

APPENDIX 2-D: VEC PPP OPTIONS

MODEL	FINANCING MODE	LEGAL STATUS	ADVANTAGES	DISADVANTAGES
BCC - VEC + FOREIGN PARTNER	PARTNERS CONTRIBUTE FUNDING IN AGREED PROPORTIONS	USUALLY JOINT & SEVERAL LIABILITY IE EACH PARTY IS LIABLE TO FULL VALUE OF CONTRACT	NO NEED TO FORM NEW LLC - ? QUICKER SET UP	RISKS NOT LIMITED.LATER EQUITISION/ SECURITISATION NOT POSSIBLE.NOT USUAL FOR CONCESSION CONTRACTS
BOT/BT/BTO - VEC +FOREIGN PARTNER ESTABLISH SPC	EQUITY PLUS LOANS - OCR/GOV	STAND-ALONE LEGAL ENTITY	LIABILITY OF 'PARENTS' RING-FENCED.CAN BE EQUITISED/ SECURITISED LATER	SPC TYPICALLY TAKES TRAFFIC/REPAYMENT RISKS DEPENDING ON TERMS OF CONTRACT
GOV 'WORKS'CONTRACT WITH VEC - ON-LENDING AGREEMENT PLUS RIGHT TO TOLL EXPRESSWAYS	GOV GRANT/OCR LOANS/BONDS	VEC AS SOE/CORPORATISED STATE MAJORITY OWNED ENTERPRISE	VEC HAS OBVIOUS SUPPORT OF GOV ?INCL ACCESS TO EXTRA FUNDS.VEC GETS MAJOR ASSET(S) ON ITS BALANCE SHEET	VEC IS EXPOSED TO VERY LARGE BORROWING LIABILITIES.RISK OF ILLIQUIDITY LEADING TO INSOLVENCY
AS ABOVE PLUS VEC /GOV GRANTS O&M CONCESSION TO SUBSIDIARY CO	AS ABOVE	SUBSIDIARY CAN BE WHOLLY-OWNED / WITH PARTNER(S).	TRAFFIC/UPKEEP RISK IS PASSED ON.A NEW LEGAL ENTITY CAN BE CREATED FOR EACH EXPRESSWAY.THIS CAN THEN BE EQUITISED/SECURITISED GIVING CAPITAL BACK TO VEC	AS ABOVE - RISK TO VEC OF DUE TO FAILURE BY SPC TO PAY 'CONCESSION FEE'
PURE SECURITISATION IE VEC SELLS SHARES AFTER CORPORATISATION	N/A	BECOMES EITHER JVTYPE 'PARTNERSHIP' OR PUBLIC CO	INJECTION OF NEW CAPITAL	LOSS OF CONTROL BY VEC/GOV.LONG LEAD TIME ESPECIALLY FOR IPO.MARKET DISCIPLINES WILL PREVAIL