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PILOTNÍ A DOSUD NEZREALIZOVANÉ PPP PROJEKTY V ČESKÉ REPUBLICE

PILOTS AND YET UNREALIZED PPP PROJECTS IN THE CZECH REPUBLIC

The first projects known as PPP began to emerge in the UK in the period between 80 and 90. 20th years century. The Czech Republic has started to address this issue at the end of the 90th the last century. In 2004, the Czech government approved the policy of partnership between the public and private sectors and thus begun to develop the first pilot PPP projects. This article us generally about the history of PPP projects, shows us how these projects began to emerge and present some projects already implemented or in the form of preparation. Not always but the project is a public-private partnership is fully compliant. Therefore, illustrate several examples where the investor had to give way to a more familiar form through public procurement.

1 INTRODUCTION

Public Private Partnership (PPP) is generally a contractual cooperation between the public and private sectors. This partnership continues to rise and infrastructure services to the wider public. PPP projects in the Czech Republic are characterized by a long-lasting effect. Individual projects are assembled in rows several decades. Most are in the range from 20 to 35 years, when in this time we include not only the preparation and execution of the work, but also its subsequent operation and maintenance. Parties to a PPP project becomes public sector, which is represented by the state (government), municipalities or municipalities and the private sector, who acts as the private sector [1].

It is possible to distinguish several types of PPP projects, which can be found in the Czech Republic and abroad. The most frequent projects in public-private partnerships are a Build-Operate-Transfer (BOT), where the public sector tender lists the private partner, who then assumes responsibility and bears the risks associated with financing, implementation and subsequent operation and maintenance of built infrastructure. Design-Build-Finance-Operate (DBFO) is characterized by the fact that out of the design, construction and operation of the private sector is also responsible for funding the project for the duration of the contract. Becomes the owner of the infrastructure for a certain agreed time and investment costs recovered payments from the public partner. Design-Build-Operate-Maintain (DBOM), Design, Build, operates and maintain. These are the criteria that must fulfill the private sector in a single contract for a certain period of time. He has responsibility for both longevity and quality of operation and maintenance work. The public entity is responsible for the infrastructure fund and the risk associated with operating revenues. It also has ownership rights to the building work. This model is widespread throughout the world, where PPP projects use [1].

PPP projects have found their application especially in transport infrastructure (highways, bridges, railways, tunnels, parking lots, parking garages), education (schools, kindergartens, universities), education (training centers), government facilities (courts,

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libraries, buildings for operation of government), health buildings (homes for children, the elderly, the underprivileged), sports centers, buildings relating to water management, production and energy security, etc. each state, engaged in a public-private partnership, giving priority to those projects that are for him the most popular and has them most experience and skill [1].

2 SUPPORT PPP PROJECTS IN THE CZECH REPUBLIC AND THEIR LEGISLATION

In the Czech Republic there are several institutions [1] dealing with PPP projects. Among the most significant contributing authority is the Ministry of Finance, Ministry of Regional Development, the Association of PPP and PPP Centrum.

The Ministry of Finance fundamentally affects politics PPP projects and in the development of national policy formulation and implementation, is responsible for the preparation of legislation, is responsible for creating and maintaining the conditions budgetary effects of projects, assesses and recommends decisions on key steps contained in the proposals submitted by the sponsor and implements methodological, analytical and coordinating the activities of PPP.

Ministry for Regional Development of the Czech Republic plays a role primarily in the legislation. Performs methodical management of the procurement process and ensures preparation of related laws. In addition, also involved in the formation of national policy in the field of cooperation between the public and private sectors.

The main aim of the Association is to support the PPP and development and investment services through PPP in the country. In accordance with the intentions of the Government and the nature of PPP projects in 2004 founded the Association for the support of PPP projects of public and private sector, under the conditions stipulated by Act No. 83/1990 Coll., The association of citizens, as amended, as an association natural and legal persons involved in investments and services provided by the public sector.

PPP Center on the recommendations of the World Bank was established in 2004. Modeled on the British Partnerships UK. The main purpose of the PPP Center is coordinated to speed up the preparation of the legislative environment, including methodologies and disseminating knowledge in the management and implementation of PPP projects in the public sector.

Such as procurement, PPP projects are also in the Czech Republic are bound by legislation. Among this legislation we include Act No. 137/2006 Coll., The Public Procurement and Law No. 139/2006 Coll., On Concession Contracts and Concession Management (Licensing Act).

Government policy is to support the introduction and use of PPP where it is convenient for the public sector in providing public services and infrastructure, at both the central government and the local government level. Under PPP, the public sector partner and customer of the private sector, purchasing services from it. Private sector bear the cost public infrastructure (services) and state / county / municipality as a client pays a regular fee in exchange for payment until the termination of the contractual relationship on the principle of PPP [2]. Government policy Czech Republic establishes a partnership between the public and private sectors as a standard tool in the provision of public services and public infrastructure.

3 FIRST PILOT PPP PROJECTS IN THE CZECH REPUBLIC

The first consideration of PPP projects in the Czech Republic originated in early 90 20th century, when the Government Resolution No. 7 of 7 January 2004 approved a policy of partnership between the public and private sectors. The purpose of this resolution was the introduction of the PPP model as a tool for the delivery of public services and infrastructure. The Czech Republic has today realized the tens of PPP projects. These projects mainly formed under the auspices of the municipalities. Smaller cities and towns boast projects dealing with water management, providing energy, but also homes for the elderly and others. The government (ministry) but with such outputs cannot perform. Why? Where is the fundamental mistake? At the end of the last century began to develop the pilot PPP projects that we should show the suitability of PPP projects. But how often, on these projects so far only spoken are suspended, canceled or unrealized. For clarity, we compiled the following table PPP Centre acquainted with at least some major pilot projects and their characteristics.

PROJECT	SUBMITTER PROJECT	SECTOR	TYPE OF CONTRACT	LENGTH OF CONTRACT	EXPECTED INVESTMENT COSTS	CURRENT STATUS OF THE PROJECT
PPP project D3/R3	Ministry of Transport	transport - road	BDOT	30 years	28,4 mld. CZK	before selecting a concessionaire
AirCon- Vaclav Havel airport connection to city center	Ministry of Transport + The Railway Infrastructure Administration	transport - rail	BOT or BDFO	30 - 40 years	20 mld. CZK	suspended
Construction and operation of a high security prison	Ministry of Justice, Prison Service	accommodation	BDFO	25 years	1,1 mld. CZK	canceled
CMH Praha	Central Military Hospital, Ministry of Defence	accommodation	BDFO	25 years	1 mld. CZK	canceled
Judicial complex in Ústí nad Labem	Ministry of Justice	accommodation	BDFO	25 - 30 years	1,4 mld. CZK	canceled
Revitalization bus station Třebíč	Town Třebíč	transport	BDFO	25 years	349 mil. CZK	canceled
Reconstruction and operation of sports and recreational complex "Pod Červeným Kamenem"	Town Kopřivnice	sports and recreational facilities	BDFO	25 - 30 years	150 - 400 mil. CZK	canceled

Tab. 1: Overview of pilots PPP projects in the Czech Republic
(PPP Centrum: Projekty v ČR. Url: <http://www.pppcentrum.cz/index.php?cmd=page&id=1149>)

Now we briefly describe the characteristics of pilot PPP projects in the above table:

3.1 PPP project D3/R3

This project is about construction of a road between the villages Bošilec and Borek on the D3 motorway in southern Bohemia in the length of 18.8 km, which connects Praha with Austria. In 2007, work began on a project using consultants and project managers, and in 2008 the project was approved by the government. The project, as it was told to land concessionaire redeemed him. This step is followed but not without considerable criticism because it is contrary to the logic of risk spreading. Authority (Ministry of Transport) tried to transfer risk to the private entity, which has yet to remain on his side, because it is able to manage it better. In 2009, however, there have been significant changes in the project. Due to lack of funds project had to be divided into two parts. In the same year there was meeting of economic ministers, but the project failed. In the second half of 2010 also saw a change in leadership. It commented on the project in such a way that the selection procedure is postponed until the year 2011. It is now in a phase of the project when considering the implementation of highway construction and maintenance sectors, the state has already built. At the beginning of 2012 there was meeting of economic ministers, then the project should go in the interdepartmental comment procedure followed by the government. If approved, it should be possible to launch concession dialogue [3].

This project greatly indicates how opinions and views the government changing. Due to inability to sponsor the project is still unrealized and faces various problems, both by funding, buying land, and by the selection of a private entity.

3.2 Project AirCon-Vaclav Havel airport connection to city center

As stated in the PPP Nightingale - Bulletin [4], the project includes AirCon Doubling and electrification of about 28 km of existing lines between stations Praha-Bubna a Kladno-Ostrovec. This project also aims to build a new branch of 6 km to the airport Ruzyně. The main intention AirCon is primarily to meet the needs of passengers using air services within the airport Vaclav Havel in jail. Other people interested in the construction of this project are residents of Kladno, who harness the fast and reliable connection to Prague. And Locals themselves living on the outskirts of the city or airport area employees will appreciate easy access to these zones.

Within a few decades, when the project was created AirCon are also faced with many authorities project. The first of these was the Department of Transportation in conjunction with the Czech Railways, one of which continues to set aside the Railway Infrastructure Administration. The project was named PRaK (Praha - Kladno). Now it has become the main vehicle for the Railway Infrastructure Administration, in cooperation with the Ministry of Transport and the project is now called AirCon characterized [4].

This project started to think in the early 90's. It is therefore a first pilot PPP project. The preparation itself began to emerge in 2005. Were processed many technical and economic studies [3], but the project was always associated with problems with many stakeholders and their conflicting interests.

For this project, you set up a professional project team and in 2008 was approved by the possible effectiveness of projects through PPP. In 2009, was but the work of the project team and the project stopped due to its poor development has not acted as a PPP. Promoting PPP was rejected. Even if they were drawn two main parts of the concession project, Ministry of Transport, for unknown reasons, resigned from the PPP method. He claims that the main criteria was the change in leadership linked to changing priorities, which became the expense of this project, the chief highway modernization D1 and D3. In the second half of 2009, the Ministry of Transport suspended the project due to lack of funds [3].

3.3 *Project Construction and operation of a high security prison*

The lack of capacity of prisons in the Czech Republic, the Ministry of Justice (MS) in partnership with the Prison Service decided in 2006 to ensure a PPP project new infrastructure Rapotice. This is the selected service security prison with accommodation capacity of about 50 people. At the beginning of the year was successfully selected several advisors who continue to participate in the development of the pilot. These partners include Deloitte CZ, s.r.o Atkins and law firm Havel & Holásek, v.o.s [5]. In 2008 the government approved the consortium. In 2009 was invite tenders for private partner (concessionaire). The private sector, which will build a prison and it will continue to operate and from the state will receive the availability payment. Part of income can be also applied by selling of products made themselves prisoners [6]. The following year (2010), should begin with the construction work. But there began to emerge a slight complication. MS has not found any private partner, which should concern about the project, and also in terms of financial ministry on it was just the best. Annual operating costs are estimated at around 135 million CZK. MS then, halted the project itself, which also agreed with the government in May 2011 [3]. The main reason for cancellation of the PPP project was mainly to lack of funds. An alternative to this problem is mainly repair and extension of existing buildings or prison by other form of punishment such as home confinement, which is nowadays more and more interesting.

3.4 *Project Central military hospital in Praha (CMH)*

Design of the project started in 2005 when the Ministry of Defence wanted to build training facilities for military and civilian doctors. The aim of this project should be cooperation between government institutions within NATO and the EU. The construction should also include hostels with capacities from 200 to 300 beds for patients that will not be immediately hospitalized and the family members of hospitalized patients. The plan also includes the construction of commercial space, parking and swimming pool. Investment costs should be around CZK 400 million. In 2006, the Central Military Hospital had to handle concession project, which was in September of the following year approved by the government. Private partner became Prague Military Hospital Concession, whose leader is Metrostav development and PPP Construction CZ, led by Vinci [7]. Central Military Hospital in Prague in 2010 became the first administratively completed a pilot project in the Czech Republic. The same year marked project as unnecessary and suggested the Ministry of Defence reduction or termination, where the reason has become oversized plans that did not conform to the intentions of developing hospital. Also, the lack of funds played a role here. Proposal to amend was approved by the Government in November 2010 [3]. In 2011, the government approved the completion of the project as a PPP. The main criteria for completion of the project was a long time between the intention and signed agreements, frequent changes in the course of the project plan preparation, financial problems and lack of political support [7].

3.5 *Project Judicial complex in Ústí nad Labem*

The reason for the construction of a new judicial complex in Ústí nad Labem (Bukov) is to replace several unsuitable public buildings for one that will fully correspond to satisfactory performance of the regional judicial institutions. The judicial complex planned the location about 600 workers. in the area should be also built parking lot to meet the needs of both, employees and visitors, to the competent authority. Preparations of the project was initiated by the Ministry of Justice and approved by the Government in 2005. In April of the

following year, was selected consortium of consultants consisting of company Mott MacDonald, Czech Savings Bank, as and CMS Cameron McKenna, C.I. Concession project was approved in February 2007 by the Steering Committee and the Government in May 2008 [8]. The project was subsequently subjected to control SAO (Supreme Audit Office) and the findings were discussed by the Czech Government, which in January 2009 imposed a MS update concession project to be in line with the recommendations of the SAO. It was confirmed that decisions are made on the implementation of the PPP because of the shortage of funds [3]. Construction of a new judicial complex comes out to about one billion crowns. The land is owned by the court. And now lacks standing to finance the building. MS proposal is considered from the perspective of financial incompetence and still lists the tender for the building contractor. In 2011, it was finally determined for lack of funds that the contract will not be realized. The existing buildings still remain in critical condition and their problems are solved with classical orders [8]. Now we have to wait if the PPP project resumes.

3.6 *Project Revitalization bus station in Třebíč*

This pilot project shows that not only large institutions such as ministries, as well as smaller cities interested in implementing PPP projects. Mayor Ivo Uher from Třebíč commissioned a study on the revitalization of the bus station in the city center. This station should meet multipurpose requirements. The first one is the right. The bus terminal will have an hourly capacity for about 1,500 people. The project will also include a shopping mall and a parking space for visitors. The initial cost would be worth nothing Třebíč [9]. All financial responsibility to assume the private partner and the city would begin to repay only where the station will be built and in operation. This would be an annual payment for availability. In 2008, the project was introduced, the feasibility study and the concession project is approved by the city council. Start of construction planned for 2011 [10]. Unfortunately, the PPP project only considered in this pack and completion project is terminated.

3.7 *Project Reconstruction and operation of sports and recreational complex "Pod Červeným Kamenem" in Kopřivnice*

The submitter of this project is the city of Kopřivnice. The intention of upgrading and construction is to build a sport and recreational complex. The complex is to be aimed at both athletes and recreational visitors. The aim of the project is to modernize the existing playground with a swimming pool. In the frame of the existing building it should be constructed wellness center with water attractions, football stadium and summer stadium [11]. The first idea on the implementation of the PPP project was created in 2008. It was subsequently prepared a feasibility study of the project and in 2011 the construction should be started. But the town concluded that the low attendance will bring problems with ROI. In 2009 there was a change in the project, due to its complexity. Even after checking these options, the project was still suspended and subsequently canceled [3]. The main reason, as already mentioned, was not reasonably financial. Although the construction and operation of the project would be partially paid from the funds of private partner. The city is still trying to process alternative financing options, engage the private partner in the ownership of the project (commercial accommodation facilities) etc.

In all past sections there was introduced a number of pilot PPP projects. Other pilot projects, which registers the Ministry of Finance and the PPP Association, for example, we can assign to Homolka Hospital, Prague, brownfield regeneration Ponava in Brno, University Campus Jan Evangelista in Ústí nad Labem, Comprehensive modernization of hospitals in Pardubice, Aquapark in Brno, Central heat supply in Kopřivnice.

4 CONCLUSION

Cooperation between the private and public subjects began to emerge as early as the times of ancient Rome and medieval Europe. This alliance began primarily used for tolling through the newly built road or bridge, or concessions for permission to brew beer. The origins of PPP projects originated in Great Britain in 80-90. 20th century, during the reign of Margaret Thatcher. Big boom but PPP projects recorded at the turn of 20 to 21 century, when Great Britain had performed more than 100 successful projects through PPP [1]. Thanks to the success of the PPP projects continue to spread almost all over the world.

The Czech Republic has started to deal with PPP projects in the late 90's of 20th century. The main actors for creating projects to generate cooperation between the public and the private partner are the Ministry of Finance, Ministry of Regional Development, the Association of PPP and PPP Centrum. Although the Czech Republic, especially in a crowd of Ministry of Transport, the Ministry of Defence and Ministry of Justice tried to implement some forms of PPP projects and their end was in sight. Perhaps all pilot projects that began to emerge from the beginning of the 21st century are unsuccessful. These projects, with initial investment costs in the value of several billion, or hundreds of millions, are either suspended or canceled completely. What led the government to not implement these projects? The main problem is lack of experience, legal, economic and technical skills with such a demanding and extensive form of a project. Also the very long-term PPP projects, some participants will discourage the idea and would rather prefer to have easier and better known manner and procurement. Another reason why it is not in the Czech Republic implemented several projects through public-private partnership is the fact that some municipalities do not have the form of PPP any further information. They meet only with vague theories, but exactly how to work with PPP projects and then proceed to the final destination, for many communities in sight. Therefore, it is necessary that bodies such as the Ministry of Finance, Ministry of Regional Development, the Association of PPP and others are more involved in the events between municipalities and spread as more information from both theoretical and especially practical point of view.

Let's not be skeptical. The Czech Republic has built several successful projects that make up the cooperation between the public and private sectors (home for the elderly in Vysoké Mýto and Litoměřice, parking house in Plzeň, a sports complex in Tachov, heat supply in Bohumín). These are mainly projects that were created under the auspices of the municipalities. Here we see how some cities and towns (compared ministries) are able to highlight the PPP projects to a higher place. Ministry of Finance from 2011 indicated that the expected value of the object of concession contracts by local authorities pursuant to Act No. 139/2006 Coll. Concession Contracts and Concession Management (Licensing Act), as amended, in net present value is about 50 billion CZK [12]. The most represented PPPs are in the water (85%). Next place the subject concession covers energy (6%), social services (2%) and other small projects (7%), which are used primarily in leisure areas, catering facilities and convalescent centers. Specifically, the Czech Republic has the most success in the emerging method of PPP projects especially in the area of collection and disposal of municipal waste, production and distribution of drinking water, sewage, street lighting, parking lots, road maintenance and public green areas, traffic signs, etc. It is therefore a smaller scale compared to the pilot projects that are mentioned in this article. PPP projects therefore prove that their success is real. Although the government is trying to form pilot PPP projects to highlight and exploit it fully, but the projects that cost a lot of time, money, effort and experience, are initially relegated to the second place. Here wins the classical form and that is public procurement. Municipality we are showing us that we the PPP projects do not have to worry

about and vice versa is realized. Although for smaller projects, but it is one hundred percent success rate.

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