



International Road Federation

Geneva Programme Centre
 Chemin de Blandonnet, 2
 CH-1214 - Vernier
 SWITZERLAND
 Tel: +41 22 306 02 60
 Fax: +41 22 306 02 70
 info@irfnet.org www.irfnet.org

Brussels Programme Centre
 Avenue Louise, 113
 B-1050 - Brussels
 BELGIUM
 Tel: +32 2 644 58 77
 Fax: +32 2 647 59 34
 info@irfnet.eu www.irfnet.eu

Washington Program Center
 Madison Place
 500 Montgomery Street Fifth Floor
 Alexandria, Virginia 22314
 USA
 Tel: +1 703 535 1001
 Fax: +1 703 535 1007
 info@irfnews.org
 www.irfnews.org

IRF was founded in 1948 to encourage better road and transportation systems worldwide. IRF is a non-profit, non-political service organisation which helps in the application of technology and management practices to produce the maximum economical and social return from national road investments. Some 500 governments, companies and associations around the world are members of IRF and provide financial support to the three offices in Geneva, Brussels and Washington DC. National and regional road associations around the world make up the Federation. IRF is an accredited transportation consultant to the United Nations, the Council of Europe, and the Organisation of American States, and works closely with other international institutions in the transportation field.

PPPs at heart of new road plans

Imaginative use of Public/Private Partnerships (PPPs or P3s) is key to securing tomorrow's roads - on both sides of the Atlantic. But in Europe it's not all plain sailing



European Parliament in plenary session

“
The option of combining private sector involvement and EU grants in the implementation of ambitious road infrastructure programmes is an attractive one
 ”

Figures provided by DLA Piper, a leading proponent of PPP in Europe and the US, illustrate the sheer scale of the PPP market. There has been a 37% growth in Europe alone between 2005 and 2006. Their 2004 report quoted an aggregate figure of Euro 95 billion aggregate capital value (ACV) as the size of the market over the coming three years. It proved accurate. The 2007 report identified Euro 73.5 billion of projects in tender, Euro 17.3 billion of projects completed and Euro 5.8 billion of projects cancelled (principally, the Messina bridge in Italy, in 2006). Road infrastructure, including bridges and tunnels, was the dominant sector in the market, at 60% of completed, current and pre-tender phases.

EIB: a leading player in the PPP market is the European Investment

Bank (EIB), which began such funding in the late 1980s as the first projects were developed in the United Kingdom. Since then it has become one of the most important funders of PPP projects - with a project portfolio of nearly Euro 20 billion and over 100 projects.

As the financing institution of the European Union, EIB's mission is to provide long term loans in support of projects furthering EU policy objectives. The bank lends to both public and private sector promoters in six priority areas, three of which coincide with the sectors in which PPPs most commonly occur: trans-European road and rail networks; investments in the health and education sector; and investments that protect or enhance the environment (e.g. waste projects).

Although EIB has financed a large number of PPP projects, it does not have a "policy preference"



for PPPs. It is for member states to decide on the most appropriate form of procurement for a particular project. EIB's role is to support and facilitate projects which further the EU's objectives - regardless of their procurement method. In this respect EIB's lending to PPP projects is no different from its other lending. This has important implications for member states - in particular those in central and eastern Europe (CEE states) and accession states such as Romania and Bulgaria.

Enter JASPERS: one of the less tongue-twisting acronyms of the European Union, JASPERS - Joint Assistance to Support Projects in European Regions - is a major joint policy initiative of the EIB, the European Commission and the European Bank for Reconstruction and Development. It aims to assist countries who potentially benefit from EU "structural and cohesion" funds over the next budgetary planning period 2007-2013, to prepare major infrastructure projects for approval. Assistance is offered free of charge. JASPERS is complementary to project preparation work carried out by national and local authorities. It provides upstream technical expertise and its key areas include trans-European networks, other transport systems including inter-modal, road and air traffic management, clean urban and public transport, environmental

The table below gives an overview of project types and their "treatment" as revenue-generating, according to the Regulations

Project type	Nature of revenues	Handling of revenues in funding gap analysis
Public road	None	No funding gap analysis needed.
PPP Toll road	Road user toll	Funding gap approach.
PPP road (shadow tolls)	Shadow tolls	No funding gap analysis needed.
PPP road (availability charge)	Availability payments	No funding gap analysis needed.
PPP road (mixed payment mechanism)	Combination of minimum guaranteed revenue and user tolls	Funding gap analysis needed if revenue from user tolls exceeds operation and maintenance costs.

Source: presentation Joachim Schneider, JASPERS, 4-2-2008, Bucharest, Romania

“
It is JASPERS role to help focus and identify the key issues and help EU member states to secure funding”

projects, and PPPs.

Anyone who wonders why JASPERS was invented should look no further than European legal requirements. Consider Council Regulation (EC) No. 1083/2006, Article 40 of 11 July 2006. It requires the following data for major funding projects to be submitted to the Commission: information on the body responsible for implementation; project description; results of feasibility studies; timetable for implementation; CBA including risk assessment and description of impacts; analysis of environmental impacts; justification for public contribution; and - a financing plan. Compatibility with Community policies and law must also be shown - plus the

endorsement of national authorities.

IRF seminar highlights challenges: for CEE countries in the EU that have access to EU funding from either the Cohesion Fund or the Regional Development Fund, the option of combining private sector involvement and EU grants in the implementation of their ambitious road infrastructure programmes is an attractive one. But not without complications - as explained by Joachim Schneider from JASPERS Vienna office, during the **IRF seminar on Combining PPP with EU Funds, Bucharest, Romania, 4-5 February 2008**. We have to go back to the famous 1083/2006. The main issues in "compatibility" between PPP and EU grants applications are:

- Whether private companies or Special Purpose Vehicles set up for a PPP scheme can benefit from EU grants. According to article 2.4 of the Regulations they can, under the condition that they initiate or are responsible for the initiation and implementation of operations. However, road infrastructure projects are generally initiated by the government - i.e. the public sector.
- The so-called N+2 rule regarding eligibility of costs for EU grant award. This means that only costs made during the Regulations period plus 2 years, thus in the period 2007-2015, can be put up for EU co-financing. This has a consequence for PPP schemes where the public authority pays the private contractor an annual availability payment for the service, as the public service expenditure will only be co-financed during the first years of the PPP which in general lasts for around 25 to 30 years.
- Conditions in the Regulations applied to revenue-generating projects. Revenue generating projects are defined as projects

Safe road management Directive a step closer

European Parliament's Transport Committee delivers key vote

The European Union Road Federation (ERF), the Brussels Programme Centre of the International Road Federation (IRF), praises the outcome of the vote within the Transport Committee of the European Parliament on Tuesday 25 February 2008, which represents a significant step in the legislative process for the proposed Directive on Safe Infrastructure Management, an instrument which would see, according to European Commission estimates, a reduction of around 600 fatalities per year on the European road transport network.

Although the voting within the TRAN Committee of the European Parliament yielded an overall positive outcome, the ERF - IRF BPC wishes to express its disappointment that certain provisions contained within the draft proposed by the European Commission will not be part of the final version of the Directive.

The proposed Directive will be presented to the entire parliamentary assembly within its April plenary Session, when all Members of the European Parliament will be asked to cast their vote on the legislative instrument. The number of fatalities and serious injuries on our roads can be drastically reduced by

providing guidance to ensure safety is integrated in all phases of road planning, design, construction, operation & maintenance. This can be achieved through cost effective road management practices:

- Road safety impact assessments, providing comparative safety scenarios at the planning stage,
- Road safety audits, as a systematic process for checking new road schemes prior to their opening,
- Road safety inspections and audits, offering a periodical review of road networks in operation,
- Network safety management, to ensure high accident risk road sections are inventoried and eradicated.

The ERF-IRF BPC hence calls for a positive vote in April, so that hundreds of lives can be saved through the implementation of better road infrastructure practices.

The ERF-IRF BPC is one of various signatory organisations to an open letter addressed to all road stakeholders outlining the necessity of having such a legal instrument in order to have a safer road transport system. The letter can be consulted on the website www.saferoads.eu together with a background document on the proposed Directive.

- ▶ with direct user charges for the infrastructure subject to investment, as is the case with toll road PPPs. In the Regulations, the application of a standard grant rate to the funding gap is based on eligible expenditure, rather than eligible costs. Eligible expenditure is calculated by deducting net present revenues (from tolls during the operations phase) from the current value of investment costs. As a consequence, revenue-generating projects have a lower maximum grant rate to obtain, than non-revenue generating projects.

Service related payments as shadow tolls and availability payments would fall beyond the definition in the Regulations. Related to this condition, it is important to note that projects whose revenues do not fully cover

“
The state contribution included a Euro 476 million grant from the European Fund for Regional Development
 ”

operating costs (including maintenance costs to a certain extent) are not subject to rules for revenue generating projects. Nor do projects subject to the rules on State aid (which include many projects involving private financing).

The result of all this? Some PPP proposals have had to be re-cast, in order to have any chance of EU funding. And so, some EU countries have abandoned their initial intention to apply for EU co-financing. Billions of euros reserved for transport infrastructure investments during 2007-2013 thus may not be spent. The answers to the key questions can only come from the European Commission and, perhaps, the European Parliament. It is JASPERS role however, to help focus and identify the key issues and help EU member states to

secure funding which, in overall terms, has already been approved.

Is it worth it?: the story so far might suggest that trying to set up a PPP and use EU funds at the same time is, simply, not worth the effort. But look at some success stories. The Greek Attica Tollway, with an estimated cost of Euro 2 billion was partly financed by the Greek state. The state contribution included a Euro 476 million grant from the European Fund for Regional Development. Ireland's M1 Drogheda by-pass project saw 20% of the Euro 254 million investment provided through a grant from the Cohesion Fund. And, the Commission is aware of the need for clarification. JASPERS is helping members to define models for combining PPP with EU co-financing that comply with the regulations ■

... Canada is being built through P3s

For the first time in more than a generation, Canada has put transportation - and other key infrastructure - front and centre on the national agenda with the Building Canada Plan, a CAD 33 billion investment over the next seven years. The plan will provide substantially for infrastructure priorities and includes a fund dedicated specifically to public/private partnerships (P3). A government office is dedicated to P3s - and the newly-established Crown Corporation, PPP Canada Inc., will work with the public and private sectors towards "encouraging the further development of Canada's P3 market." The aim is to leverage a CAD 100 billion investment in infrastructure.

However, in echoes of Europe, all future infrastructure projects seeking CAD 50 million or more in federal contributions must now be put through a P3 modelling process, to assess and consider the viability of a P3 option before any funding decisions are made.

The transportation sector has launched some of the most successful early P3 projects in Canada such as the CAD 2 billion Canada Line project linking downtown Vancouver to the airport; the Confederation Bridge linking Prince Edward Island and New Brunswick, and Highway 407 in Toronto. British Columbia, Quebec and Nova Scotia have established dedicated offices for pursuing more public-private partnerships ■





Eastern Trans-Canada Highway a good example

Much of the work to complete a vital part of the four-lane Trans-Canada highway, in New Brunswick, was carried out through two separate public/ private partnerships (P3s). The first, the Fredericton-Moncton Highway Project, is an award-winning highway that has saved dozens of lives since its opening in 2001. New Brunswick now has one of the safest, most efficient and modern highways in the world. Stretching from Nova Scotia through New Brunswick to the Quebec border, this section of the Trans-Canada Highway is the backbone of the Atlantic region's economy. It serves not only the transportation needs of New Brunswick, but is also the major east-west link between the Atlantic Provinces and the rest of Canada,

and a north-south link to the United States. A total of CAD\$7 billion worth of goods from Atlantic Canada, including CAD\$4 billion from New Brunswick alone, pass along New Brunswick highways every year.

New Brunswick partnered with Brun-Way, to achieve the numerous benefits of a four-lane highway sooner - especially increased safety of the travelling public. By involving a developer/operator, construction time was reduced by as much as three years and the major risks associated with the project, such as environmental permitting and indexing of costs during construction, were transferred to the developer.

Romeo Poitras, Brun-Way's manager for operations, maintenance and rehabilitation, said, "In 27 months, Brun-Way

“
In 27 months, Brun-Way built 98km of new four-lane highway and updated 128km of the existing four-lane Trans-Canada Highway
 ”

built 98km of new four-lane highway and updated 128km of the existing four-lane Trans-Canada Highway. The construction costs were CAD 544 million. We built 40 structures and four major bridges. Our project partner was the New Brunswick Highway Company, representing the provincial government. From the start, the partners were clear on how they wanted to work together and who was responsible for what. Using value engineering, we were able to come up with some innovative ideas during construction."

To deal with the challenges Brun-Way completed quality, safety and environmental management plans, and received ISO 9001 and 14001 certifications ahead of schedule. "Above all, Brun-Way hired and has kept a fantastic group of people with a real team spirit," said Poitras ■

Safety seminars to continue in 2008

IRF-EU road safety engineering workshops spread best practices

The International Road Federation (IRF) will once again collaborate with the European Commission (TAIEX Instrument) in organising a series of road safety engineering and financing workshops in selected locations across Europe. These represent an invaluable tool to spread knowledge and best practices in nations where there is a great need of implementing effective strategies aimed at building a safer and more efficient road transport infrastructure.

During 2007 five free workshops were held in various locations across Europe (Former Yugoslav Republic of Macedonia, Romania, Hungary, Lithuania and Turkey) to offer selected stakeholders the possibility to acquire valuable information on road safety engineering and a platform where to share best practices. During 2008 Bulgaria and Romania will be visited, together with additional countries benefiting from the EC's neighbourhood policy.

The seminars include specific sessions on safe road management policies, legal aspects (the Tunnel Directive and the

Safe Road Infrastructure Management Directive), road equipment standards and deployment strategies, European safety research projects, financing road safety as well as "on site" visits to ongoing road engineering projects.

IRF is a non-profit association coordinating the views of the road sector and acts as a platform for dialogue and research on mobility issues. IRF actively supports national and international efforts to drastically decrease road fatalities by giving the road sector a consistent and united voice on road safety.

● For additional information on this or any upcoming Workshop please do not hesitate to contact IRF at www.irfnet.eu.

● Interested Members with expertise in Road Safety Engineering who wish to find out how they can participate in these events are requested to contact the IRF Secretariat in Brussels on www.irfnet.eu

