

**Ministry of Transport,
Information Technology and Communications**

**STRATEGY
FOR THE DEVELOPMENT
OF THE TRANSPORT INFRASTRUCTURE
OF THE REPUBLIC OF BULGARIA
THROUGH CONCESSION MECHANISMS**



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Public-private partnership (1)

- ❖ A form of cooperation between public authorities and the private sector with the objective to introduce new mechanisms for the delivery and modernization of infrastructure and strategic public services
- ❖ Forms of public-private partnership (PPP)
 - ❑ Finance-build-own-operate-transfer (FBOOT)
 - ❑ Build-own-operate (BOO)
 - ❑ Build-own-operate-transfer (BOOT)
 - ❑ Build-operate-lease (BOL)
 - ❑ Design-build-operate-maintain (DBOM)
 - ❑ Build-operate-deliver (BOD)

Public-private partnership (2)

- ❑ Build-own-operate-subsidize-transfer (BOOST)
- ❑ Build-rent-transfer (BRT)
- ❑ Build-transfer-operate (BTO)
- ❑ Build-operate-transfer (BOT)
- ❑ Design-build-finance-maintain (DBFM)
- ❑ Rehabilitate-operate-transfer (ROT)
- ❑ Design-build-finance-operate (DBFO)

- ❖ PPP forms in Bulgaria
 - ❑ Public procurement
 - ❑ Joint venture
 - ❑ Concession

What is a concession?

- ❖ The concession is a constitutionally and legally assured option for the state to introduce into the economic turnover of the country the use of existing and the construction of new state-owned facilities
- ❖ Pursuant to the Concession Act, a concession refers to the right to operate a facility and/or deliver a service of public interest, granted by a concession grantor to a merchant - concessionaire, against the commitment assumed by the concessionaire to build and manage the subject of the concession or to manage the delivery of service at the concessionaire's own risk
- ❖ In the sphere of transport - airport, port and railway infrastructures are subject to concession

What are the reasons for granting a concession?

- ❖ Limited financial assets available to the state for modernizing and construction of transport infrastructure facilities
- ❖ The necessity to improve the current state of airport, port and railway infrastructures
- ❖ Increasing the efficiency and the quality of services
- ❖ The necessity to attract passenger and cargo flows
- ❖ Using the experience of the private sector in applying innovations for the development of the transport infrastructure

Objectives of the concessions on transport infrastructure facilities (1)

- ❖ **General objective** – to attract private investors for optimizing transport services and assuring additional financial assets by sharing the risk and using private sector resources and expertise
- ❖ **Specific objectives:**
 - ❑ Development and modernization of airport, port and railway infrastructures
 - ❑ Modernization of technical installations and equipment, and achieving compliance with European standards in terms of technical support, technologies and organization of operations
 - ❑ Raising the competitiveness and the quality of services at Bulgarian airports, ports and railway stations

Objectives of the concessions on transport infrastructure facilities (2)

- ❑ Enhancing competition on, and deregulation of the airport and port services market
- ❑ Achieving compliance of airport, port and railway facilities with international and national environment protection requirements
- ❑ Modernization of the safety and security systems at ports, airports and railway stations
- ❑ Increasing passenger and cargo traffic and attracting transit freight
- ❑ Creating the prerequisite conditions for the development of air, water and railway transport
- ❑ Transfer of management know-how and experience
- ❑ Transfer to specific corporate entities in the private sector the operational, market and environmental risks, as well as risks related to the maintenance of facilities, and to investments in transport infrastructure

Concession principles



Main characteristics of concessions

- ❖ Implementation of large-scale infrastructure projects within shorter timeframes
- ❖ Attracting private capital in public projects without substantial initial budget expense
- ❖ Focus on results
- ❖ Introducing innovative financing methods
- ❖ Improving the quality of services at lower maintenance cost by enhanced market competition
- ❖ Improving management efficiency by distributing the risk among partners
- ❖ Creating options for investments by pension funds

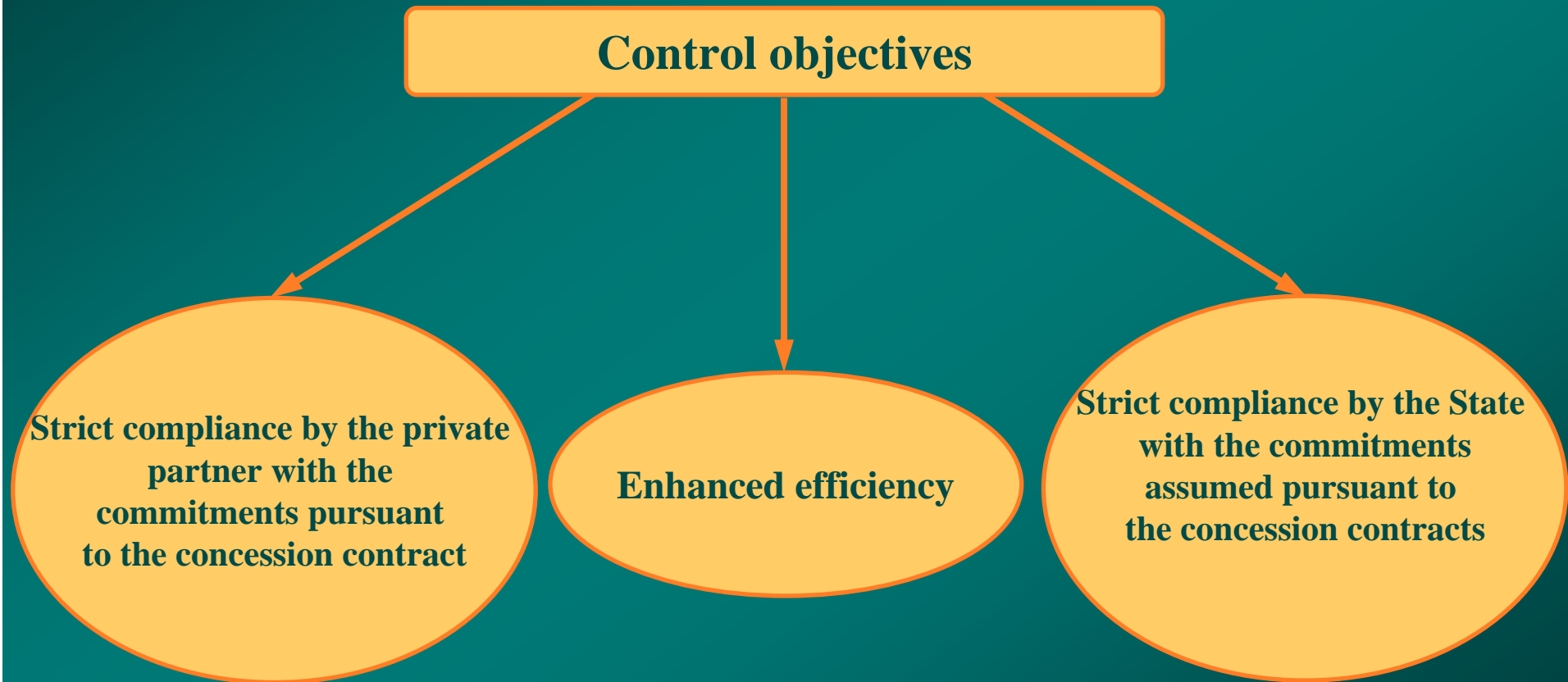
Conditions for successful concessions

- ❖ Political will
- ❖ Public support
- ❖ Suitable legislative framework
- ❖ Open and transparent procedures
- ❖ Availability of mechanisms for payment for services, matching public capabilities and attitudes
- ❖ Sufficient capacity of public authorities
- ❖ Using the services of the banking sector and consultancy companies in structuring PPP schemes

Control over the implementation of concession contracts

- ❖ Current control – for compliance with the concession conditions and of the commitments assumed by the concessionaire pursuant to the provisions of the concession contract
- ❖ The Minister of Transport, Information Technology and Communications is the authority in charge of the control over the effective concession contracts; the Minister appoints
 - Officials and
 - Inter-agency control commissions (staffed by representatives of the Ministry of Information Technology and Communications, of the Ministry of Finance, of the specialized administration of the Council of Ministers and of other authorities with interests in the concession),
to supervise on a day-to-day basis the implementation of the contracts.
- ❖ Efficiency of supervision throughout the whole concession term

Objectives of the control on the implementation of concession contracts



Concessions on transport infrastructure facilities



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Concessions on civil airports for public use

- ❖ Concessions Act and Civil Aviation Act
- ❖ The Minister of Transport, Information Technology and Communications is in charge of preparatory activities, signs the concession contracts and controls their implementation
- ❖ Facilities subject to concession
 - ❑ Civil airports for public use – fully state-owned public property
 - ❑ Detached part of a civil airport for public use – state-owned public property, after the enactment of a master plan for the development of the airport
 - ❑ Services, provided on the territory of the airport, excluding ground services
- ❖ The concessionaire assumes the risk related to connecting to technical infrastructures, required for airport operations

Concessions on ports for public transportation of national importance

- ❖ Concessions Act and the Act on Sea Areas, Internal Waterways and Ports of the Republic of Bulgaria
- ❖ The Minister of Transport, Information Technology and Communications is in charge of preparatory activities for granting concessions on port terminals at ports used for public transportation of national importance, signs the concession contracts and controls implementation
- ❖ Facilities subject to concession – one or more terminals at a port used for public transportation of national importance
- ❖ Subject of the concession – port services, which require the use of port territory and/or port installations

Concessions on railway infrastructure facilities

- ❖ Concessions Act and Railway Transport Act
- ❖ The Minister of Transport, Information Technology and Communications creates the organization necessary for granting concessions on railway infrastructure facilities, performs the preparatory activities for granting a concession, signs the concession contracts and controls their implementation
- ❖ Facilities subject to concession
 - ❑ Arrival/departure facilities at railway stations
 - ❑ Buildings, installations and adjacent territory with public and commercial use

Transport infrastructure facilities, granted on concession (1)

Project	Date of contract	Date of enactment of contract	Term (years)	Amount of investments
				Concession payments
Burgas civil airport for public use and Varna civil airport for public use	10.09.2006 г.	10.11.2006 г.	35	BGN 788.5 mln
				BGN 398 mln
Balchik port terminal	14.12.2005 г.	25.05.2006 г.	25	BGN 3,5 mln
				BGN 7 mln
Lesport port terminal	08.06.2005 г.	30.05.2006 г.	30	BGN 129 mln
				BGN 35,2 mln
Silistra ferryboat terminal	03.02.2006 г.	23.02.2006 г.	35	BGN 5,5 mln
				BGN 2,7 mln

Transport infrastructure facilities, granted on concession (2)

Project	Date of contract	Date of enactment of contract	Term (years)	Amounts of investments
				Concession payments
Svishtov port terminal	15.02.2007 г.	21.04.2007 г.	31	BGN 19,2 mln
				BGN 12,6 mln
Oryahovo port terminal	04.07.2007 г.	23.06.2008 г.	25	BGN 2,4 mln
				BGN 0,25 mln
Somovit port terminal	28.05.2009 г.	01.08.2009 г.	22	BGN 6,45 mln
				BGN 5,7 mln

Results

- ❖ Acquisition of modern cargo handling equipment
- ❖ Introduction of modern technologies for passenger services
- ❖ Increased competitiveness and efficiency of Bulgarian ports and airport on the international market
- ❖ Preserved ownership over the subject of concession and on the improvements made during the term of the concession
- ❖ Revenues to the treasury from concession payments
 - 2005 – BGN 92,000
 - 2006 – BGN 6,715,645
 - 2007 – BGN 8,046,021
 - 2008 – BGN 18,049,156
 - 2009 – BGN 16,997,205

Future development of the transport infrastructure by granting concessions (1)

- ❖ Concession schedule for 2010 – 2013
- ❖ Detailed review of the technical status of the transport infrastructure facilities in the Republic of Bulgaria, slated for concessions – Annex to the Strategy
- ❖ Airport infrastructure facilities
 - Russe Airport
 - Gorna Oryahovitsa Airport
 - Stara Zagora Airport
 - Cargo terminal at the Plovdiv Airport
 - Plovdiv Airport
 - Cargo terminal at the Sofia Airport

Future development of the transport infrastructure by granting concessions (2)

❖ Port infrastructure facilities

- ❑ Parts of the Varna port for public transportation of national importance (Varna-East, Varna-West, the Ezerovo thermal power utility, Petrol, Varna Ferryboat Port)
- ❑ Parts of the Burgas port for public transportation of national importance (Burgas-East, Burgas-West, Rossenets, Nessebar, and Terminal 2A)
- ❑ New container terminals at Port Varna and Port Burgas
- ❑ Parts of the Russe port for public transportation of national importance (Russe-East, Russe-Center, Russe-West, Silistra, Tutrakan, Nikopol Ferryboat Terminal)
- ❑ Parts of the Vidin port for public transportation of national importance (Vidin-North, Vidin Ferryboat Port, Vidin-Center, Vidin-South)
- ❑ Lom port terminal

❖ Railway infrastructure facilities

- ❑ Sofia Central Railway Station
- ❑ Poduyane Railway Station
- ❑ Plovdiv Central Railway Station
- ❑ Varna Central Railway Station

Perspectives for development



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