HOW TO GET STARTED WITH PPPs IN THE ROAD SECTOR

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

Shcherbakivka to motorway Kyiv – Kharkiv – Dovzhans‘kiy

OPRC contracts
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
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
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Also 10 mobile toll stations.
Previous concession attempt
Shcherbakivka to motorway Kyiv – Kharkiv – Dovzhans‘kyi
OPRC contracts
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
OPTIMUM LEVEL OF SERVICE DETERMINATION

Target Level of Service

Cost

Network Condition Index

Capital Costs

Maintenance Costs

User Costs

Total Costs
INTRODUCTION OF OPRC CONTRACTS

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

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

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