



Rijkswaterstaat
*Ministry of Infrastructure
and Water Management*

PPP in the Netherlands

Lessons learned
(road infrastructure)

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Outline

- Introduction Rijkswaterstaat
- PPP History & Dutch government PPP policy
- DBFM Theory and practice
- Lessons learned



Rijkswaterstaat

- Agency of Ministry of Infrastructure and Water Management
- Founded in 1798
- Around 9,000 employees
- Annual budget: €4 to €5 bln.



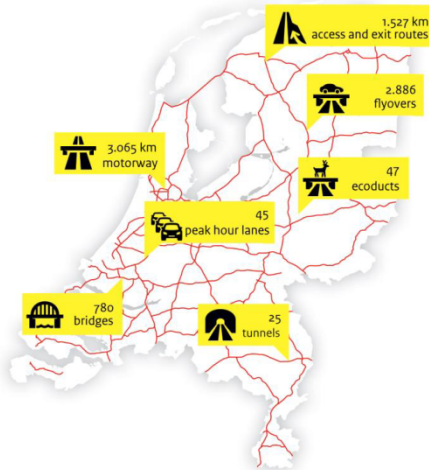


Our mission

- Rijkswaterstaat is dedicated to promoting safety, mobility and the quality of life in the Netherlands.
- Rijkswaterstaat ensures the safe and smooth flow of traffic on roads and waterways, protects against flooding, provides sufficient, clean water and supplies reliable and useful information.
- The organisation is responsible for the design, construction, management and maintenance of the main infrastructure facilities in the Netherlands.

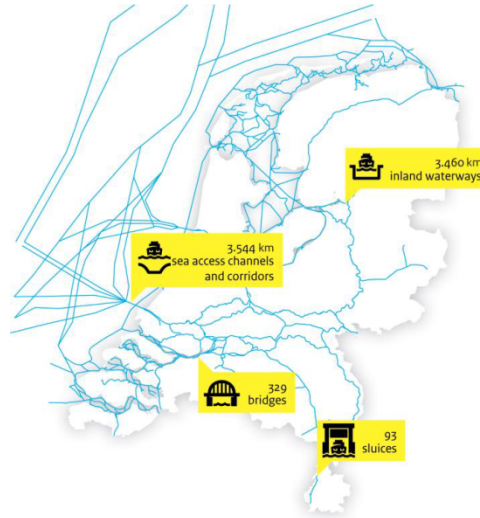


Rijkswaterstaat



Main road network

- 3,046 km of motorways
- 1,428 km of access and exit roads and connecting roads
- 2,749 viaducts, 13 ecoducts
- 22 tunnels
- 743 bridges



Main waterway network

- 2,137 km of canals and rivers
- 5,472 km of waterways in open water
- 84 locks
- 278 bridges



Main waterway watersystems



Organisational changes

From

- Design yourself in detail
- (Lowest) price
- Decentralised procurement
- Contracts based on technical specifications
- Multiple types of contracts

To

- Stimulate innovation of market
- Price/quality/performance
- Coordinated procurement
- Contracts based on functional specifications
- Uniform/standard contracts



- We specify functional requirements to give maximum opportunity to the contractors/market to make a solution
- We incentivise our contract (unfortunately nowadays only with penalties, but benefit sharing and bonuses is a future possibility/challenge/ambition)
- We try to steer in contracts on output (performance) instead of input (concrete structures)
- Price is not (always) leading; we make use of economically most advantageous tendering (EMAT) to involve the creativity and innovation by the contractor
- Market testing upfront with consultations (scope, risks), industry days (enabling consortia) and reduce entry barriers for market parties such as Hochtief.
- Focus on adding value through EMAT and smart ways of procurement



Contractual changes @RWS

<i>Until 2000</i>	Pre-specified contracts. Focus on technical output. No use of creativity of the market/only in-house knowledge Lack of innovation at the private sector
<i>2000</i>	Start of Design & Construct Contracts
<i>2006-now</i>	Start of DBFM contracts
<i>2012-now</i>	DBM contracts

PPP is common practice, how did that happen?



- The nineties. Minister of Finance (Liberals) in favour
- Smaller Government, cutbacks (RWS -25% in 10 years) and re-thinking institutions.
- POLICY IS FOCUSSED ON PERFORMANCE ENHANCEMENT:
 - Taxpayer expects improvement of government services
 - » Not more police/cops, but more safety
 - » Not more roads, but reliable connections
- PPP Units, but no deal flow. Development standard contract together with private parties & lessons from other countries
- High level advisory board to the government: do it!
- 2010 Government very much in favour & opposition in Parliament was not against PPP's..... List of 32 potential PPP's (20 bln CAPEX)



- Multi Annual Investment Programme (MIRT)
 - Budget approved by Parliament up until 2032
 - Cost Benefit Analysis
 - Environmental Impact Analysis
 - Ceiling price including maintenance and interest
- First allocate budgets to attractive projects then determine the best contract type for each project.
- Value for money testing mandatory >60 mln€
- 2010-2016: PPP/DBFM unless... Comply or explain
- Dealflow 2-3 projects each year
- 2017-now: together with private parties.

Past PPP deal flow



	<u>Start Tender, Value (€)</u>
• A59 Den Bosch Oss (local gvt)	(2002, <100 mln)
• N31 Waldwei	(2008, > 1 bln)
• Second Coentunnel	(2010, > 1 bln)
• A15 Maasvlakte Vaanplein	(2010, 250mln)
• A12 Utrecht - Lunetten – Veenendaal	
• N33 Assen Zuidbroek	(2012, 150mln)
• A1/A6 Diemen - Almere (72 km)	(2013, 750mln)
• A12 Veenendaal Grijsoord (50 km)	(2013, <100 mln)
• Limmel lock	(2013, <100 mln)
• N18 Varsseveld Enschede (road)	(2015, 150 mln)

10 available



9 under construction

- A9 Gaasperdammerweg (tunnel) (2012, 600 mln)
- Amsterdam Sealock (2014, 500 mln)
- Beatrixlock (2014, 150 mln)
- A27/A1 Utrecht (53 km) (2015, 200 mln)
- A6 Almere (39km, 2x5 lanes) (2015, 200 mln)
- Lock Eefde (2015, <100 mln)
- Afsluitdijk (multiple functions) (2016, >500 mln)
- A24 Rotterdam, tunnel (2016, >500 mln)
- A16 Rotterdam, road (2016, >500 mln)



Upcoming deal flow



- Tendering / Dialogue
 - ViA15 (Arnhem/Nijmegen, greenfield)
 - A9 Amstelveen (road)Financial Close expected in 2019/2020
- To be announced:
 - ?
 - ?





DBFM: the contract

- DBFM is an integrated contract by which (risks of) *design, build, finance* and *maintenance* are transferred to a private consortium.
- By means of a DBFM-contract, risks are allocated to parties which can control and manage them at a premium level.
- RWS responsible for incidentmanagement, traffic control.



DBFM: from product



.... to service.





What is the government asking in a DBFM-contract?

from

to



Product

Highway x lanes

Service

(Free flow) Connection
100 km/hour flow during rush hour

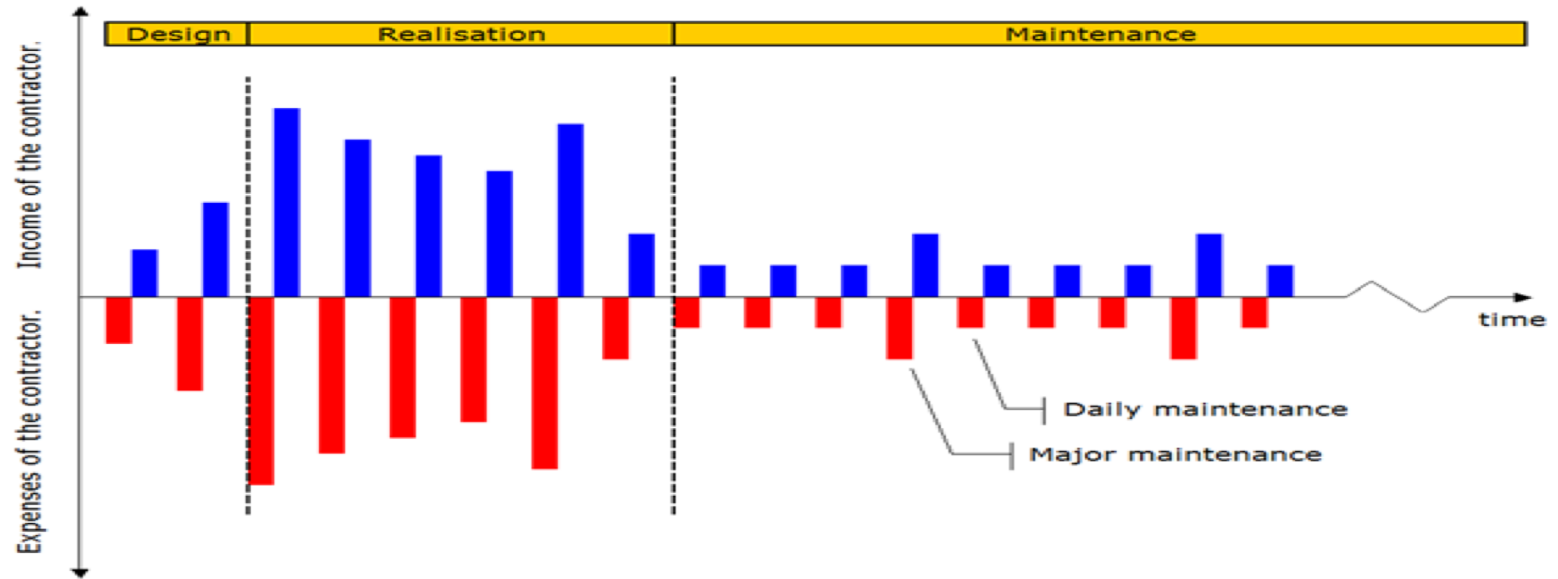


Availability = Technical availability

- Technical availability is specified in the Output Specifications. It contains subjects as:
 - Roughness of the road surface
 - Intensity of light in a tunnel
 - ...
- ➔ If there is traffic on the road, the road might still be unavailable

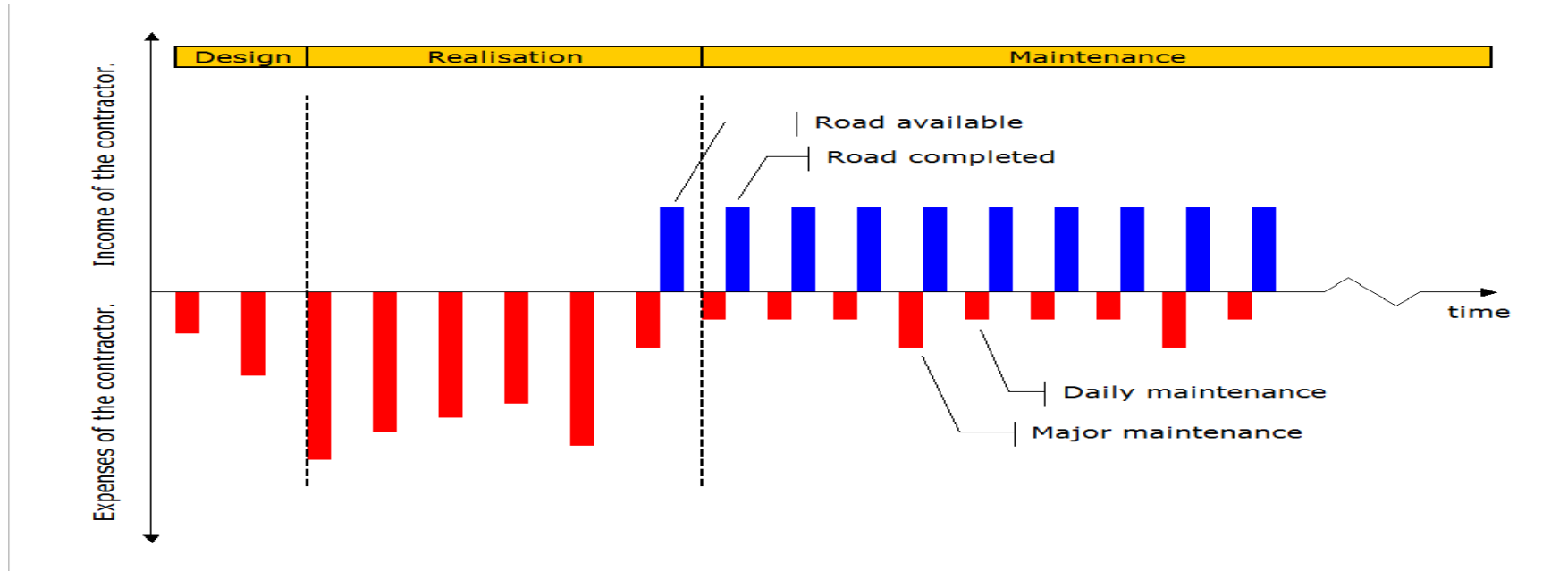


Payment mechanism - Conventional





Payment mechanism - DBFM





Banks can be our friends

- DBFM is about Value for Money. More quality for less. A means to an end. No budgetary trick for the government
- Goal: providing discipline through due diligence and better project- and riskmanagement.
- Projectfinance (the "F") ensures that output is delivered on time and within budget during the entire lifecycle.
- Government does not need nor want to become a party in the projectfinance. Essentially it's a black box
- However, if private finance becomes too difficult or expensive then the government will finance itself.



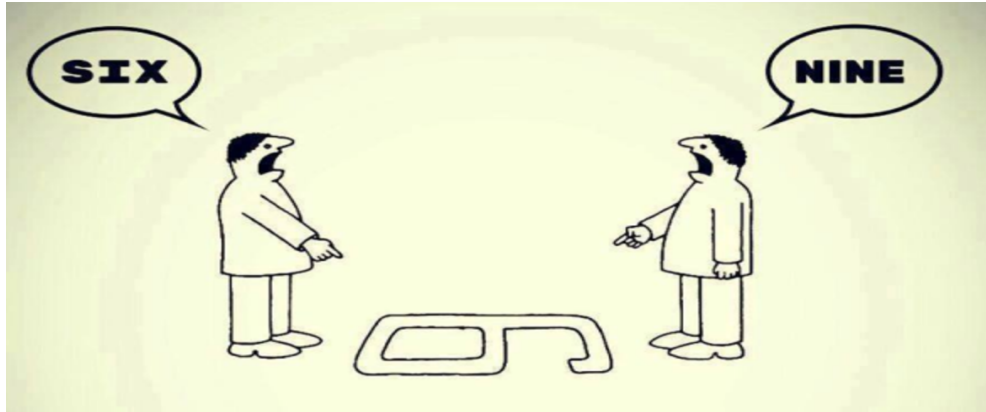
- Service delivery sooner than expected , no time overruns
- Value for money, less cost overruns
- Lifecycle optimisation
- Minimal traffic hinderance
- Bids below ceiling price
- Open dialogue: better quality
- Not easy to work together for 30 years. It takes two to tango: changes were necessary on public and private side

Lessons learned (2)



- Professional contractmanagement is needed for this approach with senior skills and competences
- Board members should also grow with this new approach and should adapt their decision making
- Outsourcing: keep strategic and tactical forces in-house, and outsource operational functions.
- Learning by doing starting with a small project, then thereafter bigger ones with the same team; knowledge management is very important to improve RWS and market
- Transparant communication and thorough preparation (training!) is essential

Current Dilemmas



- What happens when it gets really exciting?
- Market cannot respond properly to question of Rijkswaterstaat
- Complexity: sustainability, circular, energy neutral, climate neutral, capacity
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Ministry of Infrastructure and Public Works Rijkswaterstaat

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