



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
- › Possibility for implementation PPP on expressway R7
- › 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)
- › **D**esign **B**uild **F**inance **O**perate **M**aintain 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 (05-07/2015), 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 (07/2015)
- ▶ 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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