

CONSORCIO PUENTE CHACAO OBTAINS FINANCING

Lulu Rumsey

Carey has helped the consortium building the long-awaited US\$680 million Chacao suspension bridge connecting mainland Chile with Chiloé Island obtain a US\$155 million credit facility to help fund one of the largest public works projects to be awarded in the country without a concession contract.

Morales & Besa advised Banco Santander-Chile on the loan agreement, which closed on 15 October.

The consortium is formed of Brazilian construction company OAS, South Korean conglomerate Hyundai and French and Swedish engineering companies Systra and Aas-Jakobsen. The revolving credit facility is structured in two tranches representing 51 and 49 per cent of the US\$155 million, which are separately guaranteed by Hyundai and OAS respectively, who are both sponsors of the project, explains Carey partner Diego Peralta. The consortium will be able to draw up to US\$680 million worth of funding from the credit facility.

Chile's Public Works Ministry (MOP) awarded the contract to the consortium in February after giving the project the go-ahead last December. Unusually, the construction contract is not governed by a concession agreement, giving the MOP more control over the project, says Morales & Besa partner Pedro García. When the project was first outlined by Chile's government, the anticipated hefty price tag was thought to have been the reason why no bidders came forward to bid for the concession, leading the government to adopt a different structure. Without a concession in place, the government will have greater control over the cost of the project and will be able to easily access the construction works in the event of cost overruns or delays.

The bridge is an attempt to boost the archipelago's economy, which is under-developed due to the area's inaccessibility. Until 2012, the only means of accessing the island was by ferry, but in 2012 LAN airlines began operating a service between Chiloé and the city of Puerto Montt. The bridge will reduce the time it takes to make the

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crossing across the channel separating the island to the mainland from 30 to two minutes. It was initially proposed back in the 1970s, but plans failed to come to fruition until the early 2000s. It was then cancelled in 2006 by then-president Michelle Bachelet (who is currently serving her second term) due to high costs.

The bridge is expected to be operational by 2019.

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