

Implementation Opinions on the Promotion of Public-Private Partnerships in the Area of Toll Roads

(15-MAY-2015)

Note: English version for reference only, Chinese version shall prevail.

Cai Jian [2015] No.111

Finance departments (bureaus) and transport departments (bureaus or commissions) of all provinces, autonomous regions, municipalities directly under the Central Government and cities specifically designated in the state plan, and the Financial Bureau and the Transport Bureau of Xinjiang Production and Construction Corps,

In order to improve the efficiency in building, managing, maintaining and operating toll roads and promote the sustainable development of roads, and in accordance with Guiding Opinions of the State Council on Innovating the Investment and Financing Mechanisms in Key Areas and Encouraging Social Investment (Guo Fa [2014] No.60) and the Circular of the Ministry of Finance on Issues concerning the Promotion and Application of the Public-Private Partnership Model (Cai Jin [2014] No.76), the Ministry of Finance and the Ministry of Transport have decided to encourage and promote the Public-Private Partnership (PPP) model in the area of toll roads. The following opinions are hereby set forth:

I. Overall Objectives

(I) Changing the supply mode.

Social capital is encouraged to participate in investing in, building, operating and maintaining toll roads through the PPP model, get involved in the whole life cycle management for projects together with the government, so as to play the advantages of both government capital and social capital, and improve the quality and efficiency regarding the supply of toll road services.

(II) Innovating the modes of highway investment and financing.

Corporate partners shall invest in market-based principles, and set up a project company independently or with the institutions designated by the government to build and operating toll road projects; whereas the government shall gradually shift from subsidizing the building to subsidizing the operation, adjust prices and subsidies from time to time on the basis of the performance evaluation results of project operation, encourage social capital to engage in the building and operation of toll roads, so as to enhance the role of financial expenditures in guidance and leading, expand the development space for social capital, and effectively unleash the market vitality.

(III) Improving a long-term and effective mechanism for the building, management and maintenance of toll roads.

Establish and complete a series of supporting systems and mechanisms for the reform in respect of contractual constraints, fees adjustment, information disclosure, interim regulation, and performance appraisal, so as to realize the risk sharing, interests integration and limited recourse between the parties to the partnership.

II. Basic Principles

(IV) Open, transparent and standard operation.

The principle of being standard, open and transparent shall be followed in promoting PPP projects. It is necessary to observe the laws and regulations in all stages including project demonstration, selection of partners, development and performance of various contracts, and organization of performance evaluation; disclose information in strict accordance with the relevant requirements and accept supervision from different parties; operate projects in a standard manner in strict accordance with the franchising contracts, to prevent the government from being dishonest and in default and the partners from obtaining improper benefits.

(V) Orderly and step-by-step promotion.

Continuing to make good use of the stock and the increment, and implement policies according to types. It is encouraged to design and operate the projects that have outstanding social benefits but whose operating tolls cannot cover the investment costs or that can only be put into commercial operation with certain government subsidies or resources on the basis of the PPP model. Given that the national road network is in a critical stage of networking currently, and there are heavy tasks for the building of the network, it is encouraged to design and operate the road construction projects that are key ones to be built but with large investment and stable expected returns on the basis of the PPP model. Risk control shall be effectively carried out for the transformation from financing platform company projects to PPPs in accordance with the requirements on government debt management.

III. Implementation Requirements

(VI) Clearly defining PPP projects.

The toll road rights and interests involved in the PPP model implemented for toll roads projects include toll collection rights, advertising rights and the rights to operate service facilities. Different projects may, according to the actual situation, effectively package and integrate the rights and interests to enhance profitability, in order to promote business integration and improve operational efficiency.

(VII) Standardizing operational process for PPP projects.

In the operating process for project initiation, value-for-money evaluation, demonstration of financial affordability, selection of partners, establishment of income and compensation mechanism, organization of project company, signing of partnership agreement, and performance evaluation, the relevant parties shall promote projects in a standard manner in accordance with the unified direction and administrative measures of the Ministry of Finance for PPP-related affairs, and local finance departments at all levels shall, in concert with the transport departments, develop operational measures in line with local actualities upon discussion soon, so as to achieve standard management.

(VIII) Developing complete PPP project implementation programs.

An implementation plan shall include the implementation contents of the project, product and service quality and standards, investment and financing structure, financial calculations and risk analysis, technical and economic feasibility study, requirements on partners, contract structure, mode of government organization, and necessary supporting measures.

(IX) Strengthening the evaluation and supervision.

Finance and transport departments in all regions shall strengthen the organization and implementation, actively carry out overall planning and coordination, and discuss the establishment of a mechanism for deliberation, coordination and joint review, to vigorously and orderly promote PPPs, and establish a supervisory mechanism for PPP projects.

IV. Support Measures

(X) Funding and policy support.

Where the tolls collected are insufficient for a corporate partner or project company to recover the costs and obtain reasonable returns, and the costs cannot be recovered even if financing support and support measures such as development and utilization of land in a certain area along the road under the project are granted, reasonable financial subsidies may be awarded upon consideration. For projects in compliance with the requirements of the Interim Measures for the Administration of the Funds Allocated from Vehicle Purchase Tax Revenue for Subsidizing Local Projects, investment subsidies may be applied for in accordance with the provisions on the application for and review of funds for key transport projects.

(XI) Relevant supporting policies.

Local finance and transport departments at all levels shall take the initiative to coordinate relevant departments to further improve policies on road tolls, land and related issues, maintain the decisive role of market mechanism, and build a green channel for promoting projects in project approval and other related aspects.

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