

PRESS RELEASE

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End of historic motorway concessions: the obligations of motorway concession companies need to be specified in the near future to maintain the economic equilibrium of contracts

In accordance with Article L. 122-9 of the French roadway code, the French Transport Regulatory Authority (ART) is today publishing its third report on the general economics of motorway concessions, dedicated to the challenges posed by the end of historic concessions. With the end of the seven largest concessions approaching, the report stresses the need to clarify end-of-contract obligations to ensure their successful completion and estimates the associated financial stakes at several billion euros.

RESTORING INFRASTRUCTURE TO GOOD CONDITION AT THE END OF THE CONCESSION PRESENTS SPECIFIC CHALLENGES TO ENSURE THE CONTINUITY OF THE PUBLIC MOTORWAY SERVICE

To date, the state of maintenance of motorways under concession is objectively good. Comparisons with other networks bear this out: engineering structures and roadways are in better condition than on the non-concession network, and France is generally at the top of international rankings for motorway infrastructure.

However, specific measures are required at the end of the concessions to guarantee the continuity of the public motorway service. The end of the contract is a special time: while concession companies have an incentive to maintain the network during the term of their contract, this incentive diminishes at the end of the contract.

For ART, there are two aspects to watch out for:

- **An additional maintenance effort for roadways and engineering structures, amounting to around 1.2 billion euros, appears necessary.** For example, some bridges are likely to deteriorate structurally in a few years' time: the aim is to reduce their number by rehabilitating at the very least those whose condition requires it in the short term. Such work requires in-depth knowledge of the infrastructure - and must therefore be carried out by the current concession company.
- **In addition to roadways and engineering structures, motorway assets include a multitude of other assets that should not be overlooked.** For example, signalling

equipment, drainage basins and toll infrastructures are essential to the smooth running of the service. They account for around a third of total maintenance expenditure, i.e. 250 million euros each year.

NOT ALL CONTRACTED INVESTMENTS HAVE YET BEEN COMPLETED

Concession contracts provide for certain developments to be carried out in two phases - for example, a section of motorway may initially be built with 2x2 lanes, with the contract providing for it to eventually have 2x3 lanes.

However, there is no consensus on the scope of the obligations relating to second-phase investments, and more specifically on the question of whether these investments are in any case payable without compensation by the grantor at the latest at the end of the contract.

The stakes are high: between 0.4 and 5.1 billion euros of investment could be owed by concession companies, depending on how contractual clauses are interpreted. In the event that certain developments no longer appear technically or economically justified, these sums could be reused for purposes other than widening, for example to finance the adaptation of the network to the needs of everyday mobility or the decarbonization of motorways.

According to ART, there are strong legal arguments in favor of the strictest interpretation of the contractual obligations of motorway concession companies.

In any case, given the imminent expiry of the contracts, a decision must be taken as soon as possible on the extent of the investment obligations remaining with the concession companies. It will be up to the State-grantor, as the party responsible for the execution of the contracts and guarantor of the general interest, to do this, if necessary under the supervision of the courts.

AS THEIR MATURITY APPROACHES, THE PROFITABILITY OF HISTORICAL CONCESSIONS CANNOT BE CONSIDERED EXCESSIVE

As they are approaching maturity, it is possible to estimate the profitability of the concessions over their entire duration: this is consistent with the cost of capital that can be estimated over the life of the contracts, and with the hazards of a concession. Based on conservative assumptions regarding end-of-contract obligations, the internal rate of return ("IRR") for the seven historic private concession operators stands at 7.9%. This compares with the cost of capital, which for an investment of this type, over the period from the origin of the historic motorway concessions to the present day, is around 7.0%. Given the hazards of a concession company's business, and the many assumptions that have had to be made in calculating IRR and cost of capital, this difference is not significant.

Consult (in French) :

- [The summary of the third edition of the report on the general economics of concessions](#)
- [The full report](#)

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About the Transport Regulation Authority

Since 2010, the French rail sector has had an independent authority to accompany its gradual opening up to competition: the Autorité de régulation des activités ferroviaires (Araf). Law no. 2015-990 of August 6, 2015 for growth, activity and equal economic opportunity extended the regulator's remit to road activities - coach transport and freeways. On October 15, 2015, Araf thus became the Autorité de régulation des activités ferroviaires et routières (Arafer), with the mission of contributing to the smooth operation of public service and competitive activities, for the benefit of rail and road transport customers.

Competent to regulate airport charges since October 1, 2019, Arafer became the Autorité de régulation des transports (ART) on that date. Lastly, the Loi n° 2019-1428 du 24 décembre 2019 d'orientation des mobilités extended the Authority's powers and missions to include the opening up of mobility and ticketing data, as well as the regulation of infrastructure management and security activities carried out by RATP in the Île-de-France region.

Its opinions and decisions are adopted by a college of five independent members chosen for their economic, legal or technical skills in the field of digital services or transport, or for their expertise in competition issues. Since December 29, 2023, it has been chaired by Thierry Guimbaud.