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PPP PROJECTS IN TRANSPORT AND TELECOMMUNICATIONS IN POLAND AND SLOVAKIA

Summary: The paper informs about public – private partnerships projects in transport and telecommunications in Poland and Slovakia, describing various modes of capital entry. The PPI database of the World Bank is used. Advantages of PPP schemes are discussed for further development of infrastructure sectors.

PROJEKTY PPP W TRANSPORCIE I TELEKOMUNIKACJI W POLSCE I SŁOWACJI

Stezzczenie: Artykuł informuje o projektach partnerstwa publiczno-prawnego w transporcie i telekomunikacji w Polsce i Słowacji, opisując różne sposoby wejścia kapitałowego. Wykorzystano bazę danych PPI Banku Światowego. Omówiono zalety systemów PPP dla dalszego rozwoju sektorów infrastruktury.

1. INTRODUCTION

Importance of infrastructure sectors for social and economic development of contemporary economies is well recognized both in theory and practice. Nowadays, seeking for the best way how to mobilize infrastructures, new so-called 3P (PPP) schemes are implemented all over the world. The main idea of such schemes is that public institutions or enterprises cannot fail as long as official financial and monetary policies are expansionary enough to bail them out or to limit their probability of failure. 3P projects were initiated in the United Kingdom in the early 1980s under a general strategy of New Public Management.

2. PPP PROJECTS (DIS) ADVANTAGES

PPP projects bring the innovation, creativity and efficiency of the private sector in the delivery of public services. They create growth opportunities for the private sector as well. Public sector contributes its strategic national coordination skills and its regulatory power. The private sector contributes its financial, marketing, management, distribution, research and development and distribution skills. The coexistence of these skills can provide the partners with the optimum conditions to enable them to reach their strategic goals. PPP projects can offer the possibility of significant benefits to all participants in PPP arrangements, there is also a danger of some potential

risks, pitfalls and obstacles. The main risks of such arrangement are design and construction risks, operating risk, commercial risk, regulatory risk, political risk and currency risk.

In the following table the PPP projects typology is made, including also privatisation that represents another way for privatising the infrastructure sectors.

Table 1

PPP Projects Typology

Type of PPP	Mode of entry	Investment	Ultimate ownership	Duration (years)
Management Contract	Contract	Public	Public	3-15
Leasing	Contract	Public	Public	8-15
Rehabilitate, Operate, Transfer (ROT)	Concession	Private	Public	20-30
Rehabilitate, Lease/Rent, Transfer (RLRT)	Concession	Private	Public	20-30
Merchant	Greenfield	Private	Public	20-30
Build, Rehabilitate, Operate, Transfer (BROT)	Concession	Private	Public	20-30
Build, Own, Transfer (BOT)	Greenfield	Private	Semi Private	20-30
Build, Own, Operate, Transfer (BOOT)	Greenfield	Private	Semi Private	30+
Build, Lease, Own (BLO)	Greenfield	Private	Private	30+
Build, Own, Operate (BOO)	Greenfield	Private	Private	30+
Partial Privatisation	Divesture	Private	Private	30+
Full Privatisation	Divesture	Private	Private	Indefinite

Source: [3]

For the analysis of how are PPP schemes implemented in Poland and Slovakia the PPI World Bank Database can be used. The abbreviation PPI means Private Participation Infrastructures Projects. The projects must meet three criteria for being included into PPI WB Database:

- Projects must be owned or managed by private companies; private companies have at least 25 % participation in the projects contracts, except for divesture which are included with at least 5 % of equity owned by private parties.
- Projects that directly or indirectly serve the public (so called captive facilities),
- Projects that reach financial closure after 1983.

PPI Projects are classified according to the mode of entry into four main groups, service contracts for operation and management, concessions, divestures (assets sales) and greenfield projects. The database covers four sectors – transport, energy, telecommunications and water and sewerage.

3. PPPS IN TRANSPORT AND TELECOMMUNICATIONS IN POLAND AND SLOVAKIA

In Table 2 the data about PPPs schemes as well about divestures in infrastructures sectors are mentioned. The data in brackets are for Slovakia.

Table 2

PPP projects in infrastructure sectors in Poland (and Slovakia) within 1990-2006

	Energy	Telecom.	Transport	Water and Sewerage	Total
Projects Number	19 (6)	13 (3)	8 (1)	8 (3)	48 (13)
Projects Value in mil. USD	2 981 (4 460)	23 365 (3 592)	1 845 (42)	71 (14)	28 262 (8 107)

Source: [5]

If we compare the Slovakian and Polish data in a more detail, telecommunications is the sector with the largest investment value in Poland, energy in Slovakia. As far as projects number, energy prevails in both countries. In both countries divestures prevail. In Slovakian transport only one PPI project has been realized so far (Kosice Airport). Table 3 presents the information about transport PPIs in Poland according to modal split.

Table 3

PPI Projects in Polish Transport according to modal split

	Projects Number	Project Value in mil. USD
Transport	8	1 845
Airports	2	5
Roads	3	1 432
Seaports	3	408

Source: [5]

With regard to the capital entry, in Poland concessions, divesture and greenfield projects were used. No management and lease contract was arranged in transport and telecommunications in the period analysed. Concessions were used in transport, not in telecommunications.

Table 4

PPI Projects in Poland according to mode of capital entry

		Concessions	Divesture	Greenfield Projects	Management and Lease Contracts
Project Number:	Telecom	0	1	12	0
	Transport	3	2	3	0
Invested Value in mil USD	Telecom	0	12 609	10 757	0
	Transport	738	5	1 101	0

Source: [5]

Detailed data about PPI projects in Polish transport are mentioned in Table 5. The year means financial closure year. In Table 6 the data for Polish PPI telecommunications projects can be found.

Table 5

PPI Projects Description in Polish Transport

Project Name	Year	Project Status	Type of PPI	Subtyp of PPI	Investment in	Total Value Invest.	Investment Commitment in Physical Assets (and to the government)
Katowice Airport	1983	Operational	Divesture	Partial	Runways and Terminal	4	1 (3)
Mazury-Szczytno Airports Ltd.	1996	Operational	Divesture	Partial	Runways and Terminal	1	0 (1)
Europort Grain Terminal	1998	Operational	Greenfield project	BLT	Seaport Terminal	87	87 (0)
A4 Katowice Cracow Toll Road	1999	Operational	Concession	BROT	Highways	81	81 (0)
A2 Berlin Poznan Warsaw	2000	Operational	Concession	BROT	Highways	537	537 (0)
Baltic Container Terminal in Gdynia	2003	Operational	Concession	BLRT	Seaport Terminal	121	80 (41)
A1 Gdansk Torun Motorway	2005	Construction	Greenfield Project	BOT	Highways	815	815 (0)
Deep sea Container Terminal at Port Gdansk	2005	Construction	Greenfield Project	BOT	Seaport Terminal	200	200 (0)

Source: [5]. The values are in mil. USD.

If we compare the two countries analysed in this paper, some similarities as well as some differences can be found. Some of them can be explained by the countries size, others are more subjective, such as general attitude of political circles towards PPP arrangements. In Slovakia direct assets sales have been and being used more, preferring “pure” privatisation as opposite to more complicated “marriage” of private and public that can be achieved through public-private partnership.

Slovakia is the first in the V4 group if we analyse an average value invested through divestures. Slovakia is the only country in the V4 group that did not implement any concession project so far. A shift of the Slovakian government interest towards concessions is generally expected, particularly in the highways projects.

If we compare the global trends in PPPs with those monitored in Poland and Slovakia, concessions contracts prevail in the world of transport, greenfield projects in telecommunications taking into account both parameters – projects number and the value invested.

Table 6

PPI Projects Description In Telecommunications in Poland

Project Name	Year	Project Status	Type of PPI	Subtype of PPI	Investment in	Total Value Inv.	Investment Commitment in Physical Assets (and to the government)
PKP Centertel	1991	Operational	Greenfield project	Merchant	Mobile Access	3 766	2 887 (879)
Netia South	1994	Merged	Greenfield Project	BOO	Fixed Access	465	465 (465)
Netia Telecom SA	1996	Operational	Greenfield Project	Merchant	Fixed Access	624	624 (0)
Pilicka Telefonía	1996	Operational	Greenfield Project	BOO	Fixed Access	76	76 (0)
PTO	1996	Merged	Greenfield Project	BOT	Fixed Access	120	120 (0)
Polkomtel	1996	Operational	Greenfield Project	Merchant	Mobile Access	2 855	2 435 (420)
Polska Telefonía Cyfrowa PTC	1996	Operational	Greenfield Project	Merchant	Mobile Access	2 085	1 568 (517)
El – Net	1997	Merged	Greenfield Project	Merchant	Mobile Access	372	82 (290)
Telefonía Dialog	1998	Operational	Greenfield project	BOO	Fixed Access	264	264 (0)
Telefonía Polska Zachod	1998	Merged	Greenfield Project	BOO	Fixed Access	25	25 (0)
Telekomunikacja Polska	1998	Operational	Divesture	Partial	FA/MA/ and Long distance	12 609	6 117 (6492)
TeleNet Polska	2002	Operational	Greenfield Project	BOO	Fixed Access	0	0 (0)
P4 Telecom	2005	Construction	Greenfield Project	Merchant	Mobile Access and Long Distance	105	0 (105)

Source: [5]. The values are in mil. USD

The paper is a partial output of grant scheme VEGA 3/6432/08.

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Received 26.03.2008; accepted in revised form 21.10.2008