

**Directorate C: National and European Accounts**

Luxembourg, **21-06-2011**  
ESTAT/C-3/FL/LA/DB/mg (2011) 721215

Mr Jaume García Villar  
El Presidente del  
Instituto Nacional de Estadística  
Paseo de la Castellana, 183  
28046 Madrid  
Spain

**Subject: Public-Private Partnership by Autonomous Community of Aragon**

**Ref.: Your letter dated 21 June 2010**  
**Our letter dated 18 August 2010**  
**Your letter dated 18 October 2010**

Dear Mr García Villar,

Thank you for the information which you have provided to us on this PPP contract.

After careful examination of the issue by Eurostat, I am in a position to inform you of the conclusions that have been reached.

**The case**

The issue concerns the classification of the assets that are linked to a road network project run by the Autonomous Community of Aragon.

*Documentation provided*

- Reports of the Working Group of National Accounts (INE, Banco de España, IGAE).
- English translation of the bidding documentation for one of the eight sectors.
- English translation of a note from the Roads General Directorate of Aragon related to the divisibility of the road network.
- English translation of a note including the observations prepared by the Roads General Directorate of Aragon on the Eurostat letter dated 18 August 2010.

*Description of the case*

The road network in Aragon has been divided into 8 zones or sectors.

Therefore there will be 8 different contracts submitted to a competitive procedure.

In each sector, a private partner will assure various works on the road stretches, including new construction, expansion, improvement, major repair, their maintenance and their operation. Including the construction phase, the length of each contract will be 38 years.

The initial investment is globally estimated at € 630 million.

During the operational phase, the partner will receive payments from the Community of Aragon linked to the availability of the infrastructure. These payments will be determined on the basis of precise quantitative indicators covering various aspects.

A specific issue in this project refers to the value of the works that will be carried out. The construction of completely new roads will only form a minor part of the total investment.

The report of the Spanish Working Group explicitly refers to the dedicated chapter in the MGDD where, both in the 2<sup>nd</sup> edition (additional chapter on long term contracts) and the forthcoming 3<sup>rd</sup> edition (Chapter VI.5 on PPPs), it is stated that: *The contract may refer either to a new asset or to significant refurbishment, modernisation or upgrading of existing assets, including assets already owned and managed by government but provided that the expenditure for renovation, etc., will represent a predominant part of the value of the asset after renovation.*

It is the opinion of the Spanish Working Group that on the basis of an analysis for each individual sector, as mentioned above, it appears that this condition will be met only in 5 sectors, whereas it will not be the case for the 3 other sectors.

Therefore, the Working Group considers that for the latter 3 sectors, the assets should be classified with the Aragon government and the related gross fixed capital formation expenditure would be recorded in the government accounts.

The Working Group is asking Eurostat for its opinion on this analysis.

### **Methodological analysis by Eurostat**

After examination of the provided documentation, and after careful consideration of the position of the Working Group, Eurostat has reached the following preliminary conclusions.

#### **Applicable accounting rules**

- Manual on Government deficit and debt, 3<sup>rd</sup> edition, chapter VI.5 (Public-private partnerships)

#### **Analysis by Eurostat**

Eurostat fully supports the view that each of the 8 sectors must be considered separately as regards the statistical treatment for EDP purpose. Eurostat understands that each sector could be entrusted to different partners (“concessionaires”). Even if one partner could successfully bid for several sectors, the contractual provisions would still apply separately. Therefore, all methodological analysis must be carried out at the level of each contract.

Eurostat agrees on the interpretation of the Working Group, that in case of renovation, the capital expenditure should be predominant compared to the value of the assets.

## **Conclusion**

On the basis of the above considerations, Eurostat agrees with the opinion of the Working Group that for the three sectors, the assets should be classified with the Aragon government and the related gross fixed capital formation expenditure would be recorded in the government accounts.

## **Procedure**

This preliminary view of Eurostat is based on the information provided by the country authorities. If this information turns out to be incomplete, or the implementation of the operation differs in some way from the information presented, Eurostat reserves the right to reconsider its view.

In this context, we would like to remind you that Eurostat is committed to adopt a fully transparent framework for its decisions on debt and deficit matters in line with Council Regulation 479/2009 and the note on ex-ante advice, which has been presented to the CMFB and cleared by the Commission and the EFC. Eurostat is therefore publishing all official methodological advice (ex-ante and ex-post) given to Member States on the Eurostat website. In case you have objections concerning this specific case, we would appreciate if you let us know before 1 July 2011.

Yours sincerely,



**François Lequiller**  
Director