

# Transport engineering is shaking in its foundations



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When new Transport Minister Vít Bárta took up his office in July, he promised significant changes. A number of his moves had been expected, others were surprising. His July announcement about the threat of almost immediate abandonment of transport construction in the entire country, however, clearly shocked. The reason was the planned decrease of State Fund for Transport Infrastructure - SFTI [SFDI in Czech] for the next year by 17 billion crowns and this year's loss of revenue by the fund of nearly four billion. Thus, construction of new motorways, expressways and city bypasses, modernization of railway corridors as well as realization of other transport construction was to be halted. "I understand the difficult situation not only of SFTI but of all other investment and development priorities. The society needs to decide whether we will "fritter away" or invest the limited funds we have. We cannot have our cake and eat it too. The moment when we are able to save on everyday expenditure, we will have more funds for investment," Finance Minister Kalousek explained the decision by his colleague. While the announced stopping of work on railways sparked protests practically only by companies, the threat of halting road construction had a stronger response - not only among construction companies but mainly in the regions concerned.

## Minister requested discounts

Several days after the shocking announcement on the possible halting of building works, minister Bárta presented the conditions at which - if they are met - he is willing at least to postpone his intention and to reconsider construction of some of the projects. Firstly, he called for discounts from construction companies. They offered the state savings of around six billion crowns on the current road construction. But they didn't lower their profit margins, they want to save money by omitting some parts of the projects. This is for example the case of cycle paths, noise barriers and bridges for animals. In railway construction the companies offered only "negligible discounts" at the first try, the minister's response was to halt railway construction. "We need active co-operation of the construction companies. ... Every supplier should respect the interests of their clients and especially at the times of crisis understand that it is necessary to meet them halfway," said Vít Bárta. "I refuse to force any solution. I think that we live in lawful state and a civil servant, even a very senior one, should behave in accordance with the law," responded Václav Matyáš, president of the Association of Building Entrepreneurs of the Czech Republic (ABE). According to him, the building works are increasing in cost mainly due to the state whose laws and standards often require "nonsensical structural elements", such as noise barriers in the open countryside or bridges for bears.

## A dozen of road construction projects on the black list

In mid-August, minister Bárta announced 12 road building projects whose execution was to be stopped and three others whose preparation was to be discontinued. The largest wave of resistance has risen in northern Moravia where three major 1st class roads already in an advanced stage of construction were to be discontinued. “This is a fully non-systemic solution against which we must definitely protest,” said for example Pavel Mališ (Civic Democratic Party), Opava Deputy Mayor and chairman of Association for the construction of the road I/11-I/57. “It is absolutely wrong to look for savings in investments, I will hope that the state will wake up,” said Václav Matyáš, president of ABE. “Halting, in general, is looking for the least bad solution of all bad solutions available. I feel a strong responsibility,” reacted Vít Bárta, referring to the lack of finances in the STIF budget. Several expressways have ended up on the black list, on the other hand, after a long hesitation some motorways under construction, such as the D8 to Ústí nad Labem and D47 near Bohumín, were lucky and were omitted from the black list, however, their completion schedules will be extended. In case of the D8, the release of funds is subject to the resolution of legal disputes over the motorway route where a part still doesn't have building permission. Construction of the crossroads near Lovosice and one section of the motorway near the village of Bílinka, where the absence of the motorway causes the severest traffic complications, will be completed without delay. Completion of the motorway network will, however, be offset by savings on road repairs and operation of all three organizations in charge of construction of roads and railways - namely Road and Motorway Directorate of the Czech Republic (ŘSD), Railway Infrastructure Administration (SŽDC) and SFTI [see above]. “Any restrictions on the construction of transport infrastructure is not optimal in the long run. In addition, in the earlier tripartite negotiations representatives of the state promised and the current coalition parties advised that finances will be allocated,” Jaroslav Hanák, vice-president of Confederation of Industry of the Czech Republic (SPČR) and president of Transport Union (SD), commented on the situation.

### **Builders retreated in railway construction**

Everything changed again in the following few days. Transport Minister partially lifted the ban on railway construction. In the end, construction of the third corridor between Zbiroh and Rokycany will continue. According to him, discounts and extensions of repayment deadlines have been agreed with construction companies. According to Bárta, the total negotiated discount on railway construction is CZK 430 mill. for this year which represents about 5,1 % of this year's investment plan. “The discount negotiations regarding roads are more complicated as the public pressure will not allow a complete halt in construction,” minister said. Nevertheless, a lot has changed there, too. Vít Bárta, as a result of the pressure from the Moravian-Silesian region representatives, reviewed the suspension of two road construction projects - in particular a bridge in Bohumín near Karviná and extension of Místecká street in Ostrava. Both projects are part of the slip roads to the D1 motorway. Overall completion of slip roads, however, will not continue. In mid-September Transport Minister eased the ban on construction based on discounts obtained from the construction companies also for the railways. “After two months we are able to announce that we are building five per cent cheaper. It's obviously not the end of our efforts,” said minister. According to Jan Komárek, head of Railway Infrastructure Administration [Company], the relaxation of the ban comes just in time to meet the contractual deadlines and not to compromise spending of European funds. The work has in fact stopped only on the bypass of Česká Lípa, the road between Opava and Ostrava and two slip roads to D47 motorway.

### **Looking for new resources**

It may appear that everything will have a happy ending. But it is definitely not so. Former minister Slamečka warned that if further resources are not found soon, construction of the basic network of Czech motorways and roads will finish long after year 2200. Current Transport Minister Vít Bárta is rather “more optimistic”: if the budget remains at the level proposed for 2011 in the future, Czech motorways and railway corridors may be completed in one hundred years at the earliest. “My predecessors were building more than they had money for. Therefore citizens had certain hopes which are historically hollow,” repeated Bárta who has been assigned by Prime Minister Petr Nečas to draw up a strategy for construction of roads and railways “under the new budget conditions”. They suggest the Transport Fund budget outlook

for the next years. But it is not as tragic as originally expected after all. In addition, the fund will receive further ten billion crowns from the state budget in 2012 compared to 2011 and the original budget outlooks for other years. Significant cutbacks are expected in the Transport Fund budget next year. The total outlays from the fund, including European money should be CZK 61,3 bill, which is 35 % lower than this year's amount. The fund will receive 33 billion from the state budget, it is nearly 48 billion crowns this year. The fund may lack more than two billion crowns for projects co-financed by European funds next year. Transport Ministry is currently working on the new plan of construction which minister Bárta calls the transport superconcept and which should accept new financial possibilities.

## Timeline

28th July 2010	Transport Ministry spokesperson Karel Hanzelka, announced the intention to stop a vast majority of transport projects in the Czech Republic
1st August 2010	Transport Minister Vít Bárta, informed that only construction of those projects will continue, where suppliers would offer discounts to the state, or for example change in payment schedule.
10th August 2010	Construction companies implementing railway projects offered only "tiny discounts", according to minister, and thus Vít Bárta stopped all railway construction
13th August 2010	Transport Minister Vít Bárta published a list of 12 road projects to be stopped
8th September 2010	Vít Bárta, Transport Minister, found CZK 570 million in the Transport Fund budget for five projects, which were originally not included. Realization of mere five road projects will be in fact stopped.
10th September 2010	Vít Bárta, Transport Minister, partially lifted the ban of railway construction by allowing to continue in construction of the third corridor between Zbiroh and Rokycany
14th September 2010	Vít Bárta eased the construction ban on railways based on the discounts obtained from construction companies

*Author is editor-in-chief of the magazine Realit*

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