

# State and market: Polish motorway construction program

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Regulation of Core Transactions in Critical Infrastructures :  
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# Public – private partnership (PPP)

- **Public – private partnership (PPP)** can be interpreted as:  
*“.... just a different method of procuring public services and infrastructure by combining the best of the public and private sectors with an emphasis on value for money and delivering quality public services.”*  
(definition used by Irish government)

# Private and public sector - PPP

- In case of PPP both sides have to comprehend the needs of the other. This means that:
  - The **private sector** will have to take into account the “**public good**” aspect, or the “**public service obligation**”, inherent in transport, energy and telecoms networks.(.....)
  - The **public sector**, on the other hand, needs to realise that it has to relinquish to the private sector the control of the non-public good aspects of large infrastructure projects.”  
(N. Kinnock -1995)



# Risk for private and public partner

## Risk for private investors:

1. Systematic or market risk
2. Unsystematic or specific risk
  - **commercial** risk (project, construction and operation risk)
  - **political** risk (political instability, unfavourable legislative changes, changes in transport policy priorities, delays in state actions)

Private participants expect to receive adequate **risk compensation** and seek to **share a risk** with other entities (public partner).

## Risk for the public partner:

- **sovereignty** risk,
- **budgetary** or financial risk,
- **opportunism** risk.



# Advantages of PPP

1. Possibility of lower investment spending
2. Possibility of extending other public investments
3. Savings in budget
4. Transfer of new technologies
5. Share of risk
6. More competition on market
7. Guarantee of services for long term
8. Diminution of political influence on economy
9. More transparency in economic live
10. Differentiation of financial sources for economic development

Source: K. Brzozowska, *Partnerstwo publiczno-prywatne. Przesłanki, możliwości, bariery*, CeDeWu.PL, Warszawa 2006, p.24.



# Threats of PPP

1. Limitation of influence of public authorities on investment
2. Raising of prices for users of infrastructure
3. Reduction of bargaining position of public authorities
4. High transaction costs
5. Diminution of quality of services
6. Diminution of accessibility to services
7. Diminution of employment in public sector
8. Financial risk for public partner
9. Opportunity risk for public partner
10. Political risk for private partner

Source: K. Brzozowska, *Partnerstwo publiczno-prywatne. Przesłanki, możliwości, bariery*, CeDeWu.PL, Warszawa 2006, p.24.

# Main roads in Poland

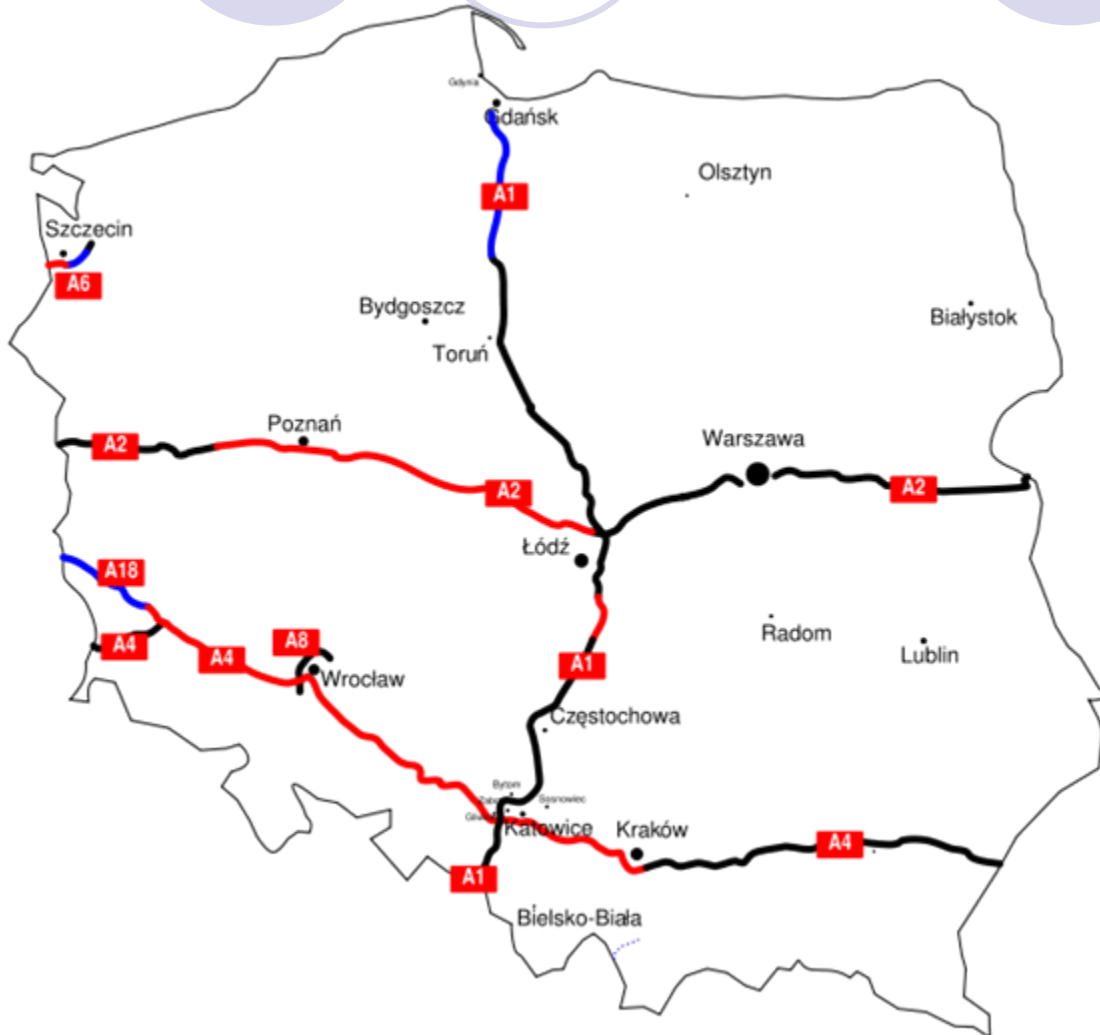
| Main roads in Poland<br>(by the end of 2005, km) |              |
|--|--------------|
| Motorways  | 550*         |
| Expressways                                      | 230          |
| Others   | 17352        |
| <b>Total</b>                                     | <b>18132</b> |

- Poland entered 1989, the final year before transition, with about 200 km of roads classified as motorways.
- Poland still suffers from the lack of the complex system of motorways and expressways

\*655 km from 07.2006

Source: General Directorate for National Roads and Motorways

# Polish motorway network as of September, 2006



Polish motorways:

- in operation (existing sections)
- under construction
- planned

PPP scheme - motorway sections:

- A2 (Świecko-Konin),
- A1 (Gdańsk-Toruń and Stryków (Łódź)-Pyrzowice)
- A4 (Katowice-Kraków).

Source:

[http://en.wikipedia.org/wiki/Image:PL\\_motorways\\_2006.09.01.svg](http://en.wikipedia.org/wiki/Image:PL_motorways_2006.09.01.svg)

# Map of polish planned motorway and expressway network



Current plans for a motorway and expressway network in Poland which is to be completed in the next decade:

- motorway
- expressway

Source:  
[http://en.wikipedia.org/wiki/Image:PL\\_ree\\_and\\_expressways\\_network.svg](http://en.wikipedia.org/wiki/Image:PL_ree_and_expressways_network.svg)



# Polish motorway construction program

1. **1992/1993**: first program: goal – about **2000** km up to 2007, idea of **public investment** at the first stage of realisation and – step by step – of investment by **private concessionaires** on next stages,

creation of special company “**Autostrady Polskie S.A**” (Polish Motorways) – sole-shareholder company of the State Treasury.

# Polish motorway construction program

2. 1993/1994: new version of program: goal – about 2600 km up to 2007-2010, domination of BOT system, participation of private capital: about 90%!!!,

liquidation of “Autostrady Polskie S.A.”,  
the Agency for Motorway Construction and Operation (ABiEA)  
established under the Act on Toll Motorways of 27 October 1994,

(in the same time average cost of 1 km of motorway was +/-70%  
of average cost in EU-15 and average purchasing power of  
potential users of motorways was only about 40% of EU-15  
average).



# Polish motorway construction program

3. **1997**: first **concession agreement** for the construction and operation of the toll motorway Świecko – Konin between the government and the company **Autostrada Wielkopolska S.A** (AW S.A. founded in 1994 with the goal to finance, build and operate A2 Toll Motorway; the two-stage international tender winner in 1995).

# A2 motorway



- Świecko (Polish-German border) - Poznań (BOT – concessionaire AW SA) (157 km),  
Świecko-Nowy Tomyśl (105 km) – work will start in 2007, finish in 2009?
- Poznań – Konin (BOT - concessionaire AW SA) (98 km),
- Konin – Stryków (Łódź) (public means) (104 km)
- the Unit Price in Eur: around 5 M EUR/km

# Polish motorway construction program

4. 2002: new program: goal - about 1700 km of motorways, participation of private capital: about 15%,

liquidation of the Agency for Motorway Construction and Operation as separate institution, fusion with General Directorate for Public Roads,  
new institution: General Directorate for National Roads and Motorways.

5. 2004: decision of Ministry Council - Act from 15 May 2004: about 2000 km of motorways (and about 7200 km of expressways),

concession agreement for the construction and operation of the toll motorway Gdańsk-Nowe Marzy (A1 motorway section) between the government and the Gdańsk Transport Company (GTC).

# Polish motorway construction program

6. 2005: agreement between government and private operators: **trucks with vignettes** can use motorways without paying the toll - these tolls are offset by the **National Roadway Fund**,

consequences:

- the **traffic** has doubled (existing sections of A2 motorway),
- **delays** on the section of A2 motorway (Świecko-Nowy Tomyśl); new documents concerning the impact on traffic and revenues,
- **payments** will rise to amounts greater than the income obtained from the vignettes (**budgetary risk**),

after parliamentary election new government is declaring **coming back to only public financing** of motorways construction, idea of **withdraw from former agreements** concerning concessions for private capital,

first **Polish Public Private Partnership Law**, passed by the Polish Parliament in September 2005.

# Polish motorway construction program

7. 2006: Report of Supreme Chamber of Control on Protection of Interests of the State Treasury in Agreements with Concessionaires for Construction and Exploitation of Motorways A2 and A4 (09.2006)
8. 2007: Act on Road Companies of Special Assignment (01.2007)

the decision of Ministry of Transport to withdraw from former agreement concerning concession for GTC (Nowe Marzy-Torun – A1 motorway section), the State will run the construction of this section; reasons for the decision - high unit costs and high tolls (offset for trucks by the NRF)



# Conclusions

- Since 1997 **three major motorway projects** - A2 (Świecko-Konin section), A1 (Gdańsk-Toruń and Stryków-Pyrzowice sections) and A4 (Katowice-Kraków section), have been carried out in Poland under the PPP scheme.
- **Toll motorways** (PPP) can be constructed and operated **more quickly and economically** than these build by traditional system, but not in every case is this true.
- Especially in case of larger infrastructure projects in countries with quite **low purchasing power** of potential users (Poland) idea of PPP could be difficult to involve.
- PPP project require **careful design** to protect the **interests of the State Treasury**, especially in countries with inadequate experience in the field of PPP.
- PPP does not give guarantee to be successful (**the risk** for public and private partners).



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Thank you

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