1 Introduction

1.1 This guidance summarises the main provisions of the Concession Contracts Directive as transposed by the Concession Contracts Regulations 2016 (CCR16). It does not set out all the relevant rules. It is not intended as a substitute for project specific legal advice, which should always be sought by a contracting authority or utility where required. This guidance accompanies the CCR16, the extent of which is England, Wales and Northern Ireland.

1.2 The European Commission came forward with a proposal in December 2011 to cover concession contracts because of the absence of clear rules at the EU level covering such contracts. This proposal formed part of the package of proposals to reform the 2004 public sector and utilities directives. The 2004 Directives included basic rules on works concessions, but not service concessions, which were only subject to Treaty principles. The proposal and the adopted Concession Contracts Directive (CCD) provides rules for the award of works and service concessions.

1.3 The CCD sets out the legal framework for concession contracts placed by contracting authorities and utilities. It outlines procedures that must be followed before awarding a concession contract to concessionaires when the concession opportunity value exceeds the set thresholds, unless it qualifies for a specific exclusion. Details of the current thresholds can be found in PPN 04/16 on Gov.uk.

1.4 The EU procurement regime, based on the Treaty principles of transparency, non-discrimination, equal treatment and proportionality and described by the CCD and Regulations referred to in this guidance, is not static. It is subject to change, driven by evolving European and domestic case law, European Commission communications, new and revised Directives and amendments to the existing UK Regulations.

2. Concession Contracts Directives in national law

2.1 The Concession Contracts Directive 2014/23/EU is implemented by the Concession Contracts Regulations 2016 (CCR16) (with separate transposition in Scotland). These Regulations came into force on 18th April 2016. This guidance is based on the published text of the Concession Contracts Directive (2014/23/EU) and Concession Contracts Regulations 2016, which can be viewed here.

3. Purpose

3.1 The purpose of the EU concession rules, underpinned by the Treaty principles, is to provide clear rules so the concession market is open to competition, particularly to small and medium sized enterprises (SMEs)
and to ensure the free movement of supplies, services and works within the EU. The principles of the EU rules are harmonious with the UK Government’s longstanding procurement policy of ensuring value for money (vfm). This requires that all public procurement must be based on vfm, referred to in the HM Treasury publication *Managing Public Money* as “the best mix of quality and effectiveness for the least outlay over the period of use of the goods or services bought”¹, which should be achieved through competition, unless there are compelling reasons to the contrary.

4. **What is different in the CCR16, compared to the Public Contracts Regulations 2015 and the Utilities Contracts Regulations 2016?**

4.1 There are a number of key differences between CCR16 and the two other Regulations that govern procurement award in the public sector and the utilities sector. The differences include the following points:

- there is a different threshold. The CCR16 applies to concession contracts with a value equal to or greater than the threshold of 5,225,000 EUR, Sterling rate of £4,104,394.

- the CCR16 does not stipulate different procurement procedures (e.g. Open, Restricted). Instead the CCR16 in regulation 37 lays down principles to follow when designing and carrying out a procurement;

- concession contracts are awarded on the basis of objective criteria that identify an overall economic advantage for the contracting authority or utility as opposed to a basis of price or cost using a best price-quality ratio;

- there is no requirement for the award criteria in a concession procedure to be weighted though they have to be listed in order of importance;

- there is no future requirement for all communication and information exchange to be performed using electronic means of communication. OJEU notices have to be submitted electronically, and contracting authorities and utilities must provide unrestricted and full direct access free of charge to concession documents, however different methods of communication with potential concessionaires are permitted. Contracting authorities/utilities can choose to communicate by electronic means, post or fax, oral communication or certified hand delivery;

- although there is a light-touch regime for concessions falling into the social and other specific services category, similar to the LTR for the public sector and utilities rules, there is not a separate

¹ See A4.6.3 *Managing Public Money*: HMT Revised August 2015
threshold for LTR concessions - it is the same as the normal concessions threshold;

• LTR concessions contracts are subject to the standstill period and remedies;

• the provisions on modifications to contracts (regulation 43) only apply to modifications to contracts awarded under the CCR16.

5. **Specific Exclusions from the scope of the CCR16**

5.1 There are a number of areas excluded from the scope of the CCR16. These include the existence of exclusive rights, defence and security, and lottery services. There are also specific exclusions in the field of electronic communication and water. Contracting authorities/utilities should check the CCR16 for the full details².

6. **Definition of a Concession Contract**

6.1 Concessions are broadly similar to “normal” contracts between contracting authorities/entities and suppliers, but with one key difference: the consideration in a concession contract consists in the right to exploit the work, or services, that are the subject of the contract, or that right to exploit together with a payment. Examples of concessions might include car parks built on local authority-owned land, or toll roads and toll bridges.

6.2 The transfer to the concessionaire of the right to exploit the works or services shall always imply an **operating risk of economic nature** involving the possibility that it will not recoup the investments made and the costs incurred in operating those works or services. This means that under the contract, the concessionaire should not enjoy a guarantee of breaking even on investments and costs incurred.

6.3 To class as a concession contract subject to the CCR16 the concessionaire must be exposed to a potential loss on its investments and costs, and it should not be merely nominal or negligible risk.

6.4 Risk can either be demand risk, that is the risk on the actual demand for the works or services that are the subject-matter of the contract (e.g. related to the number of users of a highway) or supply risk, that is the risk that the provision of the services will not match demand (e.g. related to the costs and investments generated in relation with maintenance of the highway) or both. Assessing this operating risk requires the net present value of all the investments, costs and revenues associated with the concession contract to be taken into account in a consistent and

---

² Regulations 10, 11, 12, 13, 14, 16, 17 refer
uniform manner.

6.5 However whatever the type of risk it must stem from factors that are outside the control of the parties or in other words which are foreseeable but uncertain. They are the risk associated with the vagaries of the market. They are to be risks other than those linked to bad management, contractual defaults by the economic operator or to instances of force majeure.

6.6 Concession contracts may involve a transfer of ownership to the contracting authority or utility.

6.7 The contracting authority or utility always obtains the benefits of the works or services in question rather than the concessionaire.

7. **What is not a concession?**
   - A concession is not an outsourcing contract nor privatisation.
   - A concession is not merely the financing for works or services i.e. a grant.
   - The agreement would not be a concession contract if customers have a choice between providers that are delivering the same service.
   - Licenses where Government or public authorities (not contracting authorities) establish conditions and an economic operator can withdraw from provision of that service, are not concessions but would fall under Directive 2006/123/EC Service Directive.
   - It is not a concession when an economic operator has a right to exploit public domains such as maritime, inland ports or the airport sector. These involve general conditions for their use without the procurement of specific works and services.
   - A land lease contract is not a concession.
   - A concession is not an agreement that grants the right of way covering the utilisation of public immovable property, fixed lines or networks.
   - A contract is not a concession if no payments are made but the contract is remunerated on the basis of regulated tariffs calculated to cover all costs and investments borne by the concessionaire for providing the service. The concessionaire must be exposed to a potential loss.
   - A contract is not a concession if the contracting authority or utility relieves the concessionaire of any loss by guaranteeing minimal revenue equal or higher to the investment made and the costs the economic operator has to incur.
A contract is not a concession where sector-specific regulations eliminate the risk by providing a guarantee to the concessionaire of breaking even in terms of the investments and costs incurred for operating the concession.

8. **Thresholds and Calculating Values (Regulation 9)**

8.1 The CCR16 applies to concession contracts with a value equal to or greater than the threshold of 5,225,000 EUR, Sterling rate of £4,104,394.

8.2 The value of a concession is to be calculated on the basis of the total turnover of the concessionaire generated over the duration of the contract, net of VAT, as estimated by the contracting authority or the utility, in consideration for the works and services that are the object of the concession as well as for the supplies required for such works and services. An example of the latter is if a concessionaire gains an economic benefit from providing the resources used in delivering the concession.

8.3 On occasions the estimated value of the concession contract pre-procurement may be different than the value established at the moment of the award. Typically, several parameters of the concession (fee to be expected from the users, duration, lump sum payments stipulated by the concessionaire) may be subject to competition of the bidders. Consequently a second calculation of the value of the concession contract is required before a award. If the value of concession at the time of the award (i.e. post tender) is more than 20% higher than the estimated value pre competition, then the value to be taken into account is the value of concession at the time of the award.

8.4 If the original estimated value was below the threshold (e.g. £3m) and had not been advertised in OJEU, and the actual value of the modified concession amounts to more than 20% more than the original estimate (e.g. £4.5m) and takes the estimate over the threshold, the contracting authority/utility will need to cancel the award and re-compete it following the provisions of the CCR16. It is, therefore, worthwhile considering advertising concessions close to the threshold in OJEU.

8.5 The estimated value of the concession must be calculated using an objective method. The choice of the method used to calculate the estimated value of a concession cannot be made with any intention of excluding it from the scope of the CCR16.

8.6 The CCR16 helpfully lists several costs and payments to take into account when calculating the estimated value\(^3\). The list not only includes costs associated with the delivery of the concession contract, but also costs associated with the actual procurement and financing of the concession such as any prizes or payments to candidates/tenderers.

---

\(^3\) Regulation 9 (7) (a) to (g)
Assessing the operating risk requires the net present value of all the investments, costs and revenues associated with the concession contract to be taken into account in a consistent and uniform manner.

9.  Duration of concession contracts (Regulation 18)

9.1 A concession contract must include an end date, it cannot be open ended as that would restrict the market and distort any future competition.

9.2 There is no stated maximum length of contract in the CCR16 but it stipulates that for contracts lasting more than 5 years the maximum duration of the concession contract shall not exceed the time that a concessionaire could reasonably be expected to take to recoup investments.

9.3 The contracting authority/utility has to estimate the optimum duration of the concession that will enable the concessionaire to recoup investments planned to perform the concession as well as to obtain a return on the invested capital. For example expenditure on infrastructure, copyrights, patents, equipment, logistics, hiring, training of personnel and initial expenses, capacity of the asset to generate revenue, user tariffs, operation and maintenance cost of the asset. In the context of a concession, the recoupment of the investment is normally uncertain so the calculation has to be based on a scenario that "could reasonably be expected". The scenario, therefore, should be based on the average expectations rather than the most optimistic.

9.4 The duration can either be calculated and set as a minimal requirement within the concession procurement documents, or the bidders can be asked to suggest the optimum duration. The contracting authority has the choice depending on the specific circumstances of the concession. If the calculation is included in the concession procurement documents it will have to be on the basis of an estimated value of investments and estimated future income of the concessionaire, as the precise amounts will not be known. The estimate may then need revising if important elements become apparent during the award procedure.

9.5 Whichever option is selected the contracting authority/utility must perform a final check before the award of a concession on the basis of the terms of the winning tender. The estimation must be valid at the moment of the award of the concession.

10.  Mixed Contracts (Regulations 20 - 23)

10.1 In some cases contracts awarded by contracting authorities and utilities will contain elements that are covered under the rules in the CCR16 and/or: the Public Contracts Regulations 2015 (PCR15); the Utilities Contracts Regulations 2016 (UCR16); the Defence and Security Public
Procurement Regulations. Depending on the circumstances, one regulatory scheme may take precedence overall and a single contract may be awarded, whereas in others, separate contracts may need to be awarded. Authorities should apply regulations 20-23 and take legal advice where necessary.

11. **Social and Other Specific Services (Regulation 19)**

11.1 The general contents of CCS guidance on the Light Touch Regime is also relevant for concession contracts for social and other specific services. In particular, concession contracts placed under the LTR are to be subject to the standstill period.

11.2 There is not a separate threshold for concessions falling into the social and other specific service category; the normal concession threshold applies.

12. **Reservation for Sheltered Workshops (Regulation 24)**

12.1 The CCR16 allows for the reservation of a concession contract for disadvantaged as well as disabled workers. The reservation works in practice by requiring an OJEU competition for those services but only allowing bids from organisations meeting the criteria.

12.2 The section on reserved contracts in the CCS Guidance on the Social and Environmental Aspects of the PCR15 will apply to concession contracts.

13 **Public to Public concessions (Regulation 17)**

13.1 The CCR16 rules on concession contracts between contracting authorities/utilities and other entities in the public sector are the same as those in the PCR15. This exemption does not apply to utilities that are not State, regional or local authorities or bodies governed by public law. Guidance on public to public agreements can be found on the CCS website.

---


5 [https://www.gov.uk/guidance/transposing-eu-procurement-directives](https://www.gov.uk/guidance/transposing-eu-procurement-directives)

14 **Procurement Procedure (Regulation 30)**

14.1 There are no set procedures to follow in the CCR16. The design of the most appropriate procurement process is left to the contracting authority/entity. There are however a number of principles that have to be followed.

14.2 The procedure-

- must be transparent, and not be discriminatory. Treaty principles have to be followed;
- must avoid distorting competition;
- must include measures to combat fraud, favouritism and corruption;
- must prevent, identify and remedy any conflict of interest;
- must include the publication in the OJEU of a concession notice completed in line with Annex V of the Directive and any additional information that might be useful;
- must adhere to the minimum time limits of 30 days for single staged tenders, or 22 days for multi staged tenders from publication of advert to receipt of tenders (both minimum timescales can be reduced by 5 days where e-submission is allowed);
- must provide electronic availability of the concession documents;
- must include self-declaration on exclusion grounds;
- must list award criteria in descending order of importance;
- must include a request for contact details of any sub-contractors working on a works concession at a facility under the oversight of the contracting authority/utility;
- must include the publication in OJEU of a concession award notice no later than 48 days after the award of the concession contract. However award notices for concessions within the social and other specific services categories can be grouped together and forwarded to the OJEU on a quarterly basis, within 48 days of the end of each quarter;
- must include notification at the end of the process of the award of the concession and an explanation of the grounds for decision to each organisation involved, or the fact that no award is to take place, or the decision to recommence the procedure.

14.3 The procedure may involve:-
• different stages, for example selection and award stages similar to the PCR15 Restricted procedure (see section on Stages in the Process).

• a limit on the number of participants in each stage as long as the process is transparent and based on objective criteria, and provides sufficient numbers for a genuine competition.

• negotiations – but the subject matter of the concession, the award criteria and minimum requirements must not be changed and must not distort competition. The negotiations process must follow Treaty principles, combat fraud, prevent favouritism and corruption, prevent, identify and remedy conflict of interest.

• a request to be notified in the proposal of an indication of the share of the contract that might be sub-contracted, and details of any proposed sub-contractors.

15. **Time Limits (Regulation 39)**

15.1 The CCR16 lays down very few time limits as the design of the procedure by the contracting authority should reflect the complexity of the concession. The time limits that are stipulated are-

• any additional information provided must be at least 6 days before the deadline set for the receipt of the tender.

• the minimum time limit for receipt of applications (whether or not this includes tenders) is 30 days from the date the concession notice is sent for publication.

• if the procedure includes successive stages the minimum time limit for the receipt of initial tenders is 22 days.

• if the whole process is conducted by electronic means then time limits for receipt of tenders can be reduced by 5 days.

• on receipt of a written request for a debrief it must be provided within 15 days.

• the usual standstill periods apply i.e. 10 days if the information has been provided by electronic means; or if the information has been provided by a method other than electronically then either 15 days or 10 days from the day the last economic operator received it.
Stages in the Process (Regulations 36 – 41)

16.1 The CCR16 includes procedural rules to ensure concessionaires established in other countries covered by the EU procurement rules are treated on equal terms, to avoid national discrimination. The rules in particular cover the following:

- **specification stage** - how requirements must be described, avoiding brand names and other references which would have the effect of favouring or eliminating particular providers, products or services and the requirement to accept equivalence. The new CCR16 also makes clear that there is scope for building into the specification equality issues (e.g. access issues for the disabled) and social/environmental issues (e.g. a requirement to conform to social or environmental labels).

- **selection (exclusion) stage** - there are a number of grounds for the exclusion of potential concessionaires based on evidence of unsuitability, some of which are mandatory\(^7\). Reasons include criminal conviction for certain offences (mandatory), failure to pay taxes (mandatory) and previous poor performance that has led to early termination, damages or other comparable sanctions (discretionary). Some of the grounds for mandatory exclusion are subject to account being taken of remedial action by the potential concessionaire, e.g. organisational changes. There are statutory limits to the duration of any exclusion period.

- **selection (evaluation) stage** - those potential concessionaires not excluded are assessed on the basis of their professional and technical ability and their economic and financial standing, e.g. whether they meet proportionate levels of financial soundness. The CCR16 does not specify what the economic and financial criteria are to be except that they are to be non-discriminatory and proportionate to the subject-matter of the concession contract.

- **negotiation stage** - can be included in the procedure but the subject-matter of the concession contract, the award criteria and the minimum requirements cannot be changed during the negotiations.

- **award stage** - the award of contract must be based on objective criteria that identify an overall economic advantage for the contracting authority or utility. This can include social, environmental and innovative requirements provided they relate to the subject matter of the contract.

- **standstill period** - a standstill period is required in the same way as for public contracts, and the published standstill guidance should

---

\(^7\) Private utilities should refer to the CCR16 regulation 38(15) for discretion on exclusions.
be followed.

17. **Innovative bids (Regulation 41)**

17.1 One of the purposes of concession contracts is to encourage innovation in delivering public services. In order to facilitate this in the concession award process the CCR16 provides the flexibility to amend the priority order of award criteria after an innovative bid has been received to take account of the innovative solution.

17.2 A notice has to be issued to all tenderers informing them of the change to the award criteria, and inviting them to submit a new bid within 22 days.

17.3 Where the award criterion has been published in the concession notice, or at the same time as the concession notice, a new concession notice has to be published allowing 30 days for receipt of applications.

18. **Sub-contractors (Regulation 42)**

18.1 The CCR16 rules concerning sub-contractors are the same as those in the PCR. Guidance on sub-contractors can be found on the CCS website.

19. **Communication methods (Regulation 34)**

19.1 The CCR16 requires electronic submission of OJEU notices, and electronic availability of procurement documents at the time of publication of the notice. However different methods of communication with potential concessionaires are permitted. Contracting authorities/utilities can choose to communicate by electronic means, post or fax, oral communication or certified hand delivery.

19.2 The means of communication chosen is to be generally available, non-discriminatory, ensure confidentiality and not restrict a potential concessionaire’s access to the process.

---

8 Guidance on Standstill

20. Changes to Contracts Once awarded (Regulation 43)

20.1 The CCR16 sets out the extent to which a contract can be changed after award without the need to re-advertise in OJEU. Permissible grounds for modification include:

- the existence of suitable “clear, precise and unequivocal” review clauses in the contract that describes the scope and nature of the possible modifications and doesn’t allow for an alteration of the nature of the concession; or

- additional works or services “have become necessary” and a change of concessionaire would not be practicable (for economic, technical or interoperability reasons) and would involve substantial inconvenience/duplication of costs (for contracting authorities this is subject to a 50% maximum increase in concession value); or

- where the need for modification is unforeseen and doesn’t alter the nature of the concession, for contracting authorities this is subject to a 50% maximum increase in concession value;

- where a new concessionaire replaces the existing concessionaire because of insolvency, genuine restructuring, or use of the review clause etc.; or

- the modifications are not substantial; the CCR16 explains what is defined as substantial at regulation 43(9).

20.2 A new procurement procedure conducted in accordance with the concession contracts’ rules, is required if the change fails the tests.

20.3 For concession contracts placed on or after 18th April 2016, the contracting authority/utility may exercise its right to terminate the contract – see regulation 44(1)(a). For all concession contracts, the contracting authority/utility also has the option of not agreeing to the change.

20.4 These rules apply to extensions of concession contracts. An extension is an amendment to a concession contract within the scope of regulation 44.

20.5 If a change is found by a court to be contrary to the CCR16, then the court can declare the contract ineffective (and the parties can agree beforehand what should happen in those circumstances) or the court can make other orders.

20.6 A notice is to be published in OJEU informing the market of the modifications where the reason for the modification was because of the need for additional works or services where a change of concessionaire would not be practicable and would cause significant inconvenience; or the modification was required due to unforeseen circumstances.
21. **Termination of Contracts (Regulation 44)**

21.1 The Concession Contracts Directive contains provisions to ensure that Member States’ concession contracts allow termination in circumstances where there has been a breach of EU law on public procurement, particularly where this results from a change in an awarded contract.

21.2 The contracting authority or utility must be able to terminate a contract should any of the following three grounds occur:

- where the contract has been subject to a substantial modification that constitutes a new award;
- where it is discovered after contract award that the contractor should have been excluded on mandatory exclusion grounds;
- where the Court of Justice of the European Union (CJEU) has declared a serious infringement by the contracting authority of its obligations, meaning the contract should not have been awarded to the contractor.

21.3 The CCR16 specifies that contracting authorities and utilities must include a condition in contracts allowing them to terminate if any of the grounds are found to apply. As a fallback, the CCR16 also include a deeming provision to ensure this possibility exists where a contract fails to include a termination condition.

22. **Enforcement (Regulations 46 – 64)**

22.1 The enforcement regime is included in the CCR16, and derives from the Remedies Directives. The principal means of enforcement for a breach of the CCR16 and other enforceable EU law such as the Treaty are:

- action against individual contracting authorities in the High Court; and
- action by the Commission against the Member State in the Court of Justice of the European Union (CJEU).

22.2 The High Court’s powers include both pre-contractual remedies (i.e. those that can be imposed before the concession contract is entered into) and post-contractual. Pre-contractual remedies include the power to suspend an incomplete contract award procedure (an injunction) or the setting aside of a decision in an incomplete contract award procedure. The High Court also has powers to award damages as a pre-contractual remedy.

22.3 Post-contractual remedies (for concession contracts that have already been awarded) include a declaration of ineffectiveness (i.e. cancellation, but only for very serious rule breaches,) contract shortening, and civil financial penalties (fines). A properly applied standstill period gives good
protection against post-contractual remedies.

22.4 Cases can also be pursued via the European Commission, for breach of the relevant European Directive and/or the EU Treaties. These cases, where accepted by the Commission, trigger infraction proceedings against the Member State, and can lead to a CJEU hearing, substantial fines, and potentially other CJEU imposed orders against the Member State if the breach is not satisfactorily resolved by other means.

23. Monitoring (Regulation 45)

23.1 The Concession Contracts Directive contains provisions to ensure that Member States’ provide a mechanism of monitoring of the application of the rules for the award of concession contracts. These provisions also require the authority for those monitoring to escalate any breaches of the rules to appropriate authorities. On request the contracting authority or utility has to send a report containing the information required on a concession contract and details of the procedure for award of a concession contract to the Cabinet Office.

Enquiries should be addressed to: Crown Commercial Service, Customer Service Desk: 0345 410 2222 info@ccs.gsi.gov.uk
## Suggested steps in a new concession contract process

<table>
<thead>
<tr>
<th>Phase</th>
<th>Action</th>
</tr>
</thead>
</table>
| **Project Assessment** | 1. Analysis, feasibility study, stakeholder consultations.  
2. Establish what the concession is to deliver.  
3. Contract duration: either estimate duration or decide to include the requirement for bidders to calculate the duration and explain their recommendation.  
4. Estimate the value of the concession.  
5. Decide if it will be subject to the Concession Contracts Regulations. |
| **Planning** | 6. Prepare a statement of requirements  
7. Design the procurement process and draft contract  
8. Undertake pre-market engagement activity and stakeholder consultations  
9. Re-design procurement process and re-visit statement of requirements if required  
10. Prepare concession documents |
| **Procurement** | 11. Publish Concession Notice in OJEU with link to concession documents.  
12. Publish on line or make available all concession documents including a description of the procedure and indicative completion deadline.  
13. If single staged process - allow 30 days for receipt of proposals  
14. If staged process - allow 22 days for receipt of initial proposal.  
15. Reduce timescales by 5 days if e-submission allowed.  
16. If staged process – evaluate initial proposals and invite further proposals.  
17. If staged process - notify the unsuccessful candidates of the reasons for their rejection as soon as possible.  
18. Evaluate bids against objective award criteria, identify successful and unsuccessful bidders.  
19. Apply the standstill period, which notifies the bidders of the outcomes  
20. Publication of award notices in OJEU within 48 days of award. Unless procurement subject to the Light Touch Regime – and award notices can be submitted 1/4ly. |
| Management and monitoring | 21. Sign concession contract  
22. Monitor and manage the concession contract  
23. On request provide Cabinet Office with details of the concession contract and the procedure for its award. |