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The reseach of building financing system of yu sui expressway construction project

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ABSTRACT

By the reseach on the financing guarantee system of Yu Sui expressway construction project, ensure effective implementation of the financing plan. Its main financing system including three aspects of political security, operational security, engineering security, and thus to establish a complete system of financing garantee scheme.

KEYWORDS

Political security; Operational security; Engineering security; Financing garantee scheme.



INTRODUCTION

Yu Sui expressway is the important section of provincial expressway Yu Shang line. Route of the project from Yu Yang district of Yu Lin city cow home town and into the Yu Shen highway, from the west railway to the south, along the Yu Lin area on the east side line, via the Yu Yang, Heng Shan, Mi Zhi, Sui De county (district) 13 townships, 127 administrative villages. The 118.809 km route, permanent covers an area of 12200 mu. Project progress as follows: on October 18, 2011, Yu was a highway construction project permitted for the province transportation hall officially, marked the elm tree a highway construction project lasted more than two years of the early stage of the procedure to handle the work completely. On November 22, 2011, Yu was joining Lau River highway bridge smoothly. On September 29, 2012, Yu Lin to Sui De highway traffic was completed. Large engineering investment, sources of funds will be the implementation of the key factors in the project, the project required by the ministry of communications, the autonomous region self-raised and financial financing channels to raise the solution. Transport subsidies, autonomous self-raised accounted for 32% of the total amount of investment estimation, the remaining 68% for financing.

SUMMARY OF THE FINANCING OF THE EXPRESSWAY CONSTRUCTION PROJECT

Various financing channels for cost comparison table in TABLE 1

The source	The way	Interest rates	Financing costs	Comprehensive financing costs	Loan repayment schedule
China development bank policy loans	Policy-based lending	7.83% down to 10%	0	7.047%	Repay the principal grace period outside every six months
Commercial Banks RMB for medium and long-term loans	Commercial Banks RMB for medium and long-term loans	7.83%	0	7.83%	Repay the principal grace period outside every six months
Commercial Banks working capital loans	The RMB revolving loan	7.47%	0	7.47%	recycling
Commercial acceptance bills	Certificates of deposit 100% pledge	0	0.5‰	0.5‰	Recycling every six months
Bill discount	Commercial acceptance bills	6.66%	0	6.66%	According to the project construction investment demand

1.Highway construction project financing risk controllable factors mainly include sheets, debt term structure of interest rate, debt, etc

2.Highway construction project financing of uncontrollable factors mainly include management risk, expectant cash inflows, the financial market, project construction, etc

THE CONSTRUCTION OF THE FINANCING GARANTEE SYSTEM OF THE EXPRESSWAY CONSTRUCTION PROJECT

On the one hand, financing channels, is the source of funds, on the other hand is the structure of credit guarantee. Because credit guarantee is the precondition of funding, is the foundation of the follow-up funds in place, how much of the credit decision does the guarantee unit have. Like capital source structure, financing guarantee structure should be diversified. Establish project financing guarantee from the political security, operations security and security of engineering construction three aspects to the comprehensive analysis and build. The construction of the highway construction project financing guarantee system is as follows:

Political security

Through the pure commercial insurance and government agencies, political risk will be passed on to the business organizations and government agencies.

When making the expressway project financing, try to get the government, the central bank, taxation and transportation departments of written guarantee, or issue the guarantee loan out to avoid risk, to ensure the effectiveness of the franchise and negotiability and the authorized specific tax structure.^[1] The whole project of the establishment of the credit guarantee system from the global project financing should begin to consider, using various stakeholders and third-party companies with project stakeholders advantage, revitalize the credit guarantee of the entire project. The expressway construction project financing guarantee system is built on the basis of the joint venture agreement, investors have a willingness to cooperate and assist in the whole project and have a formal legal relationship between business investors, the guarantee is limited to the project itself. Expressway construction project in the project financing guarantee as part of the

cooperation agreement is the duty of individual investors, to guarantee for other investors or directly to the project guarantee, is also the guarantee of doing the project smoothly and powerful.^[2]

Operational security

For expressway construction projects, in the case of uncertain specific investors, this project adopts the BOT financing way, namely can consider to adopt the way of the highway toll mortgage debt financing to commercial banks for funding. Expressway toll mortgage the credit guarantee way, already had rich experience in operating in our country, therefore, adopt the way of credit guarantee and will be easily accepted by commercial banks.^[3] And the background of government behavior in the highway construction, for national policy bank, bank credit also has strong security, and the investment ratio to determine the rights and interests of project assets allocation will be decided after, the project assets as collateral, whether to apply for a loan or for project assets mortgage loan guarantee is very feasible, so the first thing to the following several aspects were effectively controlled.

Trust risk control. By investigating the expressway project financing on the creditability of the participants, performance, management level, and through third party who can trust higher (such as Banks, government, the relevant traffic department, etc.) with all kinds of capital commitment and support letter and other documents for protection.

Income risk control. Through the related management department guarantees or promises to reduce the income of expressway project risk. In expressway toll franchise, must contribute to the transport sector commitment in the franchising period, guarantee highway charging operation and continuous and normal, to ensure that highway traffic or commitment to the change in risk sharing; Commitment from the commodity price departments and the franchising period not lower highway charge standard, even change rate as the rate of inflation can be adjusted, or commitment to the change in risk sharing; Get the tax authorities promise, during the term of franchise doesn't change the preferential tax policy, or a commitment to the change in risk sharing, etc.

The control of interest rate risk. Using financial instruments to reduce interest rates: optimize the structure of interest rates of loans, control the cost of financing, through the new type of financial derivatives on the financial risk management.

The efficient use of funds. The feasibility to analysis for the project company adequately, and for market research carefully to reduce the error, according to the project investment estimate and project capital in place, determine the loan amount; To borrow the money we need to use on the project construction, and according to the project schedule, reasonable arrangement of funds to reduce capital precipitation, as far as possible with good for manage money, the project of the construction of the people, goods, content, technology, management and financing coordination.

The cash budget. To formulate the cash budget and budget cash receipts and cash disbursements. Because of debt servicing pay constraint is stronger, this request has enough cash flow, and strive to improve the toll collection lines, ensure project achieve expected earnings. To rein in the expressway project budget payment, joint efforts, to ensure that construction investment is not super estimate, no additional loans.

Engineering construction guarantee

Completion of the guarantee. Main backer has the right to have an obligation to expressway construction project to guarantee the completion of projects. Lenders require government departments to provide relevant guarantee to try to avoid the risk of project financing in the market and political risks. Government project payment is the main responsibility and obligation, and to contribute to project financing smoothly and provide a powerful guarantee. As a construction project of the main investors in the expressway construction, through the expressway project company signed with the lender to repay the loan guarantee, which is a component part of the project is a joint venture agreement.^[4]

After the highway construction, the project funds began to gradually into the construction, the risk is growing, the measures that can take are:

- (1) Requirements ensure project about the investors to provide additional funding will be needed in case of accidents, ensure that after the occurrence of accidents, the project can be completed in a timely manner.
- (2) the choice of technology strength, management experience, with high credit rating of the construction unit construction highway construction, through the fixed price fixed time limit for a project of "turnkey" contract, turn over control of highway construction and the risk during the construction, binding the construction units and engineering contracting. Completion should be included in the contract incentive and punishment regulations, the provisions of rewards and punishments.
- (3) investors establish a separate quality supervision department jointly, strengthen the supervision of the quality of expressway under construction, to ensure that the road can be completed with good quality. Flexible use of commercial insurance transfer irresistible natural risks. Before commencing work to strengthen understanding of the road through the area of geological disasters, for prevention. Starts after the use of commercial insurance risk transfer to a third party, make the irresistible natural risk to the project investor to minimize losses.
- (4) In addition to the project of business risk, market risk and political risk, also need to guarantee the production and construction project risk and cost risk, takes the major responsibility in project guarantee party with the expressway construction project stakeholders can choose a third party. When after the project into the normal construction stage, the expressway construction project can realize self financing, a very important basis, is the project construction cost can be controlled or can be predicted in advance. The highway construction project construction cost control aspects of the guarantee, can avoid or reduce loan request form for the other project guarantee.

- (5) Often require the project company or investor to provide project funding or lack of guarantee of the project, it is an important in the financing guarantee system of the expressway construction project. Expressway construction project lenders will require investors to provide a fixed amount of funding gap, as a limited recourse financing structure is a component part of the credit guarantee system.

CONCLUSION

Based on the conditions provided by the expressway construction project, there are following conclusions:

(1) For expressway construction projects, using the single financing channel will provide the financing cost and financing risk in the short term repayment pressure. Existing financial environment in our country, is not suitable for using bonds or securities financing and the syndicated loan channel, should consider adopting policy loans, commercial bank loans and other debt financing channels. For the purpose of this project the large infrastructure construction project, in terms of the debt financing can consider using financing lease way to alleviate the pressure of the large equipment funds. Therefore, this project should take the way of combining a variety of financing channels for financing.

(2) Project financing should fully consider the financing risk control. In project finance scheme analysis, research and analysis of risk factors is a major determinant of financing options can eventually forming, project financing is on the basis of the risk aversion of the project income redistribution. Therefore, based on the analysis of project financing risk, Risk should be fully analyzed, thus risk can be controlled. Financing the construction of guarantee system is an important part of the project financing. After establishing the construction project financing channels and programs, the implementation of the need to plan and ensure a detailed project schedule risk management. Preparation and implementation stage of the whole project process of project finance, closely linked each level is the foundation of the next level, the implementation is on the one hand, the security is another important hand. Construction projects for financing purpose is to enhance the economic strength of the project. Construction project financing options to choose from financing risk control, or from the rationality of the financing channels, financing structure and financing cost analysis all is feasible. This paper also put forward in the financing channels into bill financing and lease financing way, enriched the financing structure, but also improves the degree of credit guarantee in the project.

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