

HOW TO GET STARTED WITH PPPs IN THE ROAD SECTOR

Anthony Pearce

Senior Adviser, Project for the Integration of Ukraine in the Trans-European Transport Networks TEN-T

Hon Life Member / former Director General, International Road Federation

Previous concession attempt
Shcherbakivka to motorway Kyiv – Kharkiv – Dovzhans'kiy
OPRC contracts

AGENDA

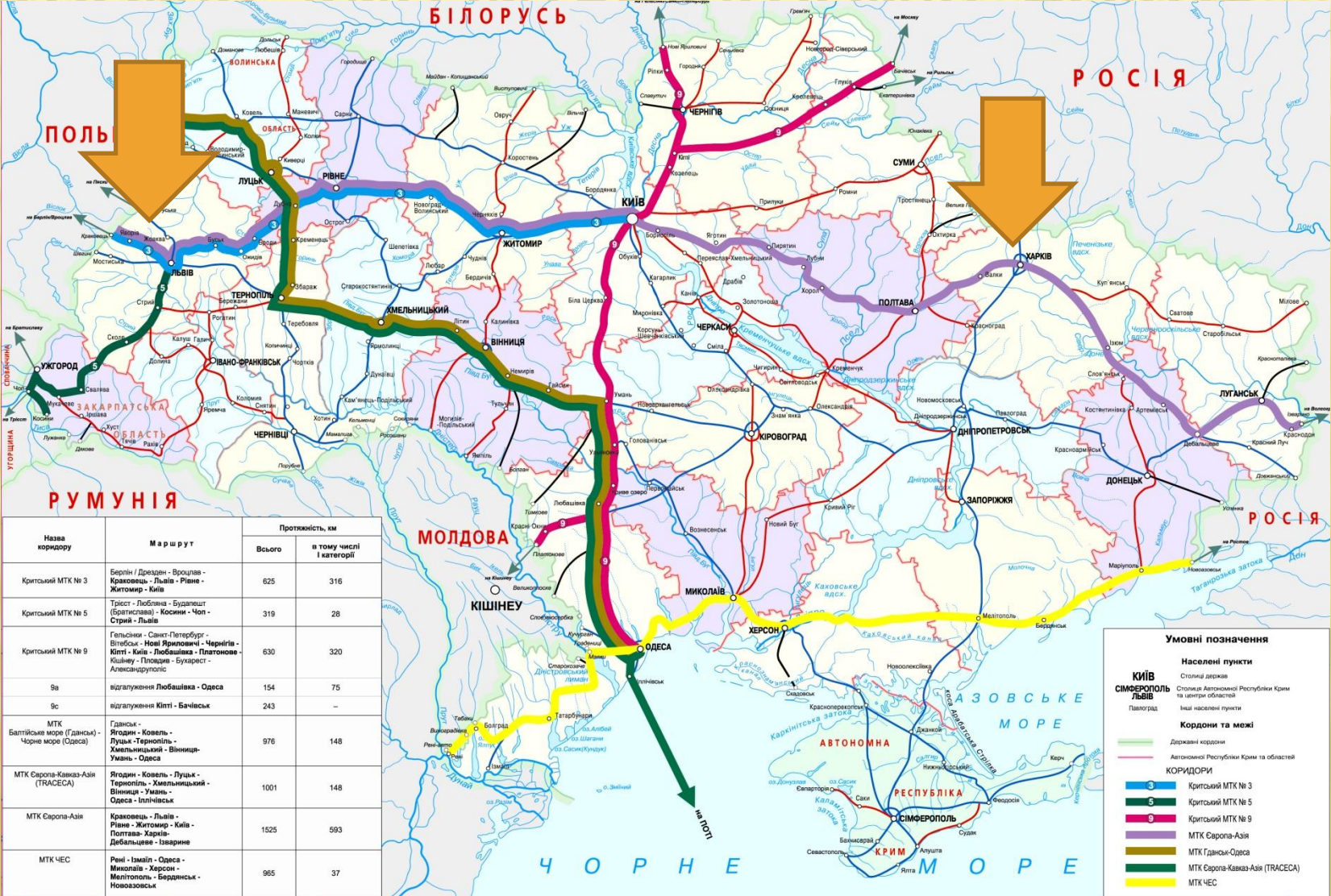
Previous concession attempt

Shcherbakivka to motorway Kyiv – Kharkiv – Dovzhans'kiy

OPRC contracts

AGENDA

100



LVIV-KRAKOVETS

Lessons learnt:

- ✗ Need for Government guarantees.
- ✗ Importance of proper procurement procedures.
- ✗ Start with small manageable projects...



Previous concession attempt

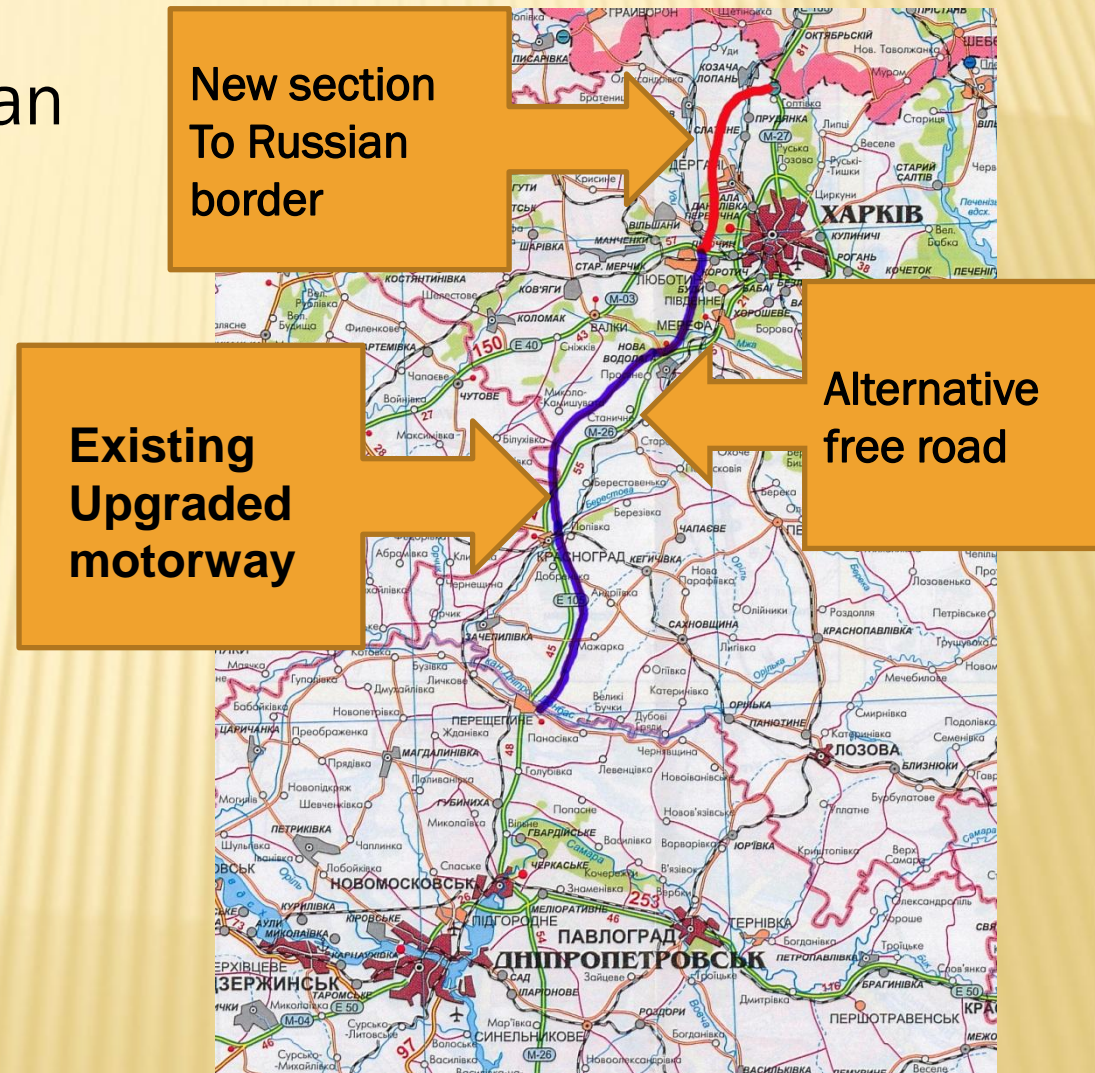
Shcherbakivka to motorway Kyiv – Kharkiv – Dovzhans'kiy

OPRC contracts

AGENDA

SHCHERBAKIVKA TO KHARKIV

- ✖ New road from Russian border near Kharkiv
- ✖ Approx 130 km recently upgraded
- ✖ 48.8 km new road ~ € 1 bn
- ✖ All could be tolled – alternative free road



AUSTRIAN TOLLING SYSTEM

- ✗ MLFF gantries are put between every existing entry/exit on the motorway



AUSTRIAN TOLLING SYSTEM

- ✗ MLFF gantries are put between every existing entry/exit on the motorway
- ✗ Every 5th gantry is equipped, in addition to the tolling function, for the enforcement purpose.



AUSTRIAN TOLLING SYSTEM

- ✖ MLFF gantries are put between every existing entry/exit on the motorway
- ✖ Every 5th gantry is equipped, in addition to the tolling function, for the enforcement purpose.
- ✖ Also 10 mobile toll stations.



Previous concession attempt
Shcherbakivka to motorway Kyiv – Kharkiv – Dovzhans'kiy

OPRC contracts

AGENDA

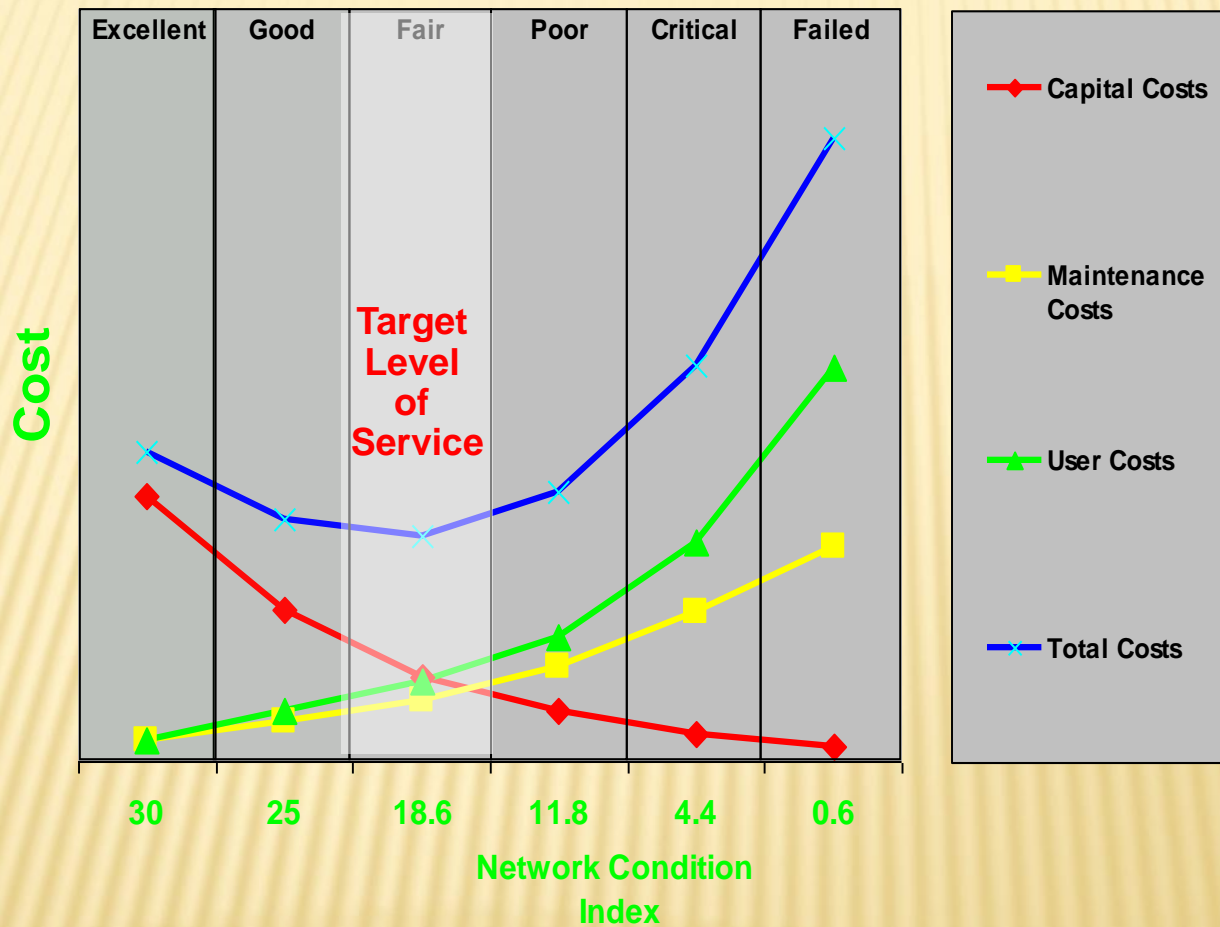
MAINTENANCE CHALLENGE

- ✘ All consultants have recommended radical changes – average speed of freight on Ukraine's highways **26 kph** (EU 55 kph) and fuel consumption **20-30%** > EU.
- ✘ Progressive introduction of OPRC contracts
- ✘ Raising additional finance after 5 years



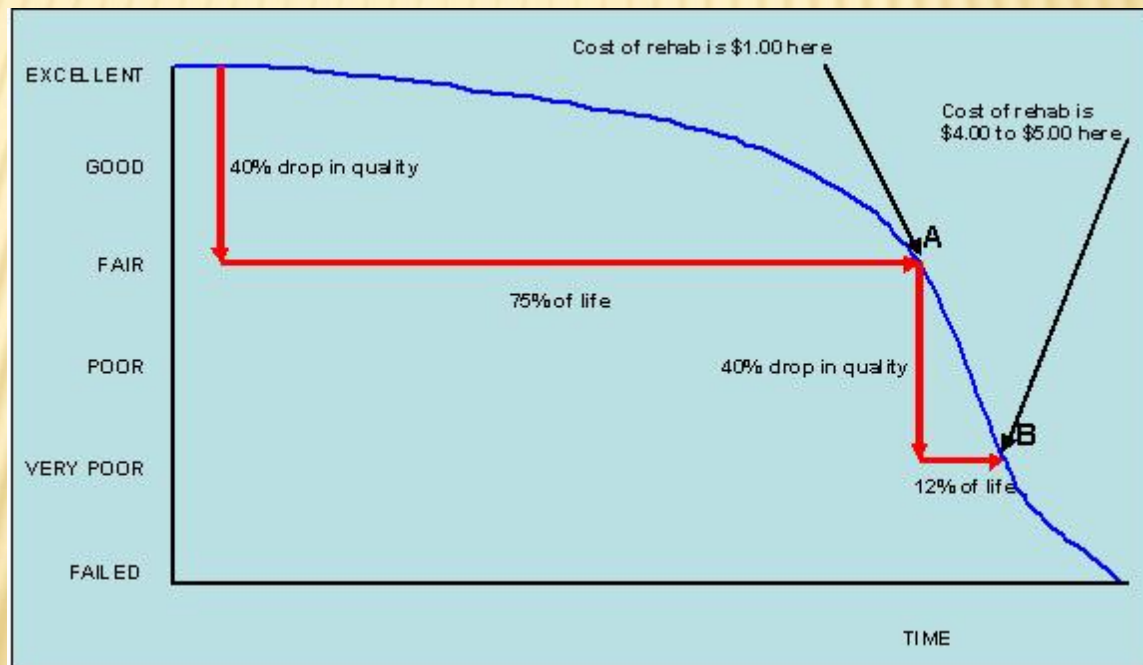
ГАЇ СУХОДІЛЬСЬКІ І ➡

OPTIMUM LEVEL OF SERVICE DETERMINATION



INTRODUCTION OF OPRC CONTRACTS

- ✗ PPP roads are
 - + Lower cost because the work is done at the right time



INTRODUCTION OF OPRC CONTRACTS

- ✗ PPP roads are
 - + Lower cost because the work is done at the right time
 - + Better roads



INTRODUCTION OF OPRC CONTRACTS

- ✗ PPP roads are
 - + Lower cost because the work is done at the right time
 - + Better roads



INTRODUCTION OF OPRC CONTRACTS

- ✗ PPP roads are
 - + Lower cost because the work is done at the right time
 - + Better roads
- ✗ Decision to introduce OPRC contracts on M-06



WHY LACK OF INTEREST IN M-06?

- ✗ “One off” – Why would a foreign company invest in trying to enter the Ukrainian market for a single project?
- ✗ Need to develop a “pipeline” to attract foreign companies in PPPs
- ✗ Need to develop a programme of introducing OPRC contracts on M road network.

DEVELOPMENT OF OPRC IN UK

- ✗ Whole of UK network managed on OPRC contracts
- ✗ No tolls (except 1 road – M6 Toll – 43 km)



DEVELOPMENT OF OPRC IN UK

- ✖ Whole of UK network managed on OPRC contracts
- ✖ No tolls (except 1 road – M6 Toll – 43 km)
- ✖ Initially contractors had “term contracts” for maintenance + separate “managing agents”
- ✖ Now “**managing agent contracts**” combining both



MANAGING AGENT CONTRACT (MAC)

MAC Principles:

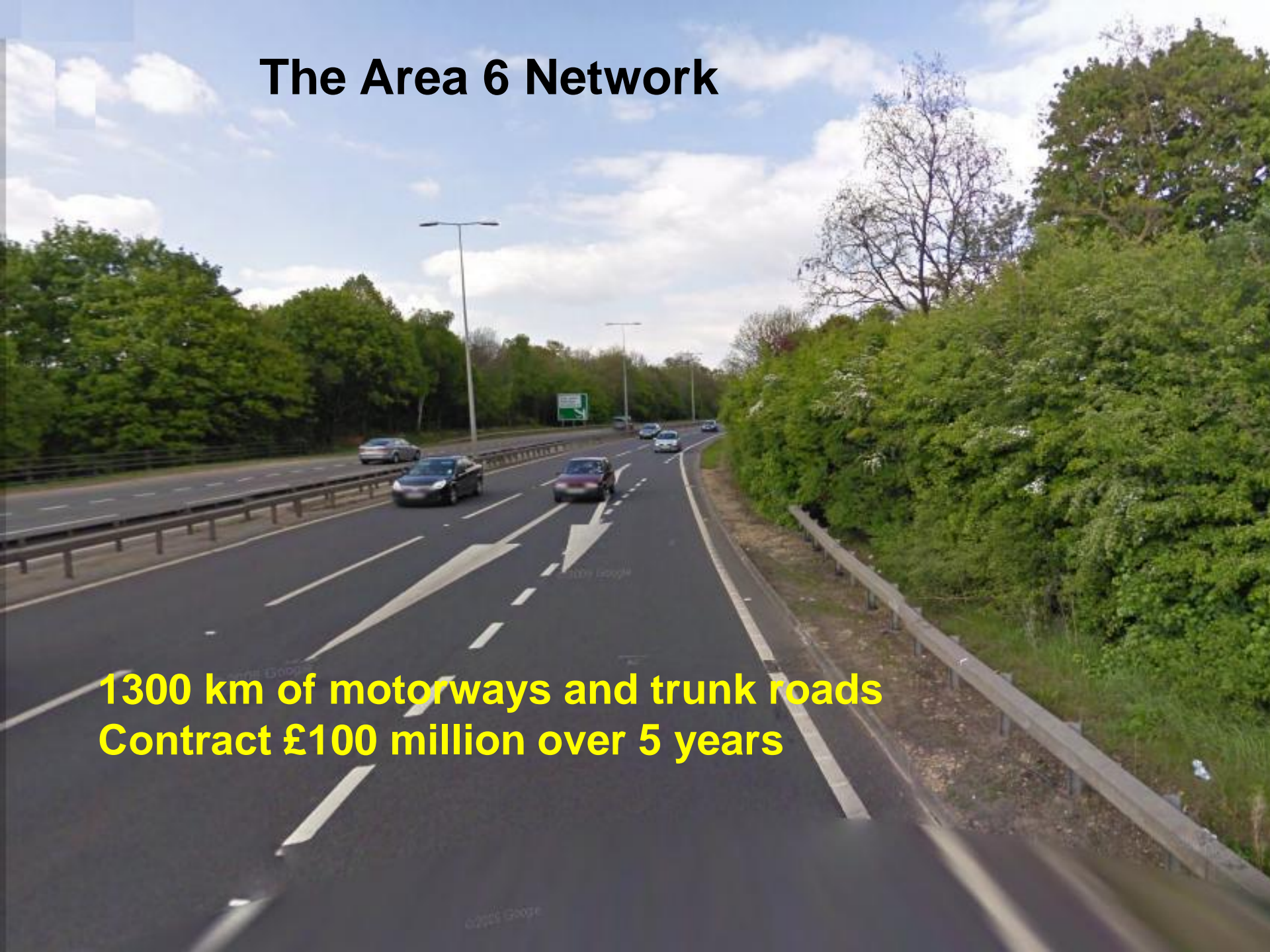
- ✗ The contract relies on quality management systems
- ✗ Uses self-certification procedures
- ✗ Based on a strong partnership approach
- ✗ Allows the MAC organisation to design and undertake all projects up to a value of £500 k (2.5 million AED).
- ✗ Incorporates elements of performance specifications for routine and winter service
- ✗ Includes the requirement to measure and benchmark performance, and to achieve continual improvement.

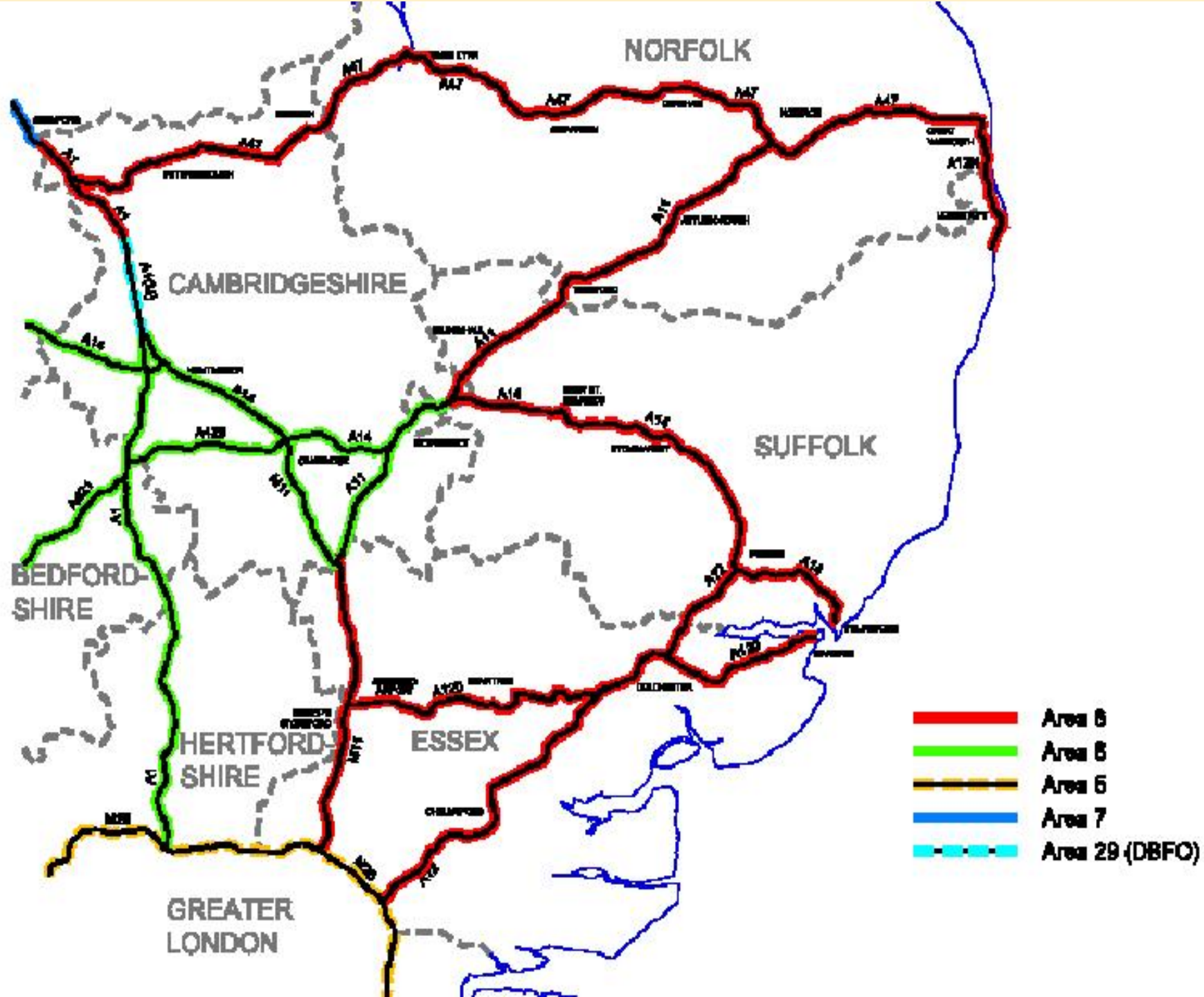
THE MAC CONTRACT

- ✘ Conditions of Contract
- ✘ Contract Guidance Manual
- ✘ Service Information and Annexes
- ✘ Network Information
- ✘ Network Management Manual
- ✘ Routine and Winter Service Code
- ✘ Quality Submission / Quality Promises
- ✘ Financial Submission
- ✘ Area Performance Indicators
- ✘ Motivating Success Toolkit
- ✘ Design Manual for Roads and Bridges (DMRB)
- ✘ Specification for Highway Works (SHW)

The Area 6 Network

1300 km of motorways and trunk roads
Contract £100 million over 5 years







A14 typical dual carriageway trunk road

A47 typical single carriageway trunk road



M11



DUTIES

- ✗ All routine maintenance and winter services.
- ✗ All works necessary to meet performance levels set out in the service information.
- ✗ Developing the design of schemes
- ✗ Constructing schemes < £500K
- ✗ Contract management of > £500K schemes
- ✗ Bridge assessments
- ✗ Planned maintenance of employers' vehicles

Quality & Performance Management



QUALITY & PERFORMANCE MANAGEMENT

- ✖ Contractual requirements
- ✖ Non-conformities & quality management points
- ✖ Auditing
- ✖ Performance requirements
- ✖ Continual improvement

PERFORMANCE REQUIREMENTS

- ✗ Defines defect categories and required treatment
- ✗ Category 1 = imminent risk of danger
 - + Mitigation to be done within 24 hours
 - + Permanent repair to be done within 28 days
- ✗ Category 2 = all other defects
 - + Permanent repair within 6 months
- ✗ Also specifies frequency of testing and inspections

PERFORMANCE MANAGEMENT

- ✖ Linkage to Highways Agency business plan outcomes
- ✖ Performance management framework
- ✖ 15 Area Performance Indicators (APIs):
 - ✖ response to emergency incidents
 - ✖ customer satisfaction
 - ✖ time predictability
 - ✖ network availability
 - ✖ recycling & reuse



CONCLUSIONS

CONCLUSIONS

1. PPPs enable the public sector to realise infrastructure projects by making use of the skills and experience of the private sector.
2. In many cases they may also involve private finance.
3. PPPs are **NOT** just about money, but about quality and value.
4. But they are complex to design, implement and manage.
5. A systematic approach with the highest political support essential.

**THANK YOU FOR
YOUR ATTENTION**



Anthony Pearce

APEARCE@IRFNET.NET