

The Evaluation of the A-Model – Experiences and Issues

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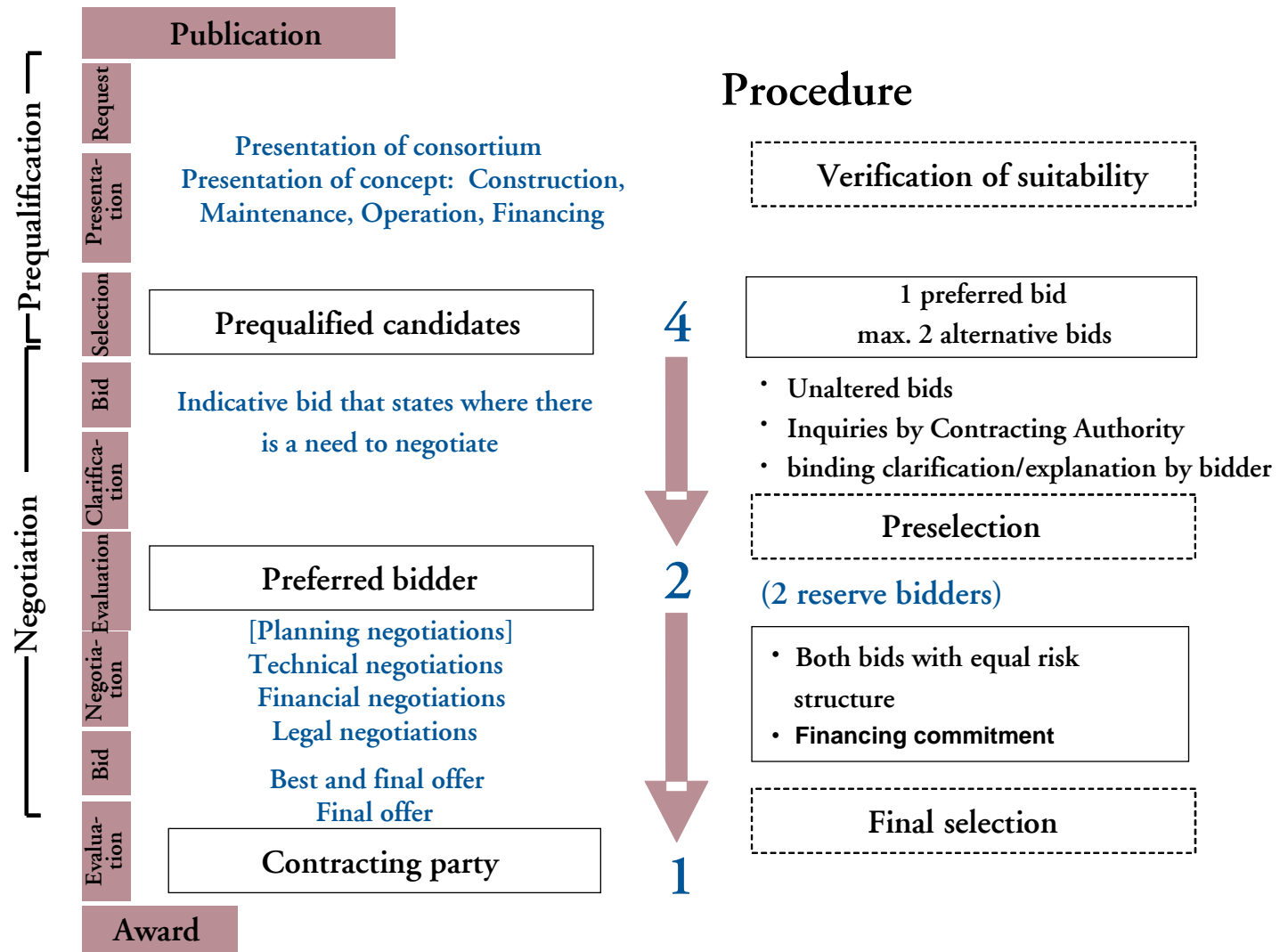
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The German A-Model Projects – Lessons Learned from the Evaluation Process

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Structured Negotiated Procedure:



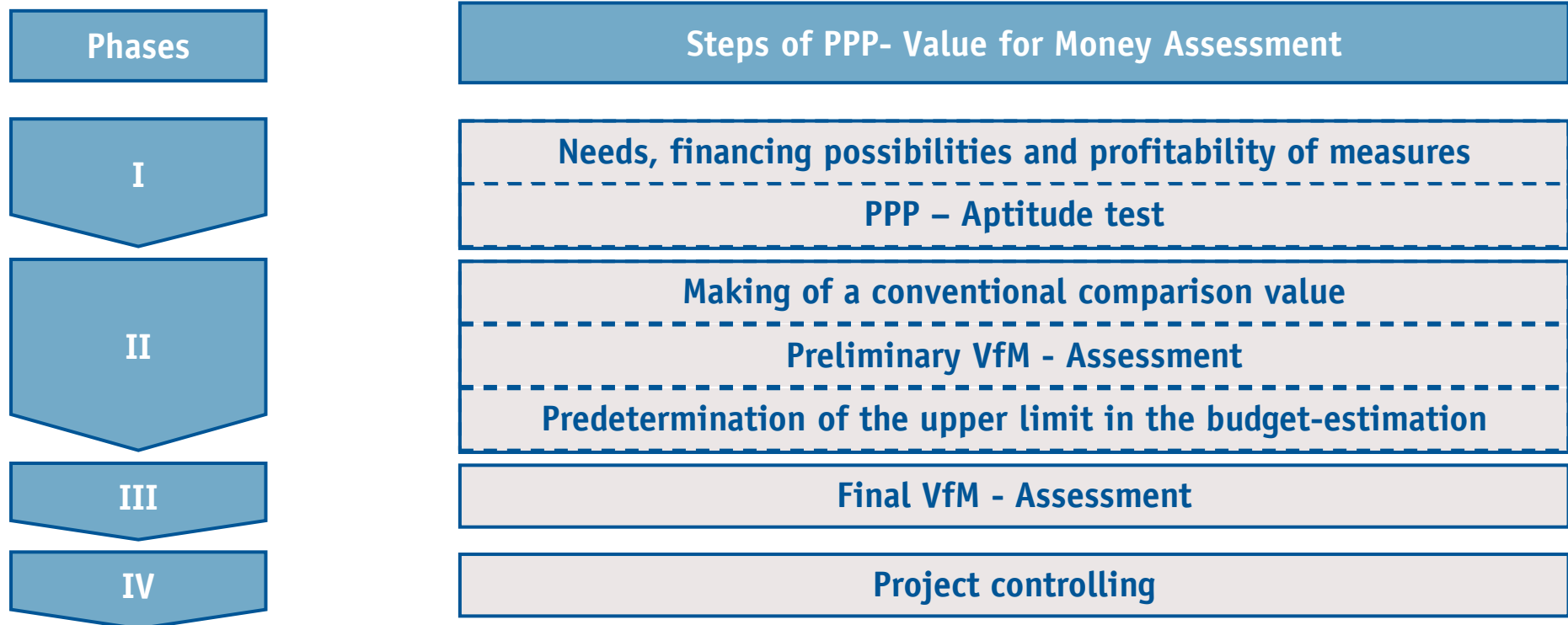
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Contract Award Procedure

- **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

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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

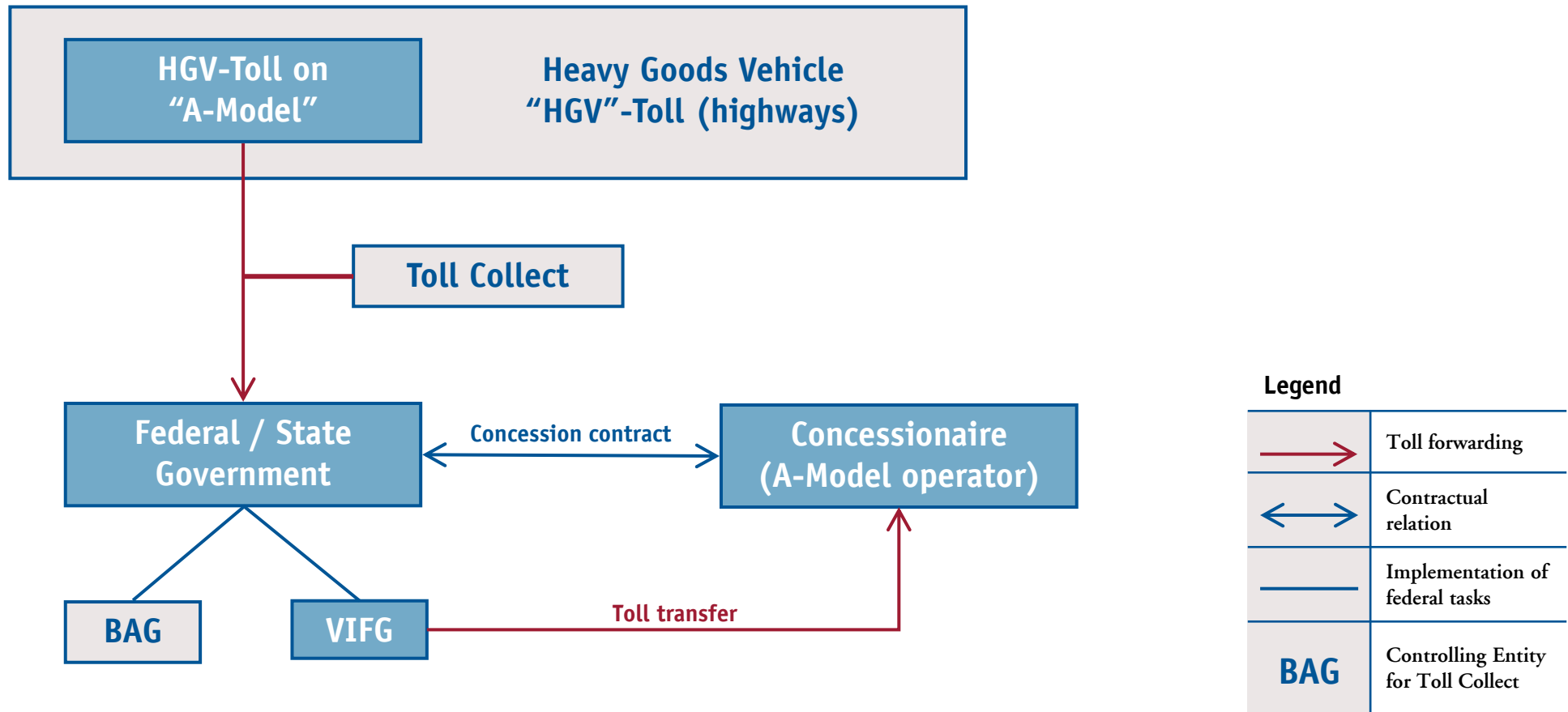
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Value for Money-Assessment

- **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**

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Structure of Toll Transfer



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Payment Mechanism

- **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

- **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

- **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

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Conclusions for New Projects

- **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

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Conclusions for New Projects

- **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

Contact us

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