It changed its name in 1973 and by 2002 its members operated more than 22,000km. This is now more than 50,000km of motorways, bridges and tunnels. On January 1 this year, ASECAP welcomed its 23rd member, the Turkish contractor and concessionaire ICA - Ictas Construction.

SEOPAN (Asociación de Empresas Constructoras y Concesionarias de Infraestructuras), was founded in 1957. It consists of the top 10 biggest Spanish infrastructure groups and 71 infrastructure and concessionaire companies. The turnover of its members in 2016 was over €80 billion with a total labour force of 430,000 workers.

**“I don’t think toll road design will be much affected but in terms of information transfer to vehicles that will change. In-road charging is one possible development. A major step forward will be development of extremely fast battery recharging, in minutes, at, say a petrol station. This would be cheaper than introducing an ‘electric charge lane’ along a highway to avoid stopping to recharge”**

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