

2013 STATE BUDGET LAW RENEGOTIATION OF THE PUBLIC-PRIVATE PARTNERSHIPS (PPP) AGREEMENTS IN THE ROAD SECTOR

PUBLIC LAW

On November 27th, Parliament approved the **2013 State Budget Law Proposal** (“2013 SBL”). This law will now be sent to the President of the Republic in order to be promulgated. It is also expected its entry into force on January 2013.

On last October’s *Briefing*, we highlighted some measures included in the 2013 SBL, namely regarding three subjects: i) public procurement, ii) payment of debts and compliance with payment deadlines by local and regional authorities and iii) foundations.

We now focus on the **information included in the 2013 SBL Proposal concerning the review of Public-Private Partnerships agreements in order to fulfill the goals required by the Memorandum of Understanding** signed with the Troika (FMI/BCE/CE).

Therefore, the 2013 SBL affirms the **intention to renegotiate, by all legally available means, the road sector agreements that may be deemed unbalanced**. The purpose is to **obtain a 30% reduction of the costs** imposed on public funds **in 2013**.

The amount of savings expected by the Government will give way, according with the 2013 SBL, to the global restructuring of the national road sector.

The expected reduction of costs means a **decrease**, in equal amount, in **availability payments supported by the State** concerning road concessions, presently subject to the availability model. The concessions included are Costa de Prata, Grande Porto, Norte Litoral, Algarve, Beira Interior, Interior Norte, Beira Litoral/Beira Alta, previously subject to the shadow toll regime (SCUT), Norte and Grande Lisboa.

The above mentioned availability payment reduction results from the combined effect of several measures, such as: i) **the reduction of the shareholder’s internal rate of return (IRR) in the base case**, ii) **the review of rendering of services’ agreements**

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concerning the toll tax payment between EP – Estradas de Portugal, S.A. (EP) and the concessionaires (reducing EP's payments) and iii) **the structural change of the regulatory model**, in order to reduce the services related to routine maintenance and repair, protection against noise in accordance with European legislation, extension of roads and minimal conditions for movement on roads under construction.

Other measures already implemented or on the verge of being implemented seek to eliminate inefficiencies in the road charging and toll tax payment system. We highlight i) the replacement of the positive discrimination regime affecting the residents of the areas of influence of ex-SCUT highways for a **new universal regime of reduced toll charges** (in 15%) applicable to those areas; ii) the **strengthening and consolidation of the Tax and Customs Authority's powers** in enforcing payment of toll charges and iii) the introduction of **new methods of electronic toll payment** for foreign-registered vehicles (Easy Toll, Toll Card and interoperability between the Portuguese and Spanish systems).

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