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Facing the Economic Crisis

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The State Guarantee Model – a brief description

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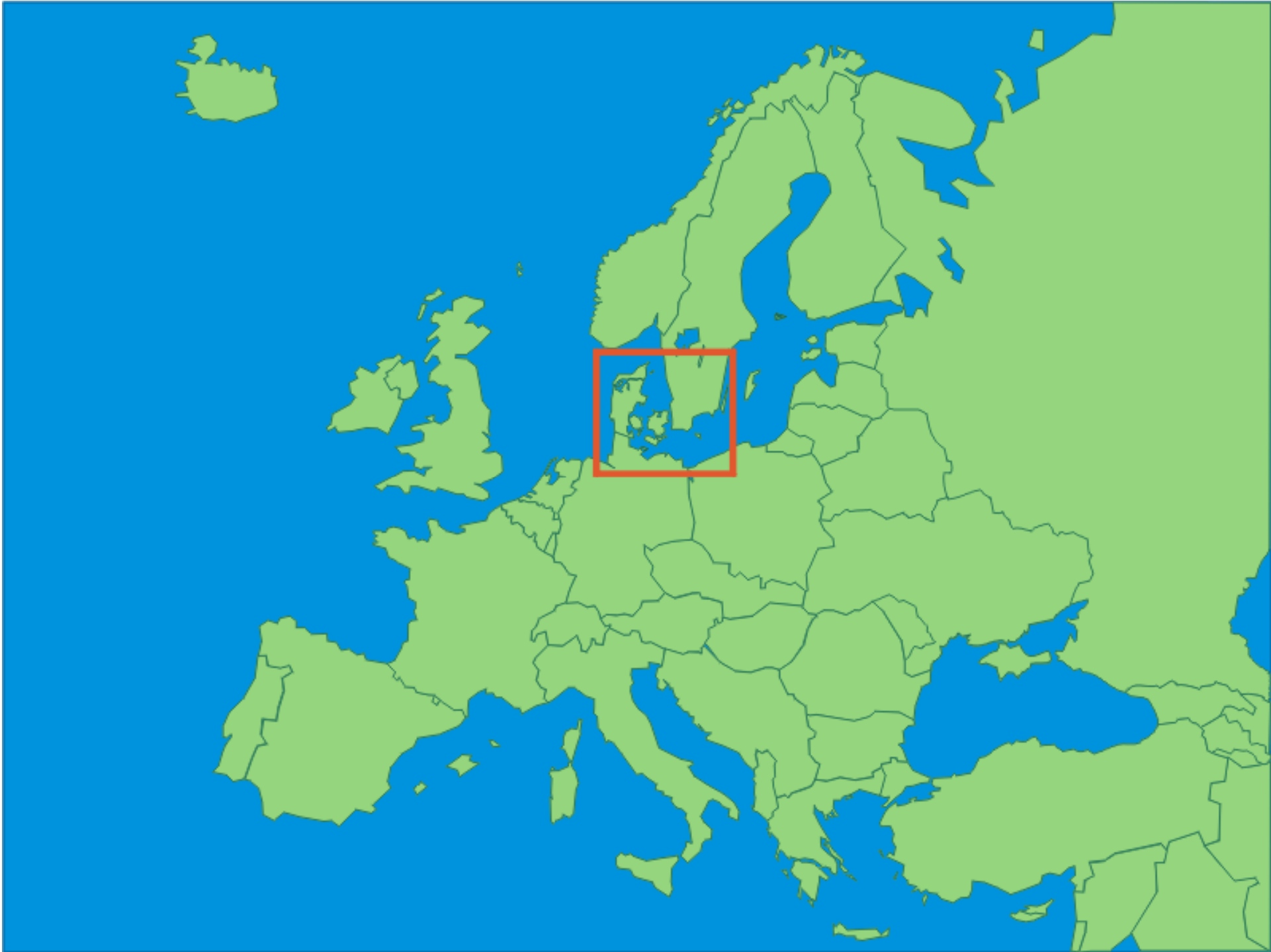
- Design, Construction, Operation, Financing etc. is carried out by a SPC, owned by the state.
- Construction costs etc. are financed almost 100 pct. by debt, raised in the capital market.
- All funding has a strong state guarantee (irrevocable guarantee for the full and timely payment of interest and amortisation)
- Debt is repaid with income generated in the project (from toll and railway fee) Approx. 30 year repayment period.

The Øresund Bridge



The Great Belt Bridge







Two major examples of Infrastructure Projects in Denmark

Sund≅Bælt
Sund≅Bælt

- The Great Belt Fixed Link
 - Debt approx. DKK 31 bn (EUR 4,2 bn)
 - Expected repayment in 2028 (30 years from opening)

- The Øresund Fixed Link (joint and severally owned and guaranteed with Sweden)
 - Debt approx. DKK 20 bn (DKK 2,7 bn EUR)
 - Expected repayment in 2034 (34 years from opening)

- The State Guarantee Model will also be used in the Femern Belt project between Germany and Denmark.

Macroeconomic key figures for 2009 (forecast)

	DK	SV	EURO Area
GDP-growth	-2,8	-3,8	-3,5
Private consumption	-1,2	-1,6	-0,6
Investments	-11,7	-9,8	-10,1
Export	-6,2	-13,9	-12,4

Implications for the Bridge Companies



- Lower traffic volume, especially lorries and business-related traffic
- Lower inflation, i.e. lower tariff-adjustment
- Lower interest rates
- Higher credit spreads, even for state guaranteed funding



- Continued focus on State Guaranteed Model. Stability is the key
- PPP-type of models not precluded, but very difficult to implement during a financial crisis
- Focus on Asset/Liability Management/Debt Management.
- Active marketing extending the market, i.e. to take advantages of lower SEK exchange rate.
- Continued effort to enhance efficiency in O&M activities, but no panic cut-downs.

Conclusions

- Make sure to have a robust financing model. Government budgets in bad shape for many years ahead.
- In big infrastructure projects risk transfer to the private sector is sometimes an illusion.
- Cuts/postponements in O&M expenses and reinvestments can be very expensive in the long run.