Ajman Sewerage (Private) Company Limited

Gulf Wastewater Treatment & Reuse Conference

"Building Success Through The Ajman Sewerage Project"

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Dubai
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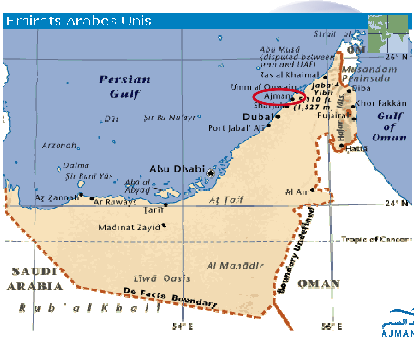
1. Introduction



1. Introduction

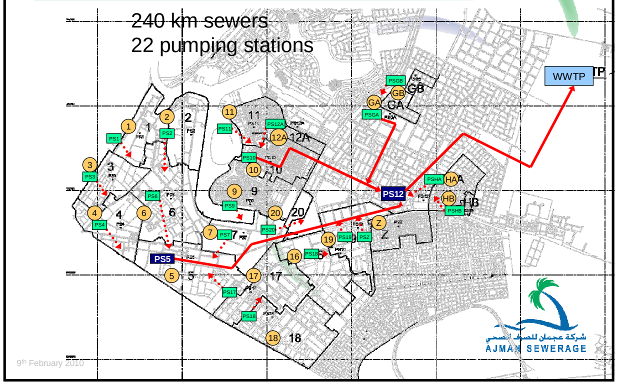
1. Introduction : History

- **1995** – Government of Ajman identified the need for a wastewater collection system and decided to look to the private sector for development
- **2001** – A full concession agreement was signed
- **2002** – The Sewer Law was enacted, the Project Company was incorporated and the EPC and O&M contracts were signed
- **2003** – Construction began
- **2004** – The project was suspended (owners reluctant to pay connection fees 2 years prior to the service being ready)
- **2005/2006** – The project was restructured with BESIX as the leading partner, Veolia Water as the Operator and ING/Ambac as new Lender
- **2006** – The project was successfully restructured with:
  - √ Amended Sewer law,
  - √ New Concession Agreement,
  - √ New Shareholders,
  - √ New Lenders and
  - √ A balanced incentive package committing all shareholders

1. Introduction

- This project is a Public – Private – Partnership with an equal share of obligations, risks and opportunities
- The project has been underway for more than a decade and has survived a "near death" experience
- The Emirate enjoys a spectacular economic growth with a population growth form 80,000 in 1992 to more than 300,000 in 2008 then 275,000 today
- Ajman has become very attractive as an Emirate primarily focused on residential developments
- Several of the lessons learned from the history of this project are likely to be highly relevant to similar projects in the region

1. Introduction – The Ajman Sewerage Syste



1. Introduction - Progress

- Construction completion February 2009 except for redeveloped areas
  - √ Process of Hand over to Operator is ongoing
- First flows September 2007
  - √ First collections of service charges in October 07
- STP running (90% flow)
  - √ Depending on the pace of connections

Transition from construction in 2006 to steady state operations in 2009

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1. Introduction
2. **Assessing the BOOT Structure of the Project**
3. Examining the risks of the Ajman Project
4. Financing Options and Challenges

2. Assessing the BOOT Structure

- Why Build, Own, Operate & Transfer (BOOT) ?
  - √ Asset ownership ensures whole life asset perspective
  - √ Design is optimized for construction and operation
  - √ Mitigates "over design" contingency that is often included in conventional contract delivery process
  - √ Deliver service standard and generate revenue
- This structure needs good understanding of risk allocation between the Client and the Concessionaire

2. The BOOT Structure

- **B**uild Sewerage System – 3 years
- **O**wn – 25 years
- **O**perate and maintain – 25 years
- **T**ransfer the Sewerage System - 2034

2. The BOOT Structure

ASPCL
Asset owner – 25 years

Concession

Government of Ajman
Regulator
Future owner of the asset

ASEC
Designer and Contractor until 2009

Other contractors

معالجة
MOALAJAH
Operator - 27 years

2. The BOOT Partners

Ajman Sewerage Private Company Limited

50% BESIX
20% Azaliya (Veolia-Mubadala)
20% GoA
10% Black & Veatch

Operator Moalajah FZC

67% Azaliya (Veolia-Mubadala)
33% BESIX

EPC Consortium

JV BESIX/SixConstruct & Black & Veatch

2. BOOT : Ajman Sewerage Legal Framework

Sewer Law

Municipal regulations

Concession agreement

O&M contract

EPC contract

2. The Ajman BOOT and the Government of Ajman

A strong and long term committed Public Partner :

H.H. Sheikh Humaid bin Rashid al Nuaimi
Ruler of the Emirate of Ajman - Member of the Supreme Council
H.H. Sheikh Rashid bin Humaid al Nuaimi
Chairman of the Municipality & Planning Department of Ajman
Chairman of the Board of Directors of Ajman Sewerage Company

The Key !

2. The Ajman BOOT: A Rich Experience

- Accelerated development: developers have created supply and assumed demand will follow
  - √ Speed of accommodating the change: buildings go up faster than a sewerage system can be designed and built !
  - √ However a conventional contract approach would have had no chance of keeping up with development
- Ability to work with the Municipality to capture proposed changes in land use (change in population density)
- New major developments have to be integrated
- Risk of limited power supply
  - √ Rate of occupancy
  - √ Timing of occupancy

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3. The Risks of the Ajman Project

- The key messages to the customers:
  - √ You and your Emirate are benefiting from a modern sewerage system
  - √ You must pay connection fees
  - √ You must connect to the system
  - √ You need to learn how to use it
  - √ You must pay your service charges

3. The Risks of the Ajman Project

- Sustainability of Developments
  - √ Property mix will be mostly apartments
  - √ Vacancy of Properties
  - √ Developers have created supply and assumed demand will follow
- Power, Water & TSE Supply
  - √ Power
    - o FEWA
  - √ TSE: Government of Ajman responsibility
    - o Coordination & interface
- Timing of construction / expansion
- Validation of discharge volume per capita (work with FEWA to minimize water use)

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3. The Risks of the Ajman Project

- The Tariffs must support the future Fixed Costs
- Payment of Service Charges/Standing Charges
  - √ Monitor Vacancy Risk
  - √ Secure revenue/change in property mix
- Connection Fees / Infrastructure Contribution paid by Developers
- Regulation to govern use of the system
- Control of illegal discharges

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4. Financing Options and Challenges

	Equity	Loan	Con-nection Fees	Service Charges	Grant	Gua-rantees
Government of Ajman	X				X	X
ING / AMBAC		X				
Plot Owners			X			
Users				X		
Shareholders	X	X				X

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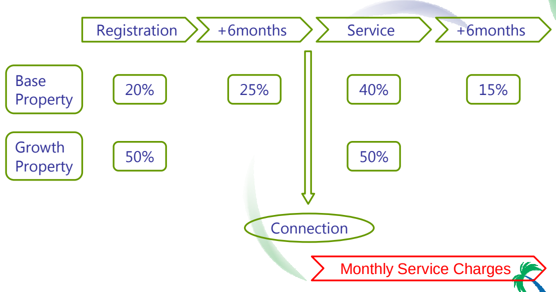
4. Financial Options and Challenges



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4. Financing Options and Challenges

ASSET CREATION

- Capital
- Loan
- Connection Fees paid by Property Owners
- Grant

OPERATIONAL PHASE

- Service Charges paid by Users
- What about the growth ?

Guarantees

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4. Financing Options

- Major developments:
  - √ Infrastructure contribution
    - o Discussed at early stage with developer
    - o To allow cost of all infrastructure to be incorporated in his budget
    - o Sewage network inside developments will be done by the Developer to mitigate interface problems
    - o TSE supply from the STP sold at commercial cost

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4. Financing Options: the Collection

CONNECTION FEES

- < 5% of revenues
  - √ Providing cash for construction
- 2 instalments prior to service
  - √ Started 3 years prior to service
- 2 instalments at time of connection and after
- Municipal restrictions

SERVICE CHARGES

- 95% of revenues
- Un-subsidized utility charge
- Cross-subsidy
- Monthly billing
- Municipal restrictions
- Enforcement

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4. Results & Collection

- **Connection Fees**
  - √ > 90% Collection rate
- **Service Charges**
  - √ > 75% Collection rate end of month
  - √ 95% Collection rate in 2009
- **Guarantees not used → key to success**

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Go Green Ajman

Thank you for your attention

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