



Fertagus Concession





I SYNOPSIS OF THE FERTAGUS CONCESSION

The Fertagus concession contract signed in 1999 between the Portuguese State and concessionaire Fertagus defines the operation of the suburban passenger transportation service along the North/ South Railway Axis between Setúbal and Roma-Areeiro, including the crossing of the 25 de Abril Bridge.

The term of the concession agreement, initially signed for a period of 30 years, was reduced to about 6 years when the first renegotiation occurred in 2005 and took place under the new legislation on Public-Private Partnerships.

This renegotiation determined that the traffic-band system should be set aside and the consequent contracting of the public service provision, with guaranteed minimum-services requirement. A claw-back mechanism was also introduced, that is, introduction of sharing ticket-revenue upsides.

Up to 2010, Fertagus paid the State about 11.8 million euros by way of sharing ticket-revenue upsides.

On the other hand, over the same period, the State paid concessionaire Fertagus the sum of about 102.8 million euros, either by way of financial imbalances compensation, or compensation for providing the public service.

In 2010, there was a second renegotiation of the contract, in which any compensation to be paid by the State to the concessionaire was eliminated. Moreover, the extension of the contract to 2019 was also stipulated, as was the sharing by the State of 50% of the net profit determined in the financial model for the final three years of the concession (2017 to 2019) and also, if the income of railroad activity exceed, in each year, the figures forecasted in the financial model, the State will receive 75% of the respective surplus.

Until 2005, when the first renegotiation took place, the concession always returned a loss compared to the figures of the financial model (about 32 million Euros less). In contrast, as from 2005, the concessionaire began to show a net profit in the sum of about 56 million Euros. For that purpose, a contribution has been made, among others, by the increasing demand, the lengthening of rail the service to Setúbal and the fact that the contract permits tariff increases within an interval of 5% above or below the estimated inflation rate in the State Budget for the year 2005.

As from 2011, the Fertagus concession became a unique case in Europe, because it is a private equity firm that provides a quality public passenger-transport service upon payment to REFER of a rate for the infrastructure use, without resorting to financial compensation from the State for the purpose.

Having surmounted some initial difficulties, it is now a successful public-private partnership, unlike what most-often happens in Portugal in such contractual arrangements. In 2011, after 12 years of operation undergoing continuous growth, the concessionaire Fertagus was already responsible for about 85,000 daily commuting . In 2010, the Overall Satisfaction Index of its customers stood at 4.5, on a scale of 1 to 5.

