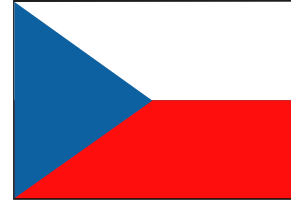




Ministerstvo dopravy



PPP Potential in the Czech Infrastructural Transportation Projects

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Ministry of Transport of the Czech Republic**

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1. European and Czech Background of PPPs in Transport Infrastructure

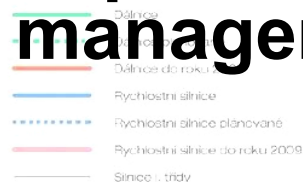
European Support of PPPs in Transport

European Commission acknowledges the growing importance and role of PPPs in public investment of Member States. Its main activities:

- **Commission Interpretative Communication on Concessions under Community Law (2000);**
- **Directives of the European Parliament and of the Council 2004/17/EC and 2004/18/EC, arranging the process of public works and service concessions and the position of concessionaires;**
- **EUROSTAT Decision on the accounting treatment of government partnerships with non-government units (2004);**
- **Green Paper on Public-Private Partnerships and Community Law on Public Contracts and Concessions (2004);**
- **Communication on PPPs and Community Law on Public Procurement and Concessions (2005);**
- **EC is to prepare an interpretative document on PPPs in the course of 2006 – 2007.**

Main Problems of Czech Transport Infrastructure Development (1)

- **Speeding-up the construction of motorways (540 km in operation, 465 km to be constructed), high-speed roads (310 km in operation, 750 km to be constructed) and rail corridors**
- **Improving the everyday maintenance of road and rail network**
- **Raising the share of rail and inland waterway transport in the transport market**
- **Improvement of infrastructure construction management and efficiency**



Main Problems of Czech Transport Infrastructure Development (2)

- Need of investment into transport infrastructure approx. € 3 to 4 bn per year to converge with EU-15 - Half the sum effectively available (incl. EU funds)
- Privatization almost finished – Ad-hoc resources virtually exhausted
- Need to improve public budgets – eliminate deficits, reach Maastricht criterion, introduce Euro (2012?)...
- Public management of motorway/rail corridor construction inefficient, cost/benefit ratio relatively poor
- EU fund utilization meets difficulties – National co-financing often in shortage
- Using multi-source financing of transport network construction – a right place for PUBLIC-PRIVATE PARTNERSHIPS (PPP)

Czech Institutional System of PPPs

Act No. 139/2006 Coll., Concession Act

**Ministry of Regional
Development**

Legislature

Ministry of Finance

Regulator



PPP Centre

(under MoF)

(Methodological Assistance)



Association for PPP

(Business Sphere)

**Office for Protection of
Competition**

Supervision of Tenders

Ministry of Transport

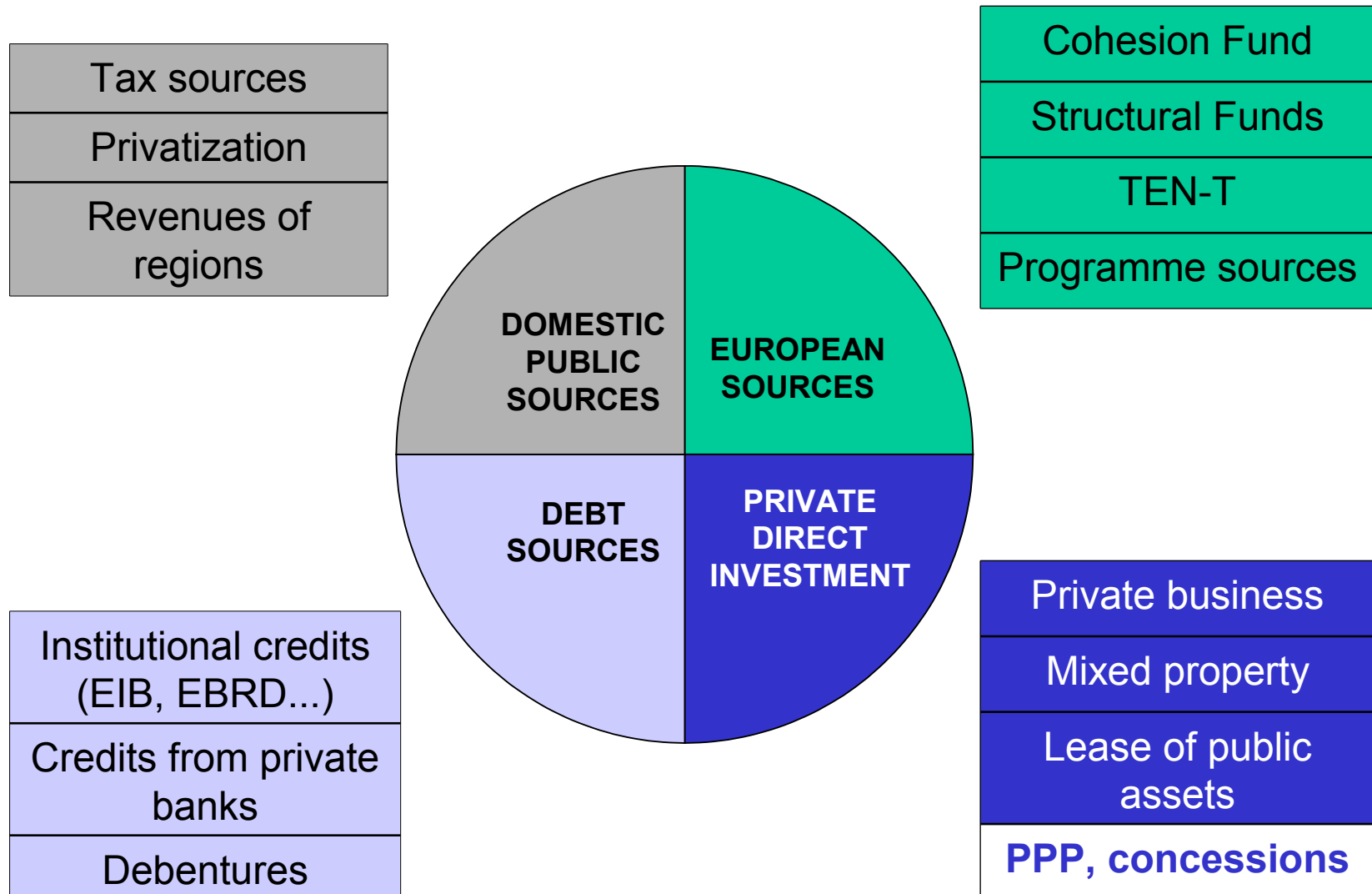
Sectoral Ministries

Regions

Municipalities

2. Multi-Source Financing

Potential Components of Multi-Source Financing in Transport



Co-Utilizing EU Funds and Private Financing (PPP)

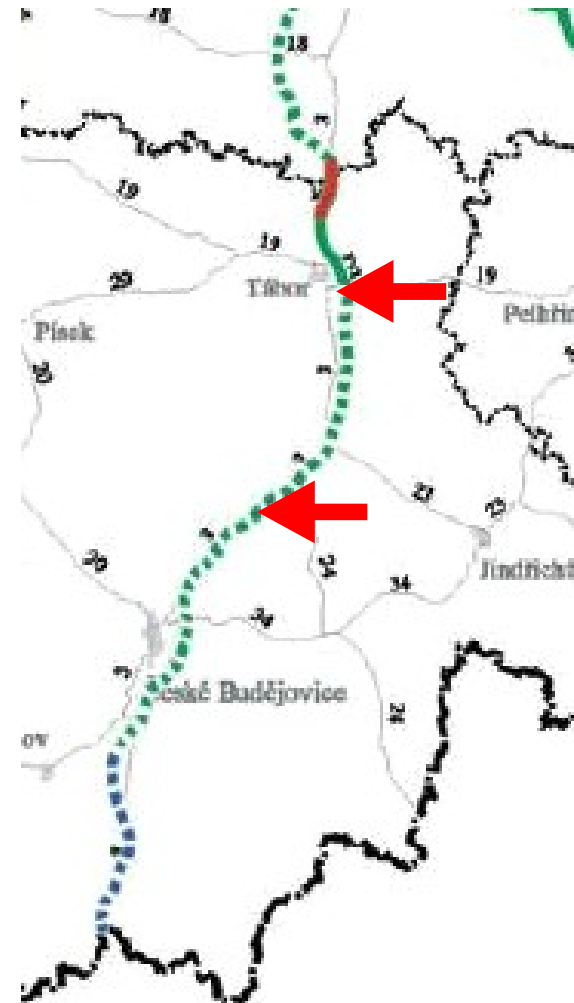
- **Can we combine the EU co-financing directly with private financing (PPP)?**
- **Combination leads to time delays as it is needed to link EC decisions with a relative complex conclusion of a concession agreement**
- **Using a PPP scheme is more costly for public sector because of expenses on material and legal consulting**
- **A revenue making PPP project leads to a reduction of EU contribution**
- **EU contribution typically takes place only after the completion of the whole project, which may raise the cost of securing funds by the private partner**

Co-utilizing EU Funds and PPP: More Questions to Be Solved

- **A “public” or “private” share of EU fund support for a PPP?**
- **The role of EIB and EBRD in PPP’s**
- **Clear solution of Special Purpose Vehicle**
 - **What accounting and tax regimes can be used? Public or private?**
 - **What treatment with unique infrastructure in case of bankruptcy?**
- **How to assess public aid in case of a PPP?**

3. PPP Projects in the Sphere of Transportation in the Czech Republic

D3 Motorway Section Tábor – Bošilec (Southern Bohemia)



D 3 Motorway: Overview

Definition of Project

- A 30 km part of a new motorway D 3 Praha – České Budějovice
- The Ministry's high priority: A component of a trans-continent route linking Scandinavia with Austria and Italy (E 55, TEN-T)
- Investment cost: approx. € 380 million

Form of Investment

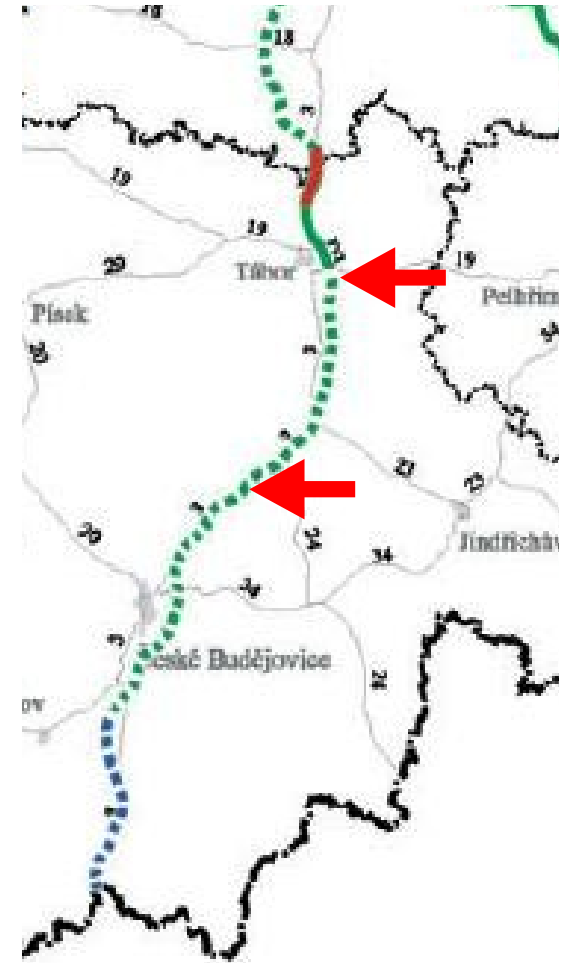
- A BOT project with 6 years of construction and 30 years of operation before transfer to the Government
- Pattern of risk sharing: Private partner – construction and availability risk; Public sector – project and demand risk
- A pilot project testing overall PPP strategy of the Ministry

Status

- High stage of project schedule
- Technical and financial advisors selected
- Tender procedure in preparation
- Construction: 2008 - 2010

D 3 Motorway: Questions to Resume

- **Revision of Value for Money computations - Has anything important changed?**
- **Shadow toll or availability fee? Or both?**
- **Some extras to the general road toll concept for the users?**
- **Extending the scope: Tábor – České Budějovice, or all planned sections of D 3?**
- **Including EU funds and/or EIB loans – what is really possible?**
- **Invite adjacent businesses, real-estate, include public lands etc. to form a pro-efficiency alliance?**



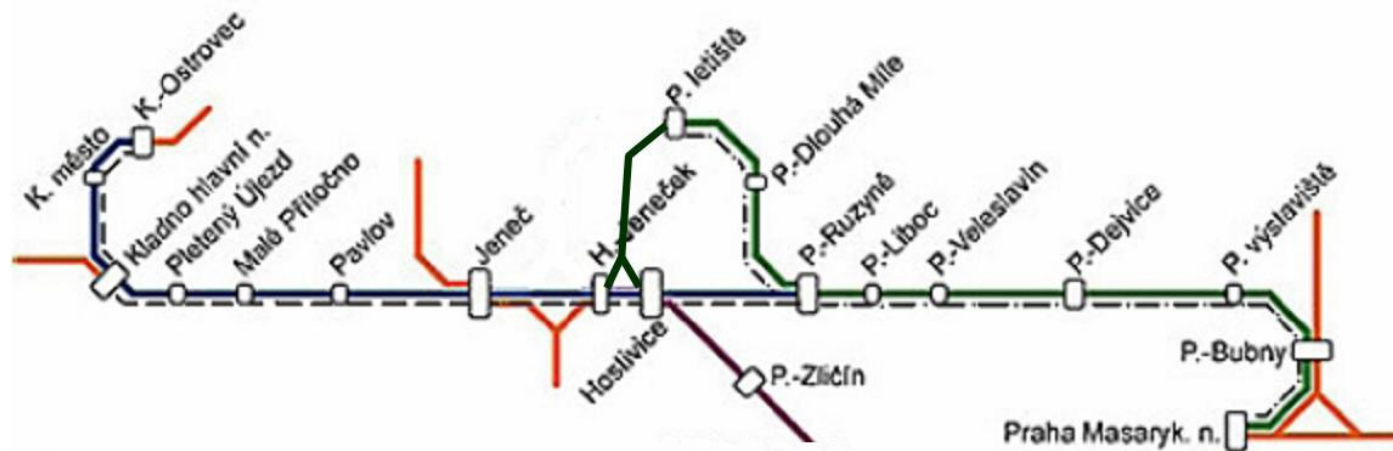
AIRCON Project: Prague Airport Rail Connection



AIRCON Project: Overview

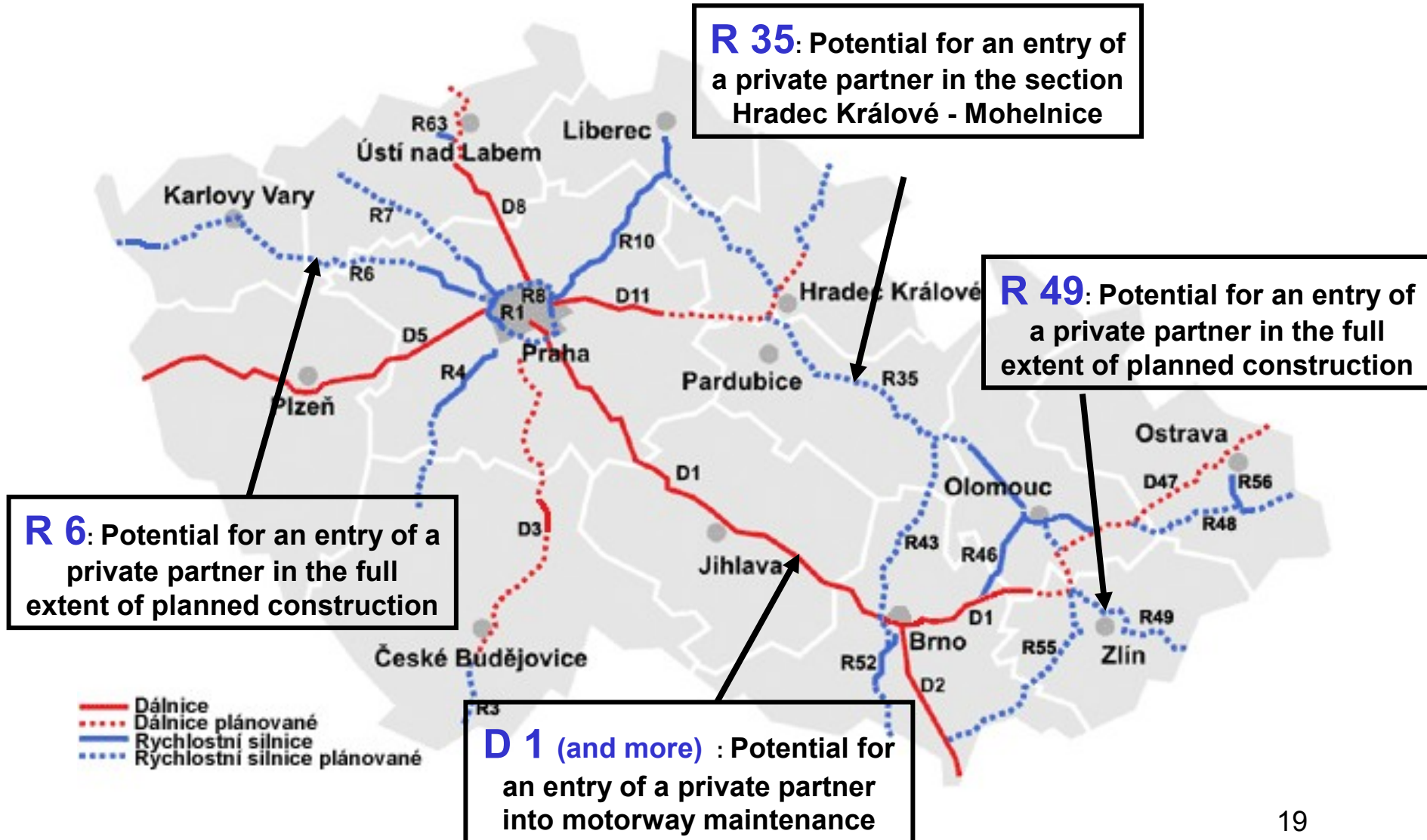
- **Definition of Project**
 - Improvement, double-tracking, electrification and new construction of a 19 km rail line between the centre of Prague and Prague International Airport (Ruzyně)
 - Essential transport solution for the dynamically growing airport (doubling of passengers to 11.5 million during last five years)
 - Extension to the Kladno satellite town in the vicinity (source of human capital for both the City of Prague and the airport)
 - Investment cost: approx. € 550 million
- **Form of Investment**
 - BOT or DBFO – a long-term concession agreement for construction, operation and maintenance of the track; a hired private-law rail operator capable to take over also public service obligation service for Prague – Kladno line
 - Pattern of risk sharing: Private partner – construction and availability risk; Shared demand risk
 - A pilot project testing overall PPP strategy for the rail sector
- **Status**
 - Verification and interest reconciliation phase
 - Technical and financial advisors selected
 - Tender procedure condition in preparation
 - Construction: 2009 - 2012

AIRCON Project: Questions to Resume



- **Verification of the chosen route: reconciliation of standpoints with Prague City and Praha 6 District needed. If a compromise cannot be reached, re-routing of the project inevitable**
- **Alignment to the overall Prague rail junction project**
- **Revision of Value for Money computations - Has anything important changed?**
- **Public service obligation subsidy – only regional, or also airport traffic?**
- **Extending the scope: also to Prague – Kladno regional transport project?**
- **Including EU funds and/or EIB loans – what is really possible?**
- **Invite adjacent businesses, real-estate, include public lands etc. to form a pro-efficiency alliance?**

Some Other Considered Road PPP Projects



More PPP Projects Under Discussion ...

ROAD

- **R 1 - outer circuit of Prague City – eastern part (to be realized in 2009 – 2013; total cost approx. € 600 million)**
- **R 52 – Pohořelice – Mikulov**
- **R 55 – Břeclav – Kroměříž**

RAIL

- **1st operational section of Metro line “D” Náměstí míru - Nové Dvory (completion 2016; total cost approx. € 1,2 bn)**
- **Extension of Metro line “A” Dejvická – Prague International Airport (completion 2017; total cost approx. € 1.4 bn).**

Other Potential Spheres of PPP Projects in Transport in the Czech Republic

- **Public logistics and intermodal terminals**
- **Road and urban toll systems**
- **Applications on Galileo, GPS satellite systems**
- **Intelligent Transport Systems (such as motorway traffic flow regulation)**
- **Road and track maintenance**
- **Private management of public infrastructure investment (using public funds)**

4. Concluding Remarks

General Problems of PPP Concept in Transport

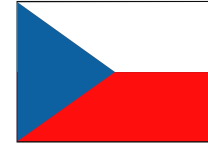
- **Efficient protection of public interest**
- **Transparent and sustainable structure of PPP and clear balance of public payments/repayments**
- **Clear conditions of service quality, claims, sanctions for non-compliance etc.**
- **Functional dispute prevention and resolution, conditions for contract update, for termination of partnership etc.**
- **Demand and return conditions of a PPP project must be always impartially and independently verified!**
- **PPP for services (without private investment) are possible almost everywhere, only efficiency of solution matters!**

Summary

- **The existing system of transport infrastructure financing in the Czech Republic is unsustainable – changes must be made and new resources searched for**
- **PPP is an interesting and useful concept especially for the transport industry**
- **PPP can be generally used where the revenue is sufficient for the reproduction of private capital, the quality of services can be considerably raised and a sustainable concept of public repayment of the investment exists**
- **The most successful PPPs can emerge in new sections of motorways and high speed roads and in rail station developments**
- **Demand and return conditions of a PPP project must be in all cases verified by impartial financial models**
- **Public sector interest must get a good contractual protection**



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Thank you for your attention!

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