

# **The Evaluation of the A-Model – Experiences and Issues**

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## Content

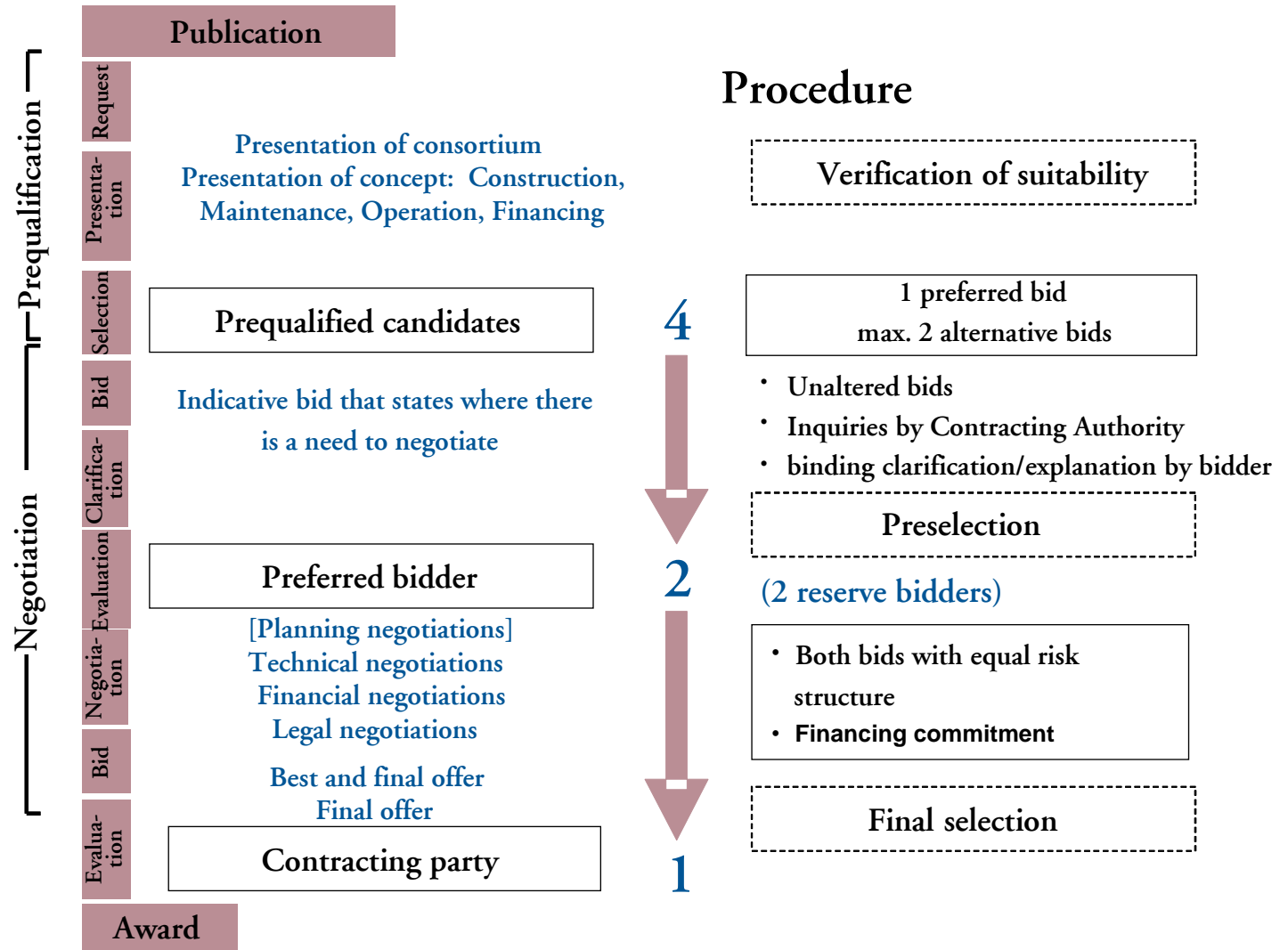
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### **The German A-Model Projects – Lessons Learned from the Evaluation Process**

- Contract Award Procedure
- Value for Money-Assessment
- Payment Mechanism
- Risk Allocation and Design of Concession Contract
- Effects on Public Budgets
- Conclusions for New Projects
- Contact

## The Evaluation of the A-Model – Experiences and Issues

Structured Negotiated Procedure:



# The Evaluation of the A-Model – Experiences and Issues

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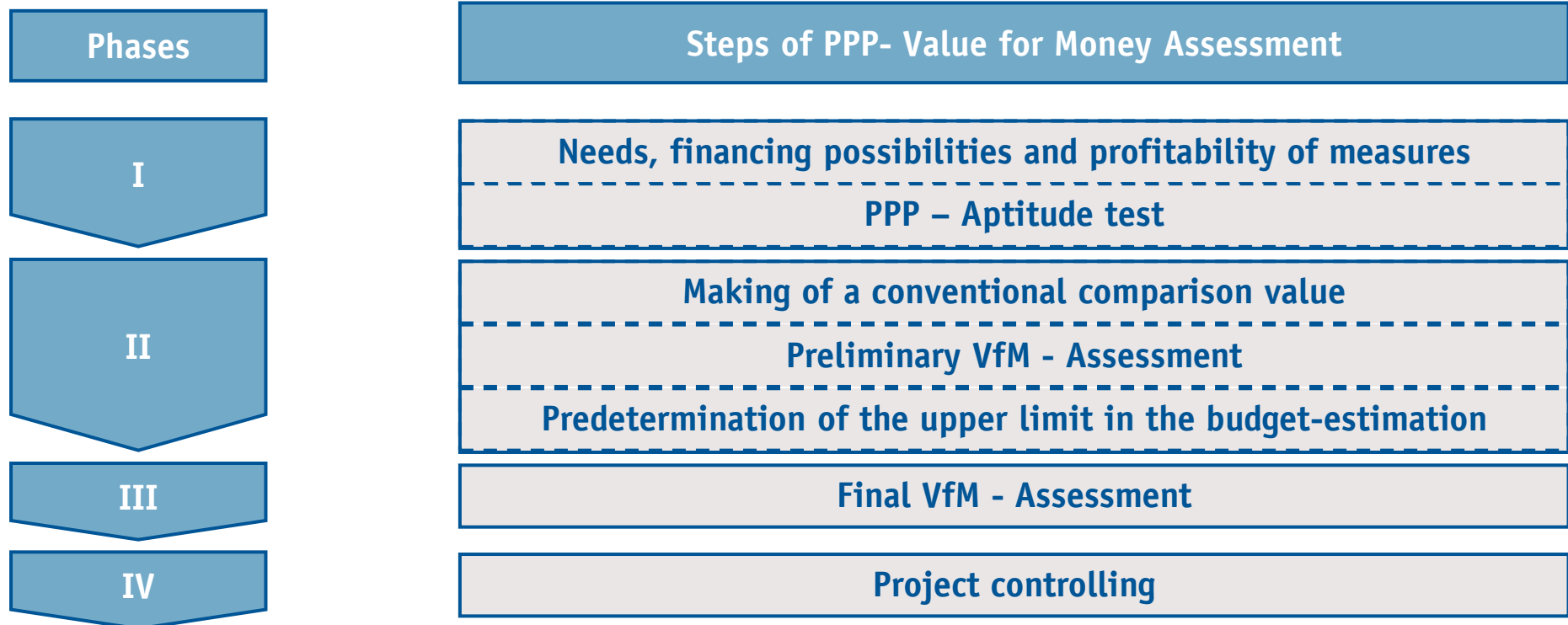
## Contract Award Procedure

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- **Structured Negotiated Procedure**
  - Prequalification Phase
  - Negotiation Phase with two preferred bidders
- **Duration of proceedings for pilot projects between 2 and 2,5 years**
  - According to comparable projects in Europe
  - Potential for shortening the duration is limited in consideration of time required for different processes
- **Pull-forward effects for realization on projects in general**
  - But direct comparison of different contract award procedures is not proper

## The Evaluation of the A-Model – Experiences and Issues

### Value for Money-Assessment



- The application of the guidance is advised by Ministry of Finance
- The guidance should not be an instruction for accomplishments, but should define minimum standards for all sectors

## The Evaluation of the A-Model – Experiences and Issues

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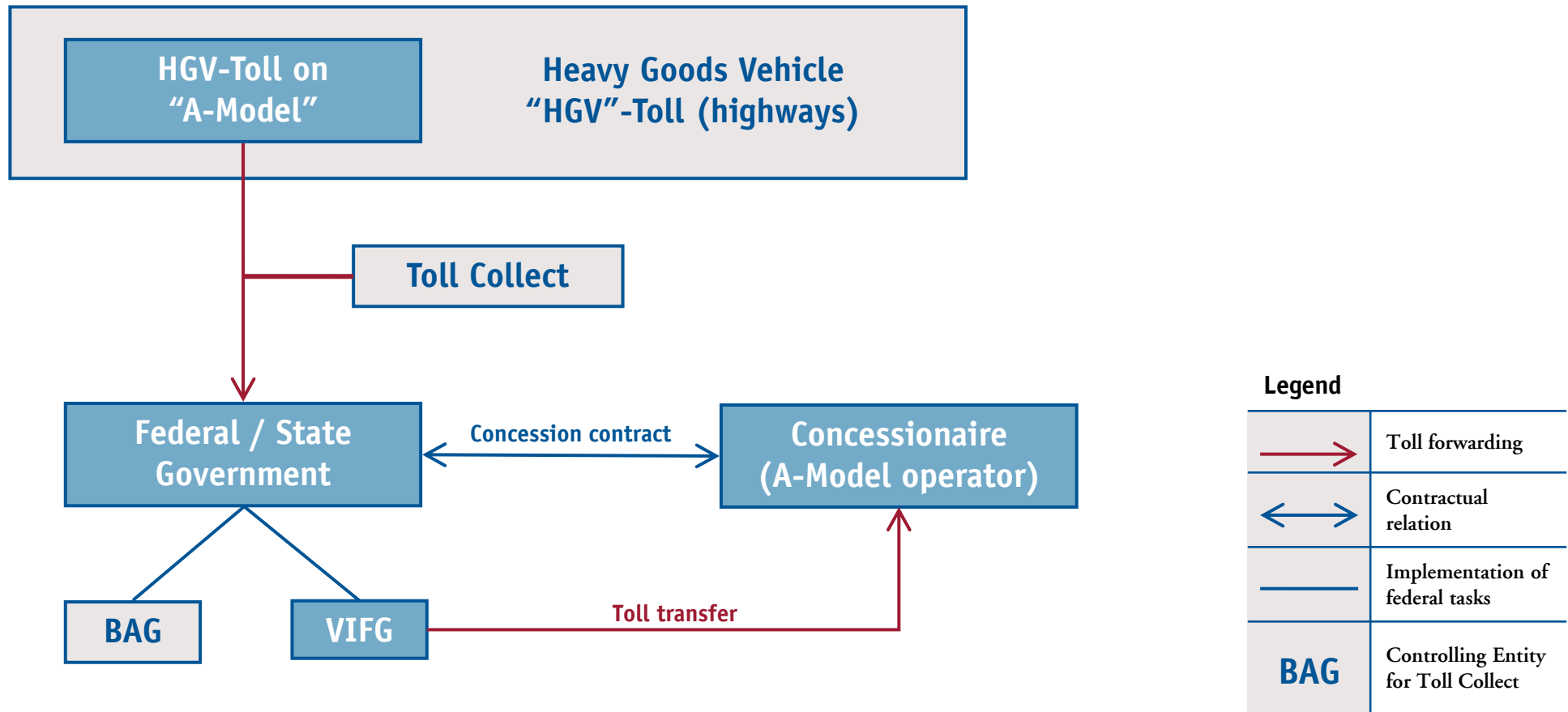
### Value for Money-Assessment

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- **Calculation of costs and revenues over the life cycle of the project (30 years)**
  - Public sector comparator (PSC) and PPP
- **Discounting different Cash Flows to calculate the present value of the alternatives**
- **Value for Money-Assessment as an instrument for optimising procurement processes**
  - Transparency of performances in the course of data collection
  - Section is seen as an asset, the investment is oriented towards the life cycle approach
  - Consideration of inherent risks
- **Method of assessment is generally seen positive by federal audit office**

## The Evaluation of the A-Model – Experiences and Issues

### Structure of Toll Transfer



## The Evaluation of the A-Model – Experiences and Issues

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### Payment Mechanism

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- **Revenues from HGV-Toll on the section of the A-Model**
  - In particular the traffic volumes and the toll charges have to be anticipated by private partner
  - Start-up financing can be additionally paid if necessary
  - Revenues can also be reduced by a deducted amount
- **Investments are connected to the revenues on the section (earmarking)**
- **Further payments can result out of compensations in both directions**
  - E.g. for lower traffic volumes not in responsibility of the private partner
  - E.g. for closings in case of construction works in responsibility the private partner
- **Mechanism gives incentives to private partner for fast services and high quality**

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### Risk Allocation and Design of Concession Contract

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- **The risks are allocated from the partner who is able to manage it**
  - E.g. planning permission risks were taken by public partner, risks of completion and operation were taken by private partner
  - Need for negotiations could be announced with submitted offers
  - Traffic risks as a main characteristic were not negotiable in the pilot projects
  - Risks from changing toll level by “toll decree” were compensated, demand risks were allocated by private partners
- **Identifying and rating of risks was new for the public partners**
  - In particular for risks in combination with the speciality of PPP-contracts

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### Effects on Public Budgets

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- **Commitment appropriations for 4 A-Models in the amount of app. € 3,5bn over 30 years**
  - This means annual transferred revenues in the amount of average € 100m
  - The annual budget for investments in federal highways is limited by this amount (currently app. 2%)
- **Start-up financing also effects the quota of federal states**
- **The PSC and the life cycle approach is not in accordance with the reality of public services**
  - Limiting effects are carried by transport budget
  - Effects of efficiency are not completely reclaimed

# The Evaluation of the A-Model – Experiences and Issues

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## Conclusions for New Projects

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- **The contract award procedure cannot be shortened in a significant scope**
  - Adjustments have to consider adequate space of time for the work on both sides of the partnership
- **Competition has a high relevance for effective projects**
- **Value for Money-Assessment is a necessary and working instrument to support decisions in the award process**
- **The scope of application of VfM-Assessment can be defined wider and cover conventional projects, too**
  - The data collection for calculation in public procurement processes should be improved

# The Evaluation of the A-Model – Experiences and Issues

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## Conclusions for New Projects

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- **The payment mechanism has to be adjusted to the concrete project scope**
  - Different models and variations with traffic risks
  - New models with availability payment mechanisms
  - Incentives for a high standard in services should be supported by each mechanism
- **Risk allocation can be changed in combination with the payment mechanism**
  - E.g. shown in the project A8, 2nd section in Bavaria (Ulm - Augsburg)
  - E.g. shown in the project A9 in Thuringia (Lederhose – State Border TH/BY)
- **Decisions for new projects have to be made in accordance with the available budget**
  - Benefits from efficient PPP-Models cannot be earned unlimited

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## Contact us

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