



# Possibility to implement PPP on R4 and R7 expressways

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## Structure of presentation

- › PPPs in Transport Sector Strategies
- › PPPs in Czech environment (short history outlook) and lessons learned
- › Possibility for implementation PPP on expressway R4
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- › Topics to be discussed during the market soundings
- › Conclusions (next steps)



## PPPs in Transport Sector Strategies

- ▶ **Transport Sector Strategies** – main strategy for transport infrastructure in CZE
- ▶ PPPs concerned as **supplementary instrument** and as possibility for more sustainable development of the network
- ▶ Recommendation to use on the needed parts of the network, where use of another sources (EU) are limited
- ▶ The availability payment mechanism is recommended for pilot projects due to the need to keep uniformed user payment system in CZE and due to very risky prediction of traffic flows



## PPPs in Czech environment – history outlook

- ▶ **D47** (2002) contract agreed without open tender, so many risks for state considering the not so good preparation to start the construction phase
- ▶ **All „PPP D3“ modifications** (2008 – 2012) revoked by reason of the needs of prior application of EU funds
- ▶ **Unstable political situation** – relatively high risk for planning the long term projects with long preparation and procurement
- ▶ **Difficult conditions for investment preparation** – relatively high risk in each step (mainly the land acquisition and granting the permits based on continuously ongoing changes legislation)



## PPPs in Czech environment – lessons learned

- ▶ Internationally open tender reflecting the market soundings
- ▶ Start to think about PPP implementation on the stretches of network with good preparation for start the construction phase
- ▶ Try to implement the PPP on stretches where using of EU funds is limited
- ▶ Try to avoid the risk of unstable political situation – communication with main stakeholders
- ▶ Try to have the off-balance sheets projects (ESA 2010) – **transfer risk of construction and availability to concessionaire, state bears the risks of traffic flows**



## Possibility for implementation PPP on R4

- ▶ R4 expressway connecting Prague with south-west Bohemia region
- ▶ From planned 84 km is 47 km in operation, 4.8 km under construction and **32 km remains to be built**.
- ▶ Approved positive CBA – rest of R4 should be build as one stretch
- ▶ Limited options for using EU funds (non TEN-T)
- ▶ All zoning permits issued, land acquisition ongoing, documentation for building permits is treated (ongoing communication with state authorities)
- ▶ **Design Build Finance Operate Maintain** model (design limited)
- ▶ Outline Business Case (Public Sector Comparator) tendered



## Possibility for implementation PPP on R7

- ▶ R7 expressway connecting Prague with north-west Bohemia region
- ▶ From planned 85,5 km is 46,5 km in operation, **39 km remains to be built**. Many parts operate as ½ profile of expressway (to be rebuild)
- ▶ Approved positive CBA – rest of R7 should be build as one stretch
- ▶ Limited options for using EU funds (non TEN-T)
- ▶ **Not all zoning permits issued** (should be for all stretches during 2016 - ongoing communication with state authorities)
- ▶ land acquisition ongoing, documentation for building permits is treated (ongoing communication with state authorities)
- ▶ **Design Build Finance Operate Maintain** model (design limited)



## Topics to be discussed during the market soundings

- ▶ **Possibility to Operate & Maintain the existing parts** of R4/R7, bearing the risks of rebuilding the existing  $\frac{1}{2}$  parts of R4/R7 – on which price?
- ▶ **Timing and phasing of construction, risk allocation before the construction phase starts** – what should be finished by the state, what can bears the concessionaire – on which price?
- ▶ **Financing structure and current market possibilities**
- ▶ **Payment mechanism** – availability payment with some possibilities of modifications based on the level of traffic flows





## Conclusions - next steps

- ▶ **Continuation of investment preparation phase (RMD)**
- ▶ **Market soundings** during preparation of Outline Business Case for R4 (06-08/2015), questions for both R4/R7
- ▶ If the interim results of OBC for R4 will be possible for the PPP model, the OBC for R7 will be tendered
- ▶ Communication with Czech **stakeholders (mainly politicians)**
- ▶ Preparation of the pre-qualification phase for R4 (08-11/2015)
- ▶ **Possible government approval of the tender for R4 (12/2015)**



Thanks for your attention

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