



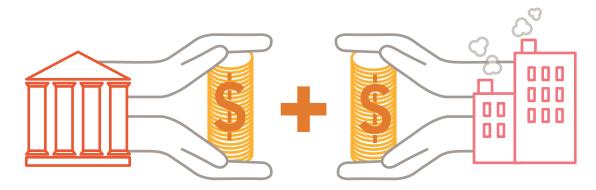
Overview

In December 2017, the government of Thailand published a new PPP Strategic Plan which sets out the sectors in which infrastructure projects can be developed as Public Private Partnerships (PPPs) and also lists out the projects within the PPP pipeline. This new Strategic Plan reaffirms the importance of developing infrastructure to the Government and economy of Thailand and presents new opportunities for both Thai and foreign infrastructure developers and investors. The new PPP Strategic Plan sees the addition of the airport and power sub-sectors.

This briefing note provides further context to the new Strategic Plan, further details on the Plan and also provides commentary on a complementary key policy of the government – the Eastern Economic Corridor.

The PISU Act

The Public Investment in State Undertaking Act ("PISU Act") of 1992 was the original act that governed all private investment in state undertakings in Thailand. The act defined the meaning of 'private investment' and 'state undertaking' whilst also outlining the project appraisal process, the project procurement process, and the contract monitoring process. In an effort to spur private investment in state undertakings and increase transparency of the project appraisal process and contract monitoring process, in 2013, the Thai government decided to update the PISU Act of 1992 and enacted the PISU Act of 2013.



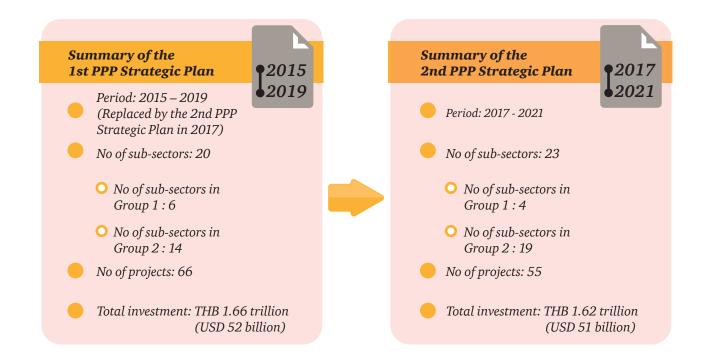
The PPP Strategic Plan

Following the release of the new PISU Act in 2013, it became compulsory for the PPP Committee to publish a PPP Strategic Plan that is consistent with the National Economic and Social Development Plan ("NESDP"). In essence, the PPP Strategic Plan provides the general direction for private investment in the different sub-sectors in order to help the country to achieve its objectives outlined in the NESDP. As a result, in 2015, the PPP Committee with the support of the State Enterprise Policy Office ("SEPO") – the government entity with responsibility for PPPs – published Thailand's 1st PPP Strategic Plan and Project Pipeline based on the NESDP #11.

In 2017, two years into the 1st PPP Strategic Plan, the National Economic and Social Development Board (NESDB) published the NESDP#12. Subsequently, the PPP Committee and SEPO has now updated the PPP Strategic Plan to ensure alignment with NESDP #12. This new Strategic Plan was published in December 2017 and is effective from now to 2021.

"Facing constraints on public resources and fiscal space, while recognising the importance of investment in infrastructure to help their economies grow, governments are increasingly turning to the private sector as an alternative additional source of funding to meet the funding gap."

– World Bank



The PPP Strategic Plan broadly classifies the sub-sectors into two groups:

Group 1	Projects in which the government requires public private partnerships. To develop the project, the project owner (line ministry or agency) must first conduct a PPP feasibility study as defined by Article 24 of the PISU Act and subsequently should procure the project as a PPP. Only in exceptional circumstances, and where the project owner gains an exemption from the PPP Committee under article 30 of the PISU Act, is the project not developed as a PPP.
Group 2	Projects in which the government encourages public private partnerships. For these projects, the project owner (line ministry or agency) may procure the project through public sector procurement or through a public private partnership. The project owner is encouraged to assess the deliverability and value for money of a PPP but is not required to conduct a PPP feasibility study.

The 2nd PPP Strategic Plan & Project Pipeline (2017-2021)

Group 1

Subsectors which require private sector investment



- 1.1 Development of Urban Rail Transit Lines
- 1.2 Development of Toll Roads in Metropolitan Areas
- 1.3 Development of Public Logistics Ports
- 1.4 Development of High-speed Rail Lines

Group 2

Subsectors in which the government encourages participation and investment from the private sector



- 2.1 Development of Telecommunication Networks
- 2.2 Development of High-speed Internet Networks
- 2.3 Development of Intercity Toll Roads
- 2.4 Development of Logistics Depots
- 2.5 Development of Common Ticketing Systems
- 2.6 Development and Management of Airport Ancillary Services
- 2.7 Development of Water Treatment Facilities
- 2.8 Development of Water Supply and Irrigation Systems
- 2.9 Development of Public Education Institutions
- 2.10 Development of Public Health Infrastructure
- 2.11 Development of Pharmaceutical and Medical Equipment Facilities
- 2.12 Development of Science, Technology and Innovation Infrastructure
- 2.13 Development of Digital Economy Infrastructure
- 2.14 Development of Convention Centers
- 2.15 Development of Shelters for the Low to Middle Income, the Elderly, the Handicapped and the Underprivileged People
- 2.16 Development of Freight Rail Lines
- 2.17 Development of Airports
- 2.18 Development of Cruise Terminals and Facilities
- 2.19 Development of Power Infrastructure



The PPP Fast Track Process

The PPP Fast Track process is an effort by the Thai government to eliminate red tape and bottlenecks commonly associated with the approval and development of infrastructure projects. The PPP Fast Track allows the PPP Committee to focus their efforts on strategically important projects which in turn shortens the time required for approvals and development of the projects.

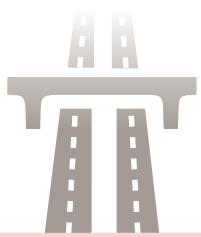
	Normal PPP Procedures	PPP Fast Track
PPP Feasibility Study	8 – 10 months	3.5 months
Project Appraisal	6 – 8 months	4 months
Tender Evaluation and Contract Award	5 – 7 months	1.5 months
Total Estimated Time Required	25 months	9 months

The PPP Fast Track Project Pipeline

Throughout 2017, 11 projects worth a combined value of THB 934.2 billion were included in the PPP Fast Track Project Pipeline. Of these, three projects have been awarded - the Pink Monorail Line, the Yellow Monorail Line, and the extension of the MRT Blue Line - and two are about to be tendered – the Bang Yai – Kanchanaburi and the Bang Pa-in – Nakhon Ratchasima Intercity Motorway.

The remaining 6 projects are still in the project preparation stage, comprising:

- 1) Train routes
 - MRT Purple Line
 - MRT Orange Line
 - Phuket Mass Transit System
 - Chiang Mai Mass Transit System
- 2) High-speed train routes
 - Bangkok Rayong High speed Rail
- 3) Motorways
 - Nakhon Pathom Cha-Am Intercity Motorway



Pink Line

The 'Pink Monorail Line' (Khae Rai – Min Buri) project was one of the projects included in the PPP Project Pipeline and the PPP Fast Track Project Pipeline in 2017. The project is an elevated straddled monorail line which covers a total distance of 30.4 kilometres and has a total investment cost of THB 46.65 billion (USD 1.4 billion).

The Mass Rapid Transit Authority (MRTA) tendered out the project in early 2017, and by June 2017, the BSR Joint Venture (BTS-STEC-RATCH) won the bid to build, finance, operate, and maintain the project under the PPP Net Cost scheme for 33 year and 3 months (3 year and 3 months for construction and 30 years for operation and maintenance).

Notably the Pink Line, and the Yellow Line which was concurrently procured, are the first urban rail transit line projects developed under the PPP Net Cost scheme whereby the private sector invest fully in the civil construction, M&E, and rolling stock – a huge achievement for the Thai government.

The Eastern Economic Corridor



Source: Eastern Economic Corridor: An Update, published on The Stock Exchange of Thailand website

The EEC Project Pipeline

As of October 2017, there are 15 projects in the EEC Project Pipeline which can be broadly categorised into 4 core areas.



Transportation

- U-Tapao Airport
- Sattahip Commercial Seaport
- Laem Chabang Port Phase 3
- Map Ta Phut Port Phase 3
- Eastern High-speed Trains
- Double-track Railways
- Expressways and Motorways



Tourism

Tourism



Business, Industrial clusters and Innovation hub

- Next-generation Automotive (EV/AV)
- Aviation Industry, Robotics and Electronics
- Advanced Petrochemical and Bio-based Industry
- Medical Hub



New cities and communities

- Global Business Hub / Free Economic Zone
- Urban Development
- Development of Public Utilities

Our view - infrastructure is fundamental to Thailand's economic growth and this is creating more opportunities

The Thai government understands the importance of infrastructure development toward economic growth, and must be commended for their continued forward thinking in promoting public private partnerships as an alternative source of funding to meet the infrastructure funding gap. The PISU Act, the PPP Strategic Plan, the PPP Fast Track, and the EEC Fast Track are very promising policies that displays the Thai government's commitment toward public private partnerships. Moreover, it is worth noting that the Thai government acknowledges that the previous plans and policies were very focused on roads and rails, and is now looking to expand the pipeline into new sectors such as airports, education, and health. Therefore, we expect several new projects and opportunities in 2018 for both the public sector and private sector companies who may be interested in the development of infrastructure projects in various sectors.

Where PwC can help

PwC's dedicated Capital Projects and Infrastructure Team advises government agencies and infrastructure companies on the successful development of infrastructure projects, adding value across the entire project lifecycle. Our key advisory service offerings are summarised in the table below.

Key Services Offerings

Government Sectors and PPPs	 Our government sector advisory service offering provides comprehensive assistance to governmental agencies from the outset of any project. Our service offering includes conducting feasibility studies, framework/policy development and tendering/procurement advice. PwC also provides specialist advice for PPPs and project financing, having previously been involved in key projects such as the Singapore Sports Hub and ITE West.
Capital Projects Services/ Project Management Offices ("PMO")	 Capital project management is a PwC approach that governments and businesses can use to plan, manage and deliver capital projects in a structured way in order to maximise potential benefits. It focuses on risk at every stage, whether "up front" during appraisal and procurement stages or "downstream" during construction or when disputes develop. This allows us to help clients in the transport industry deliver projects on time and more importantly on budget!
Market Entry/ Strategy Assessment	 PwC's dedicated strategy team specialises in supporting both local and international clients with successful market entry decisions. We help answer key questions such as (i) What is the size of the market, what are the key trends driving it and its growth potential? (ii) What is the competitive landscape (including local and international players) and what would be your points of differentiation? (iii) What are the entry barriers and the risks associated with them?
Bid Management	 We help private sector participants with assessing the right business opportunities and preparation of bids for projects. This includes project managing the entire bid submission process, building of financial models to assess potential returns, drafting the bid documents and providing commercial support during negotiation.
M&A/ Capital Raising (Equity & Debt Financing)	 The transport sector is characterised by a growing level of privatisation, finance-raising and merger and acquisition activity (M&A). Transactions are often complex and impacted by the regulatory environment, competition issues, or need for contracted subsidies to support operations. With our industry know-how and specialist skill-sets, PwC is well placed to assist transportation and logistics companies across the deal continuum through assessing, capital raising and maximising the return on transactions.

Contact details

If you would like to discuss the issues raised here or would like a discussion about investing in the infrastructure sector in Thailand then please contact us at:



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