

The Private Capital Inducement in Seoul Metropolitan Subway Line No. 9



Korea-France Urban Transportation Seminar

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Construction Plan of the Seoul Metropolitan Subway Line No. 9

1.1 Project Purpose

- **Induction of creativity and efficiency by private management**
- **Reduction of public burden through multilateral investment finances**



1.2 Project Overview

Classification	Gimpo Airport ~ Bangi (38km)	
	Phase 1 section	Phase 2 section
Line Length	25.5km	12.5km
Number of Stations	25	12
Construction Period	2001~2007	from 2008
Project Cost	2,400 billion won	·
Operation Period	30 years	·

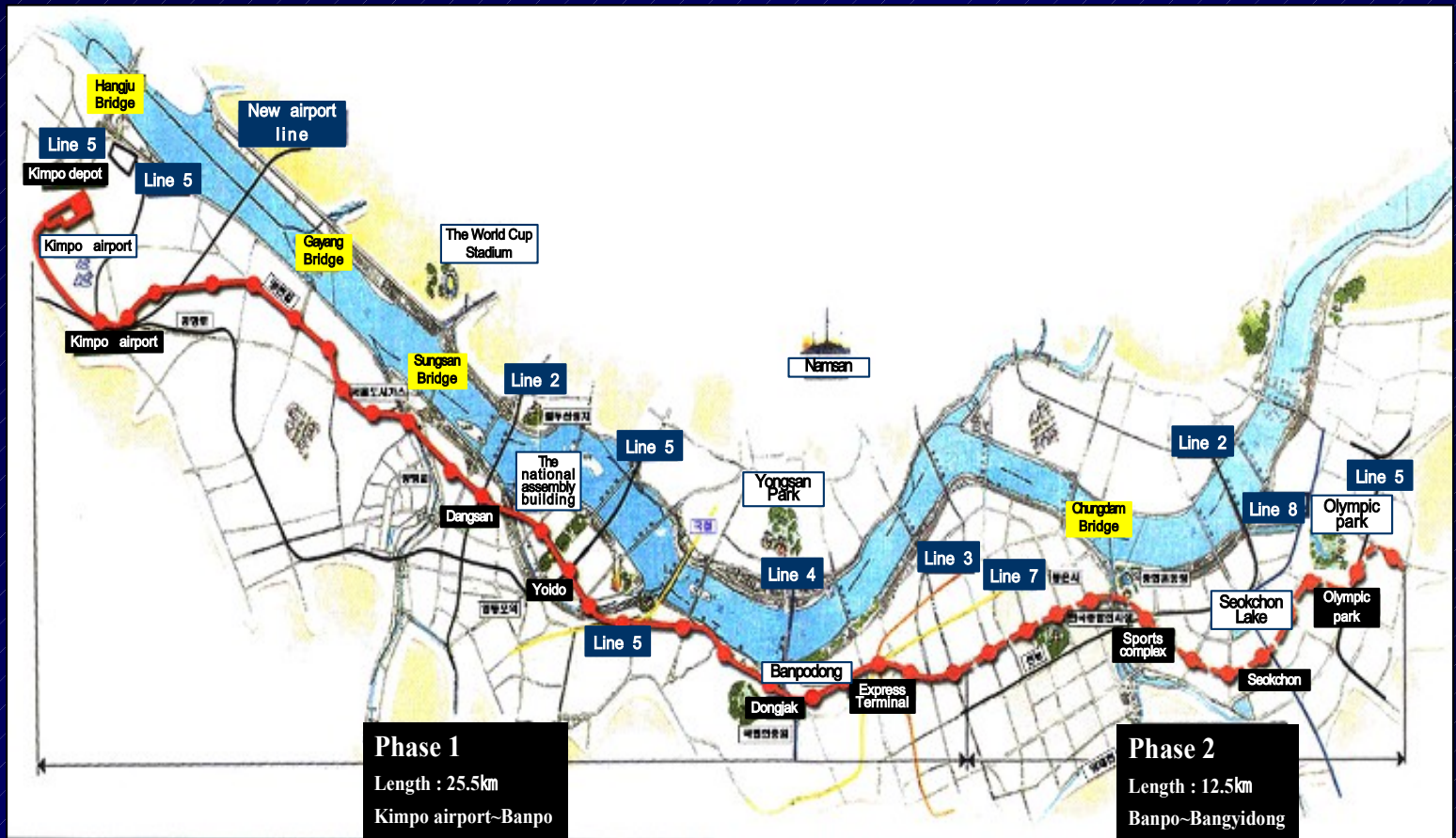
1.3 Basic Construction Targets

- **Installation of automatic facilities**
- **Design of safe and delightful underground environment**
- **Minimization of construction/operation cost**
- **Improvement of operational efficiency**
- **Operation of local and express trains**
- **Security of passengers by installation of screen-doors**

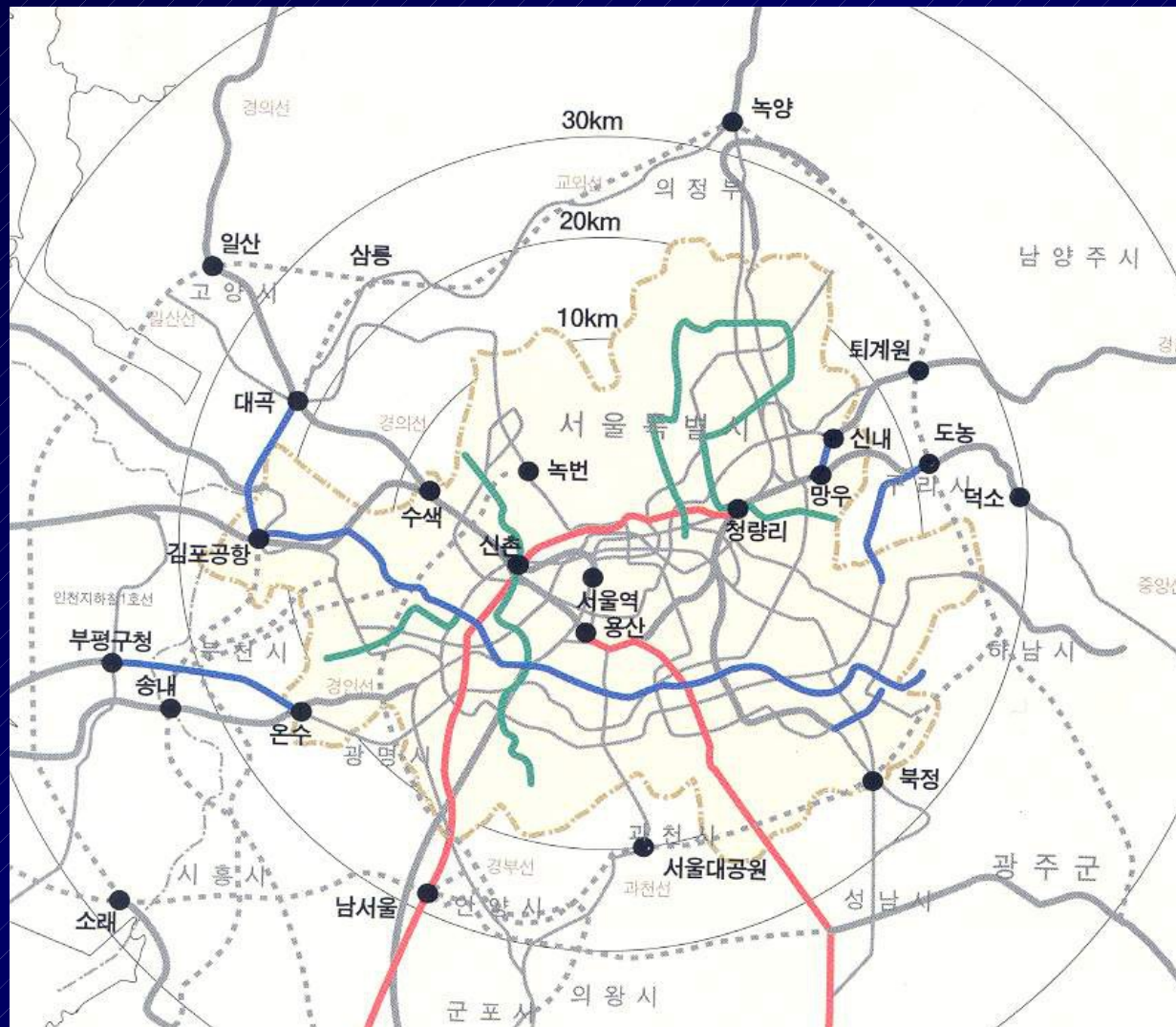
1.4 Line Features

- **Running from east to west on the south side of the Han River in Seoul**
- **Providing convenient subway service for Gangnam, Yeomchang, Heukseok, and Banpo area**
- **13 transfer stations : Linking with other lines 1, 2, 3, 5, 7, 8**
- **Connect with Incheon International Airport Railroad**

1.5 Route Map of the Line No. 9 (1)



1.5 Route Map of the Line No. 9 (2)



1.6 Passenger Demand Prediction

- **Line No. 9 (Phase 1)**

→ **Assumption : Line No. 9 is opened in**

2008 Goal Year	Daily Passenger Traffic			Passenger Traffic (peak time)
	Net Passenger	Transfer Passenger	Total	
2008	83,563	108,068	191,631	23,644
2013	369,909	343,611	713,520	87,307
2018	460,020	485,446	945,466	111,557
2028	556,256	586,998	1,143,254	134,895



V. Designation of Private Capital Inducement Project for Line No. 9

2.1 Background for Private Investment Project

■ Debt in 1999

(Unit: billion won)

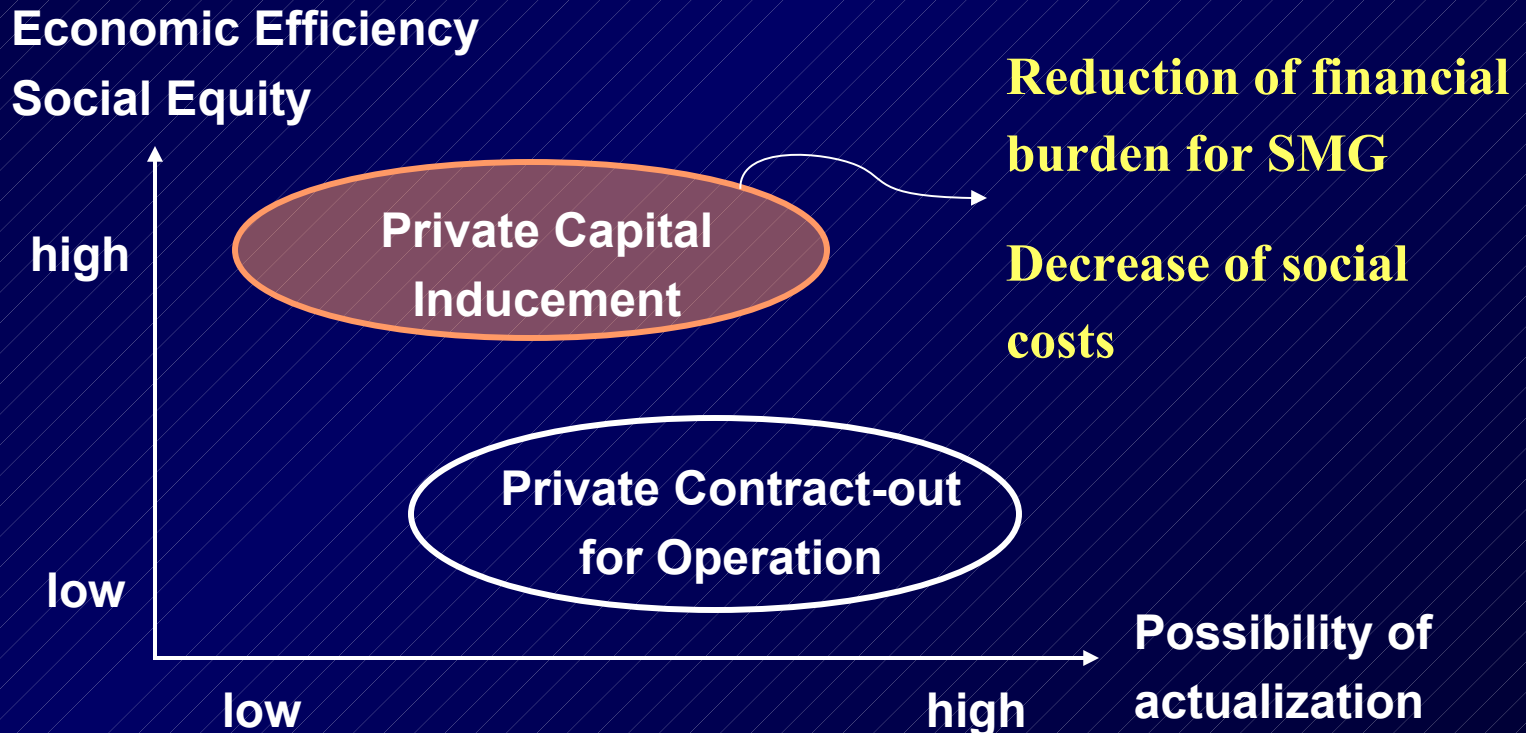
Total Debt of SMG	Debt related to Subway (construction + operation)
	Debt of SMSC + Debt of SMRTC
5,560	4,846 (87.15%)

→ Requires new approach for future subway
construction

→ Private Capital Inducement

2.2 Alternative Choice for Private Investment Participation (1)

■ Decision of Private Participation Form



2.2 Alternative Choice for Private Investment Participation (2)

■ Decision of Scope for Private Capital Inducement

	Public Sector	Private Sector
Full Private Capital Inducement	.	every construction and operation
Partial Private Capital Inducement	construction of lower structure	construction of upper structure and operation

2.3 Public Support Strategy for Private Investment Project

- In case of partial private capital inducement with upper-and-lower divided structure
 - The public supports fixed rate of cost about rolling stock, system, building, and supplementary in the construction period of upper structure.
 - The private constructs upper structure, and the public provides subsidy in operation period.

2.4 Final Layout of Private Investment Project

(Unit: billion won)

Total Project Cost (2,416)		
Lower Structure (1,566)	Upper Structure (850)	
substructure (site preparation and ground consolidation work for depot)	rolling stock, system, station construction work, track work, depot, traffic control center, etc.	
Public (100%)	Public (31.7%)	Private (68.3%)
1,566	356	494
Total Public Cost (80%) : 1,922		Total Private Cost (20%) : 494



V . RFP for Private Investment Project in Line No. 9 Phase 1 (Upper Structure)

3.1 Qualification of Proposer

- **A corporation or a would-be corporation**
- **The share of the largest investor should be more than 25% (if the proposer consists of five or more investors).**
- **The proposer or the investor should not participate in other proposal to this project (except the investor of less than 1% of the share).**

3.2 Project Implementation Method

Method	Contents
Build Transfer Operate	Ownership of the facilities shall be transferred to SMG upon the completion of construction of the upper structures, and the concessionaire shall have the right to operate the facilities for specified period.
Build Own Transfer	The concessionaire shall assume ownership of the facilities for a specified period after the completion of construction, and the ownership shall be transferred to SMG upon the termination of the concession period.

3.3 Rights of Ownership

- **Rolling stocks and equipments**
shall be transferred to SMG on the completion date of construction or at the expiry of concession period.
→ Thereafter the SMG may entrust operation to the concessionaire.
- **The multi-purpose station (ownership of the concessionaire)**
→ At the expiry of concession period, the facilities related subway shall be transferred to SMG without charge.

3.4 Free Use Period and Fares (1)

- **The free use period or ownership-and-operation period is up to thirty years from the day following the completion date.**
- **The initial fare will be decided upon negotiation between the concessionaire and SMG according to the fare adjustment method stipulated in the Concession Agreement.**

3.4 Free Use Period and Fares (2)

- **The concessionaire independently determines fares for each year after the first year of operation by using fare adjustment methods specified in the Concession Agreement.**
- **The fare collection for transfer passengers will be based on the method between railway's operating bodies in Seoul metropolitan areas.**

3.4 Free Use Period and Fares (3)

- **The revenue guaranteed by SMG**
(based on the rate of actual vs. estimated revenue)

Less than 90%	90% ~ 110%	More than 110%
Financial support, or Adjustment of fare or of free use period	.	Redemption of excess amount

3.5 Supplementary Project

- **The concessionaire may implement the development of the station area.**
- **The concessionaire may carry on business such as convenience facilities stores, vending machines, and advertisement.**

3.6 Guarantee of Faithful Project Implementation (1)

- **The Mayor of SMG may supervise the work related to this project, order for supervision, and take administrative procedure.**
- **The Mayor of SMG designate supervisors to prevent the negligent construction.**

3.6 Guarantee of Faithful Project Implementation (2)

- **The concessionaire shall deposit performance guaranty money equivalent to 10% of the total project cost to promote timely construction and ensure against abandonment of the project.**
- **If the project is not completed until the planned completion date, the concessionaire shall pay a liquidated damages equivalent to 0.1% of total private cost less completed portion daily.**

3.7 Support from SMG and Central Government (1)

- **The SMG may acquire land in the planned project area and allow the concessionaire to use such land free of charge during the entire project period.**
- **The SMG supports the cost of purchasing additional rolling stocks in the concession period at the rate determined via the Concession Agreement.**

3.7 Support from SMG and Central Government (2)

- The SMG may provide financial support for the construction cost of the upper structures.
- The SMG may support cost for repair and replacement of facilities and equipments used for over twenty years from first year of operation.
- The proposer may specify administrative and financial support required from the Central or SMG in the proposal.

3.8 Sharing of Foreign Exchange Risks

Respective Fluctuation Level	Risk Share
Within $\pm 20\%$	The concessionaire shall absorb losses, and profits will be regarded as incentives for the concessionaire.
Increase of 20% or more (loss of foreign exchange)	Fares, etc. will be adjusted, or financial support will be provided.
Decrease of 20% or more (profit of foreign exchange)	Fares, etc. will be adjusted, or the Central or SMG will collect the profits.

3.9 Evaluation of Proposal and Negotiation (1)

- **The perfect score of a proposal will be 1000.**
- **The SMG will designate the preferred proposer in the priority between two possible proposers.**
- **The concessionaire is designated according to the required procedure after negotiation.**
- **The main concern of negotiation : total private project cost, free use period, subway fare, government support, project scale, supplementary project, etc.**

3.9 Evaluation of Proposal and Negotiation (2)

■ Criteria for Evaluation of Project Proposal

Evaluation Categories	Points
1. Composition of Concessionaire	50
2. Feasibility of Project Proposal	130
3. Finance Plan	200
4. Economic Feasibility	220
5. Facility Management Capability	260
6. Contribution to the Public Interests and Creativity	140

3.10 Procedure for the Project





V . Negotiation Progress for the Private Investment Project in Line No. 9

4.1 Current Progress

Date	Contents	Remarks
March, 2001	Designated the Project of Phase 1 of the Subway Line No. 9 to the Private Participation Project	
October 31, 2001	Announcement of the RFP for Phase 1 of the Line No. 9	
April 1, 2002	Submission of Project Proposal	one proposer
May 7~9, 2002	Evaluation of Project Proposal	
May 13, 2002	Designation of Preferred Proposer	
June 27, 2002 ~ March 31, 2003	Negotiation	
April, 2003	Rupture of Negotiation	



THANK YOU !!!