

Government-Industry Collaboration

Creating Commercial Opportunities

Silvano Casini

Domaine de Beauregard

2nd Exploration Conference
Houston, Texas
5 December 2006

A Proven Model: Italian Motorway Network

- The concept of a motorway as a road entirely dedicated to fast, mechanised vehicles was first conceived and implemented in Italy, in the 1920's.
- At the end of WW II, public roads in Italy were almost completely disrupted.
- In June 1946 the National Roads Authority was established, to rebuild what had been destroyed, and to build new roads and motorways.
- Facing the colossal problem of the war's overall destruction and national economic distress, the Government readily implemented a Public Private Partnership, to fully exploit the nation's entrepreneurial energy.
- Since early 50's, the National Roads Authority has mainly focused on improving and servicing the network of public roads, while encouraging, monitoring and controlling, through the instrument of "concessions," the expansion of the motorway national network.

Italian Motorway Network

- In a few years, a motorway network of 3 000 km materialized, and stimulated the demand for a wider network.
- Today, the Italian motorway network includes 6500 km of roads (for a tiny country of less than 300 000 square km, most of them mountainous).



How Was It Possible?

- **Investors from the private and public sector (e.g., municipalities, local chambers of commerce, Government-owned companies) joined their forces to reach critical mass (i.e., to constitute credible and reliable entrepreneurial entities)**
- **On the basis of detailed technical projects and business plans, these companies were granted a renewable Government concession for 30 years**
- **Tolls were fixed by the Administration on the basis of the motorway construction and servicing costs**
- **Government contributions were:**
 1. **a possible yearly contribution of 4% of total envisaged cost, for 30 years**
 2. **exoneration of VAT and other taxes for all acts and contracts to construct the motorway**
 3. **a national fund to stand 50% surety for all bonds issued by motorway companies**

Key Factors

- Bureaucracy limited to the intervention of National Roads Authority for:
 1. Project Approval
 2. Monitoring and control of legal compliance by motorway companies
 3. Monitoring and control of motorway companies financial results and related fee payments to the Government
- Risks allocated to the Administration:
 - Force Majeure
- Risks allocated to motorway companies:
 - Construction risks (time delay and cost overrun)
 - Liabilities
 - Market risk (traffic volume)

The Results

- **The “decentralised approach” favoured the mobilization of local and regional authorities, and entrepreneurial/financial resources. This helped speed-up the red tape process, and implement simultaneous construction of motorways. (A good dose of local pride was injected into the system.)**
- **The motorway network unified Italy more than any other factor in its modern history.**
- **The impact on the Italian economy has been enormous, in all sectors (e.g., agriculture, industry, tourism).**
- **Nearly half of the network was in concession to a Government-owned company (Autostrade SpA). When privatized, five years ago, the cash-in for the Government was much higher (in constant terms) than the Government amount invested for the realization of the entire network.**
- **Motorways developed their own economy (e.g., gas stations; restaurants and shops; breakdown services; maintenance and upgrading, including research & development activities for new techniques and technologies; optical fibers telecommunications; radio broadcasting and related advertising).**

Lessons Learned - Applicable to VSE

- **Clear-cut legislation (for subsidies, rights, liabilities-both for States/Governments and Private Partners).**
- **One single entity to grant concessions and monitor/control project implementations (for VSE: International Legal/Technical Secretariat? How do railroads companies coordinate in Europe?).**
- **Moderate (affordable, for VSE) but sure Government contributions.**
- **Government guarantee for up 50% of issued bonds.**
- **Fiscal alleviations (fiscal incentives, for VSE).**
- **Multiple and parallel entrepreneurial entities, with a mix in equity participation (public and/or private partners) as appropriate to circumstances.**
- **Clear and simple rules for users.**



Implementing the Vision

**Space Exploration Conference
2006**