



## Delight at Greater Manchester PFI deal close

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**Two of the key figures involved in the £3.8 billion Greater Manchester waste management contract have expressed their delight in finally achieving financial close on the 25-year PFI-funded deal last week, writes Chris Soley.**

Speaking to *letsrecycle.com* last Thursday (April 8), councillor Neil Swannick, chair of the Greater Manchester Waste Disposal Authority (GMWDA), and Viridor chief executive Colin Drummond both praised the efforts of all the parties involved in completing the signing of what is Europe's largest waste management contract to date (see [letsrecycle.com story](#)).



*This is the final piece of the puzzle and we have now got to continue it over the next 25 years*

**Cllr Neil Swannick, GMWDA**

Cllr Swannick said: "We managed to get all partner organisations happy with what is in effect a very complex contract. The nature of PFI is that the lawyers wanted to anticipate every eventuality and that was always going to be long and hard on a complex contract."

The contract was originally intended to be signed in May 2007, after a consortium between Viridor and equity investor John Laing was named as preferred bidder (see [letsrecycle.com story](#)), however, problems in raising finance as the economic downturn hit led to a number of delays (see [letsrecycle.com story](#)).

When the deal did finally achieve financial close, it was with the support of the European Investment Bank, and also the Treasury's Infrastructure Finance Unit, which was established last month to help PFI projects get off the ground (see [letsrecycle.com story](#)).

Highlighting the impact of the "changing financial scenario", Cllr Swannick said: "If

we had gone with the two managed banks that would have been very straight forward and we have ended up with four commercial banks, the Treasury Infrastructure Unit and the EIB and we have also put in just over £40 million on a long-loan basis."

### **Councils**

Cllr Swannick drew attention to the presence of nine different councils who were involved in the PFI deal as members of the GMWDA, and the difficulties in maintaining confidence with all parties as work on finalising the contract progressed.

"Not only have we had to juggle all these difficult parts of the PFI but here back at the ranch we have had to coordinate all the nine districts and we have managed to work together and, politically, we have had the three parties signed up to this and there has been a determination there from all of them," he explained.

Cllr Swannick added: "Over a period of time we have built a partnership and the districts have seen the benefits of working together and this is the final piece of the puzzle and we have now got to continue it over the next 25 years."

The councils involved have all signed an inter-authority agreement with the GMWDA, which Cllr Swannick said would "guarantee the waste flow over the next 25 years" and allow the Authority to build on the "commitment of the districts" to deliver the service.

### **Construction**

Now the contract has been finalised, a £640 million construction programme to develop a range of waste and recycling facilities across the Greater Manchester region can now begin apace.

Cllr Swannick said: "We haven't lost a tremendous amount of time over the past year. We have engaged those on advanced works orders - such as Costain - to carry out advanced works. We are running about four months behind but it doesn't affect our ability to meet contractual targets."

"We plan to have everything fully operational by spring 2012. However, people will be able to go to sites such as the household waste and recycling centres, which will be finished well before then," he added.

And, Cllr Swannick said that groundwork on an in-vessel composting facility at Waithlands in Rochdale had already begun and will become the first major infrastructure development when it becomes operational in autumn 2009 ([see letsrecycle.com story](#)).

### **Energy**

Viridor's chief executive, Colin Drummond, told *letsrecycle.com* he was "delighted" with the contract reaching financial close, and commented: "Everyone's talking about investment in the green economy but this is it in practice."



*Everyone's talking about investment in the green economy but this is it in practice*

**Colin Drummond, Viridor**

In particular, he claimed that the project was a "prime example" of the contribution waste could make to the UK's renewable energy targets.

"People in general don't realise in general how good a source of renewable energy waste is," he explained, adding that, with the AD facilities and Ineos Chlor CHP plant, "in total there'll be about 130MW".

And, he suggested that recovering energy from waste could provide up to three times as much electricity as it currently does in the future, highlighting its benefits as being "low-cost", "providing baseload" and also being located around the UK.

#### **Importance**

Commenting on the contract's importance for Viridor, Mr Drummond described the achievement of financial close as "another step forward" for the company.

And, in terms of its importance for the PFI approach to procurement, he explained: "It's important - first because it's the biggest and, secondly, in the difficult financial situation, it's been signed."

Despite the project being supported by the Treasury's Infrastructure Finance Unit, Mr Drummond stressed: "In no sense is it a bale out."

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"The government have moved very quickly to provide additional finance," he explained, adding that, without that assistance, "we wouldn't have signed it as soon".

He claimed Viridor was now "totally confident" that the facilities would be built and operational as planned, stressing that Viridor, the GMWDA and the deal's contractors had already been working together on pre-signing works.

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