

Chile P3 Market Snapshot

In Latin America, Chile's pioneering concessions system has had huge success in attracting private investment in public infrastructure. Since it was launched in 1993, Chile has awarded 74 projects under the P3 model, accumulating to date US\$ 16.5 billion of private investment. This P3 system is managed by the Concessions Department of the Ministry of Public Works - MOP (www.concesiones.cl). Intercity and urban highways account for more than 80% of the total but other projects include public transport infrastructure, prisons, hospitals and airports. As a result, the Inter-American Development Bank (IDB) has consistently highlighted Chile's ability to implement public-private partnerships for large-scale public works projects.

Chile's P3 Agenda

The Chilean government is currently delivering its infrastructure plan for 2014-2020 called "Infrastructure, Development and Inclusion". The plan includes US\$ 28 billion in new projects until 2020 and an increase in spending in the sector to 3.5 % of GDP from the current 2.5 %. This six-year plan has two main investment areas: the first one aims to promote and develop regional infrastructure with a US\$ 18 billion fund; the second one, promotes infrastructure concessions with a combined value of US\$ 9.96 billion.

The government's concessions portfolio includes a total of 28 projects, 5 of which are currently in

the process of being awarded, and another 23 planned.

In 2014, concession contracts involving US\$ 1.1 billion in investment were awarded. In 2015, this figure reached US\$ 1.6 billion and projects included the Punilla reservoir and the El Melón tunnel.

Upcoming Projects

Les initiatives à un appel d'offres entre les investissements entre aujourd'hui et mars 2018 exigent des investissements estimés de 4 milliards US.

MOP is executing a plan to put out to tender 7 concession contracts worth up to US\$ 2.2 billion before March 2017. Among these 7 contracts are the Príncipe de Gales-Rotonda Grecia stretch of the Américo Vespucio Oriente highway project (completing Santiago's beltway) with investment of US\$ 800 million; the Teleférico Bicentenario cable car project for US\$ 80 million; the Nahuelbuta highway improvement project (between Angol and Los Angeles) for US\$254 million; and the US\$ 200 million Loa routes highway project.

For 2017, MOP plans to tender the long-awaited US\$ 350 million Puerto Montt metropolitan expressway, a 33km divided highway linking the towns of Puerto Varas, Alerce, La Vara, Puerto Montt and El Tepual airport.

In 2018-19, some US\$ 1.3 billion in concessions are planned including the Caldera-Chañaral stretch of route 5, the country's backbone highway, for US\$ 640 million.

Last, but not least, El Tepual airport in Puerto Montt, at US\$ 45 million, is also due to be put out to tender, along with the connecting road from Melipilla to highway Camino de la Fruta, at US\$ 600 million, and the US\$ 225 million Ruta 5 Los Vilos-La Serena highway.

Transportation

In response to Chile's transport infrastructure deficit, the government is also delivering its Public Transport Infrastructure Plan which comprises a US\$ 2 billion 14-project portfolio. This plan includes urban cable cars, suburban railways, light rail transit, and subway expansions. The Ministry of Transport has also confirmed a US\$ 1.4 billion investment in major port infrastructure. Metro of Santiago is developing studies to determine the economic feasibility of expanding its network using a P3 concession project (Line 7).

Opportunities

This upcoming P3 spending program provides timely and tangible opportunities for Canadian companies interested in exploring P3 opportunities in Chile. Interested Canadian engineering design and consulting firms, general contractors, operating and maintenance companies, urban planners and architects, institutional investors, and private equity firms may all pursue these projects (including brownfield investments for those that are looking for stable and long term profits).

Canadian presence in Chile accounts for more than US\$ 2 billion of realized investment in local public infrastructure firms - including urban highway and energy related projects.

Challenges

The main challenge that interested Canadian parties will face in their efforts to enter the market is a strong competition for large projects from other local and foreign companies. The Chilean government promotes competition as part of their mandate; therefore, Canadian participants should know in advance, that they will be competing against at least 5 to 10 other consortiums (particularly during the prequalification phase). Canadian firms should also be able to offer long-term financing capabilities as part of their package.

Canadian companies interested in participating in Chile's public infrastructure market will need to find reliable and competitive local partners. They should have a good track record, proven experience (successful awarded projects), and tangible financial capabilities (equity and credit worthiness). International experience and local presence are also desirable. International joint ventures facilitate 3rd-country market opportunities together in the future.

Chile still does not have a politically independent public agency responsible for long term strategic infrastructure planning. This has been identified as a major need by local industry since government terms span only 4 years.

MOP plans to draw up measures intended to improve Chile's concession process and make it more efficient. The objective is to reduce the costs involved in obtaining environmental permits (RCA) and to speed up preliminary studies. MOP also plans to implement a risk distribution system that will help finance part of the social and environmental mitigation works required to approve a project's RCA.