

The centre-right coalition announces significant changes in the transport department



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The new administration wants to use government bonds as well as pension funds

The reactions of some subjects to the preliminary programme points of the four centre-right parties (SDKÚ-DS, SaS, KDH, Most-Híd) who have formed a government coalition in the past days, were guarded at first. Despite any prognosis being premature at the moment, there are indications about the direction of the first steps which the relevant ministers may take after they settle in their chairs. The re-evaluation of further execution of the motorway PPP projects, cancellation of the broad-gauge railway, saving of Bratislava airport and the rail company Cargo by introducing strong strategic investors - these are just a few intentions, disclosed maybe a little hastily.

How the newly created coalition intends to proceed regarding the construction of motorways via PPP projects, the essence of which is a long term partnership between public and private sector and entry of other subjects - subcontractors, banks, EU, self-governing regions, building authorities - into the contractual relations? Take into account results and experiences from the projects already carried out and use government bonds and second pension pillar as sources of financing if needed.

Ľubomír Palčák (TRI) appeals for the motorways item to be completely depoliticised

Overpriced and disadvantageous for the state. Ľubomír Palčák, the General Director of the Transport Research Institute (TRI) in Žilina, is not convinced by the main argument of the incoming government for re-evaluation of the PPP motorway projects. According to the SITA agency, he is lacking an analysis which would confirm or disprove this. "In order to be able to say if the projects are overpriced, we have to calculate the investment costs, the operational costs for 30 years, how much a complex reconstruction of sections of the motorway costs," he explains and adds that a complete cancellation of projects in public-private partnership would be a mistake.

The fact is that the resources from the state budget and the Eurofunds, allocated to the construction of sections of the D1 motorway which were supposed to support financially the private sources of the 1st and 3rd PPP packages, are not sufficient. The Operational programme Transport offers more than 1 billion which together with funds available from the state budget come to a total of 1,5 bill. euro. Not even the 1 to 2 billion more gained by its re-evaluation would solve the situation and at the same time this would be

at the expense of public passenger and rail transport. "Slovakia needs approximately 21 billion EUR to finish all planned highways and expressways. The difference between requirements and resources is abysmal," Palčák points out the main problem.

According to him, there are several options. Either works on the 1st PPP package continue in full, or the range is reduced, for example, by excluding sections near Prešov which would be dealt with from different source, or if need be, the price would be negotiated. The head of TRI expects the state's yearly repayment of EUR 700 million to the concessionaries over 30 years for all three PPP project packages. "Is it a lot or a little? Our analyses prove great economic gains from accelerated construction of motorways. In fact, it is necessary to completely depoliticise this issue," concludes Palčák.

To stop a PPP project, however, will not be so simple

A premature and unilateral termination of a public-private partnership project (in other words, in a different manner than the contracting parties had intended during its preparation) would have consequences for all involved parties, according to Rowan Legal law firm. These will depend firstly on the individual contractual relationships, secondly on the appropriate statutes. As Ľudovít Mičinský, specialist in PPP projects at the firm, ending of contractual relationships by one party may lead to considerable financial claims from the other parties. According to him, it is evident that if there was no breach from the side of the private partner, they will be entitled to compensation for loss of a long term trading relationship.

As with the private partner's possible entitlement for compensation for that by which the public partner enriched themselves, the public partner may become entitled in the opposite case too, when the contract ends due to breach of obligations by a private partner. Disbursement of the benefit, by which this enriched itself, is only the first chapter of consequences which does not affect other contractual and statutory entitlements (compensation for loss, contractual penalties). But as the expert from Rowan Legal warns, the public partner finds itself in a worse situation in case of failure of a PPP project - it is above all the state who had an interest in the construction of infrastructure within a framework of a particular project. It will have to secure this again to fulfill its role.

Impacts on employment in the form of a chain reaction?

As we have already informed, in the response to the measures planned by the new government, two of the largest constructions companies in Slovakia - Doprastav Bratislava and Váhostav-SK Žilina announced that in case of a stoppage of the 1st PPP package for the construction of the D1 highway (Martin - Prešov), they will accede to mass redundancies of their employees. The joyless summer of 2010 would therefore affect one and a half thousand of the total 5 000 employees (Doprastav 1 000 / 3 200, Váhostav 500 / 1 800). If the construction production is connected to other economic fields, it is logical to conclude that the effects of the liquidation decisions on the employment would not be limited to the main suppliers but in the form of a chain reaction, they would affect more subcontracting, investing or engineering companies.

And this would, in the least, cast doubts over the current expectation that the Slovak economy according to which it would grow three times faster than the economy of the Eurozone. While the investment activity of Slovakia beyond the EU boundaries manifests itself as one of the weakest in terms of the European "twenty seven", its real GDP growth should reach an incredible 3 percent this year according to an economic prognosis by the company Ernst & Young (while in the Eurozone it is only 0,8 %)!

Bratislava airport is not dancing with joy at the planned privatisation

The programme intention to revise the ownership status of Bratislava airport by the new government inspired a similar response. The airport started from 28th June 2010 after one and half years of construction boarding of all scheduled and chartered flights from a new terminal with a capacity of 3,5

million passengers. The possible privatisation and the subsequent entry of a strategic investor is not a guarantee for an increase in traffic, according to the airport management. Let us not underestimate the strong influence of the market which as an external factor, generates demand for air connections and subsequently the related supply.

“Experience with operating an airport after privatisation already exists in Slovakia. Košice airport where 66 % of shares are owned by KSC Holding in which Vienna Airport has 80,95%, ended last year with a 40 percent year-on-year fall. Among 300 monitored airports, it joined the 10 European airports with the greatest fall in passenger boardings,“ Letisko M. R. Štefánika - Airport Bratislava is not hiding its position. Formation of a strong and active domestic air carrier is especially necessary for further increase in passenger traffic, according to them.

There is also a question what would happen to the original project of the redevelopment and a complete reconstruction of the 40-year old terminal building which no longer satisfies standards of civilised passenger boarding, in case of an entry of a new strategic partner. The legal and financial implications of a possible denunciation of the supply contract with the company ZIPP Bratislava who won the tender for a construction of the new terminal and reconstruction of the old departure lounge costing almost EUR 86 million excl. VAT, would follow shortly.

The declared goal of the centre-right coalition is streamlining of further transport infrastructure development, not its halt. A possible dubiety of the tender or the alleged overpricing of projects which it points at, cannot surely be a reason for doubting its foundation or possibly their complete cancellation. However, this only a purely hypothetical supposition - that is, no government would take responsibility for such a radical decision.

Illustration photo and visualisations - NDS, Airport Bratislava

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