

Public private partnerships vasco da gama bridge in portugal assignment

[History](#)



Better usage of regional and municipal land use plans in the future.

Conclusion Even though the project did not reach its original goal, it had a great impact on regional development. The Vasco da Gama Bridge is a six lane bridge that spans the Tagus River in Lisbon, Portugal. It is the longest bridge in Europe and has a life expectancy of 120 years. Its characteristics are described in the Table here below:

Official name	Vasco da Gama
Carries	Six road lanes, 7 sections
Crosses	Tagus River
Location	North of Lisbon (right bank), municipality of Alentejo (left bank)
Maintained by	Alentejo
Designer	Alentejo

Random Riot Design Total Length 17. 182 km, longest in Europe, 9th longest in the world Width 30 m Height 155 m Longest span 420 m Speed limit 120 km/h Serves 50 million vehicles/year Construction 1995 (beginning) - 1998 (ended) Opened 29. 03. 1998 Cost 897 million euros As a result of economic globalization, countries are seeking more efficient and effective ways to improve their resources. One way of doing so is through Public- private partnerships especially for the development and operation of infrastructure.

Public-Private partnerships provide a tool to increase the quality and efficiency of public services and to overcome the limited public funds available in a country. APP is an agreement between the government and one or more private partners in which both sides invest different resources in order to reach the target/goal by splitting the gains and losses between them. It is usually a long-term contract between the two parties, in which the private partner bears significant risk and great management responsibility.

Peps may be formed in areas such as infrastructure projects such as motorways, bridges and in service areas such as schools and hospitals.

There are our typical phases in implementing a APP project: the identification of the need and the legislation involved in implementing the project, the preparation and planning and the development of a contract between the public and the private partners, the award procedure, and the implementation and control of the project. Peps offer significant advantages to the public sector.

These include the ability to raise additional funds in a country with budgetary restrictions, make the best use of public sector efficiencies in operation in reducing the costs and increasing the quality and offering a quicker service.

Peps come in many forms and are still evolving in order to adapt to the needs of each individual project. Several elements that have to be taken into account: Political Leadership: commitment has to come from the top.

Legislative and control framework: The application of these must be followed strictly. Protecting the public's interest: Quality and performance standards are required.

Public Sector Involvement: Public sector must remain actively involved once a APP is established by monitoring the project. A well structured plan: Each side must know exactly what to expect from the beginning of the cooperation. Responsibilities must be clearly defined. Income stream: The sources of income must be clearly defined for the whole duration of the implementation of the project. Communication with stakeholders: Open communication between the parties involved must be enforced. Ensuring

open market access and competition: Open and fair competition, transparency has to be taken into account during Tendering/Bidding procedure.

Selection of the right partner: The selection must be done carefully taking into account the previous experience of the candidate in the specific area. In a typical APP project, a Special Purpose Vehicle (SSP) is created, which is a separate legal entity established to undertake the project, thus it is responsible for the design, building, and operation of the project. The initial capital required for a APP project may be provided by public grants, private funds, European Commission financing, loans from the owners of the SSP and/or from banks.

The SSP is a consortium usually formed by a building contractor, a maintenance company and a bank. Subcontractors may also be used in the APP in order to deliver their specialized services. Until a couple of decades ago, countries followed the traditional infrastructure procurement models. However, due to the public budget constraints and the difficulty to manage large projects, many countries experienced the need to change the traditional model of public procurement. This resulted to today's Peps model which manages to deliver large infrastructure that requires large capital availability.

Opportunities and Limitations of Ifs Opportunities that may appear during the implementation of a project: The risks are allocated to the ones that can manage them and are distributed. Public sector capital expenditure is reduced Cost efficiencies are better achieved - Value for Money. Delivery of

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the project is faster. Construction is done more efficiently with fewer contractual errors. Better quality of service. Innovation and performance of personnel involved in the project is highly encouraged and promoted through incentives.

Increased productivity. Infrastructure provision is accelerated. Crisis, there is higher cost in financing a project. There is less control over budget. There is less contract flexibility. The ultimate risk is still undertaken by the public partner. Private financing is usually more complicated than public financing. There are high termination costs in case of spite. Fear of prevarication of public services may be evident. Peps in Portugal Over the last 25 years Portugal has been through a major infrastructure investment program.

After the end of dictatorship in the ass, Portugal went through a political stabilization phase. In the ass, after Portugal joined the ELI, the country was able to access large capital funds. Since the country aimed to decrease its infrastructure deficit, it was evident that a new model for procurements was required and this was the APP model. The first large project developed under the APP model was the Visas dad Gamma ridge which was created under a tight schedule in time for the 1998 World Exhibition.

After that several other projects followed totaling to the number of 36 APP projects until 2012. Portugal uses the APP model mainly for the creation/extension of roads, rail, health care and security. Need for the creation of Visas dad Gamma bridge - Background information The Government of Portugal identified the need to solve the congestion problem on Elision's other bridge (25 De April Bridge), and to join previously

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unconnected motorways between north and south around the capital city of Lisbon, and therefore in 1991 it decided to construct a second crossing over the Tago river.

As soon as the decision was made AGATES (office for the crossing of the Tago river at Lisbon), was established which was actually an inter-ministerial agency chaired by the Ministry of Public Works, with representatives of the Ministries of Planning, Environment, and Finance. The two main goals of AGATES were to solve the ever-increasing traffic jam on the 25 de Abril Bridge and supporting the north-south traffic around Lisbon. By September 1991, AGATES issued a series of studies comparing three options/locations for a new road bridge: eastern, central, and western.

The option chosen was the eastern and was based on a strategy of opening new urban development, with top priority to roadways and individual transport. This option was greatly supported by the Minister of Public Works and the municipalities surrounding that area. In April 1994, Illusions, a consortium of Portuguese, British, and French companies won the international public tender to design, construct, finance and operate the new bridge. In February 1995, the construction of the bridge began and in 29 March 1998 it opened to the public.

The project was completed in a very tight schedule in order to allow easy access for World Expo '98, the World's fair that took place in Lisbon by Vasco da Gama.

The construction of the bridge is considered to be one of the largest and most successful projects of the 20th century in the history of civil

engineering. It gained international recognition and was awarded with the

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1st prize by the Fiber-Americana Institution of architecture and civil engineering in the year 2000.

The Vasco da Gama bridge is a cable-stayed adjoined by viaducts and it carries six road lanes, with a speed limit of 120 km/h, the same as motorways, except on one section where speed is limited to 100 km/h. On windy, rainy, and foggy days, the speed limit is reduced to 90 km/h. Fifty million vehicles cross the bridge every year. The traffic on the bridge is managed in the traffic control room located in the Toll Plaza building. The bridge has a life expectancy of 120 years.

Legal Framework for Peps in Portugal

The legal framework for Peps in Portugal was amended on July 27 2006 by Decree Law 141/2006, which substituted the Decree Law no. 6/2003. The new law defines the general rules of interaction of the State with APP model, from definition and conception to supervision. These principles have to be followed by the public entities at the national level. The Decree Law 141/2006 requires the division of risks between the public and the private partners, which has to be clearly specified in each APP project. It also establishes the rules to follow and states that all APP proposals have to be evaluated by a commission including the Ministry of Finance and other relevant to each specific project institutions.

There is also the Code of Public Contracts (COP), which is a legal document concentrating on national and legal contexts relating to public procurement. This document derives mainly from the transposition of the EU. Directives on public procurement and it applies in projects related to services, public work contracts, and many others. More specifically, this document regulates the

procedures of public procurements from the beginning of the Tendering process until the selection of the successful Tender, it covers the way contracts should be awarded and sets the specific rules in doing so.

It also states the follow-up rules as well as possible fines if not complied. As Monitor (2005) puts it, a key feature of the institutional setting of Peps in Portugal, is that a decision in favor of a APP has to be made with the involvement of the Ministry of Finance (experts). The APP proposals have to specify long-term budgetary implications and make necessary arrangements prior to the agreement of a APP project.

Another institutional framework is a APP Unit (Parabolic), which is dedicated in implementing, facilitating, evaluating and advising APP projects. It should be noted that this project with a total value of 897 million Euros was impossible to be realized only with public funds. Therefore, the APP had to be formed project is the decision about the location of the bridge. The location of the Visas dad Gamma bridge was the fundamental element for its success. As mentioned before there were three options/locations for a new road bridge: eastern, central, and western.

According to Melt (2000), the eastern (Save?? m-Monotint) location for the bridge to be constructed leads to the question Why on earth was the Save?? m-Monotint road bridge option chosen? One may answer that the decision made was due to political and financial issues. The possible alternatives to this option were the central, and western locations. The central (Shells- Barriers) and the western (Alga?? s-Traffic) location could have been better

alternatives satisfying the goals of decongest, and not having the active environmental impacts that the selected location of the bridge created.

Critical Analysis of APP Model chosen by the Government of Portugal -

Description of app Model The project was mainly funded by the private sector under a BOOT " Build, Operate, Transfer" model, more specifically the variation of DOFF (Design, Build, Finance and Operate). The BOOT model is a type of infrastructure project based on granting of concession by a principal (I. E. Government) to a promoter (private partner) who is responsible for the construction, financing, operation, and maintenance of a project over the period of concession.

A BOOT project is normally funded by a mixture of private equity, through shareholders, bank loans, and sometimes with grant aids. The shareholders carry the risks but receive a return on their investment and dividends during the concession period, while the government's reward is to obtain an infrastructure without using its own budget. Governments mainly use the BOOT model for the construction of airports, waterworks, etc. In Peps, the BOOT model involves reasonable support and risk sharing from the government side. After the concession period, the promoter transfers the facility to the principal at no cost, in a fully operational condition.

In this project, Illusions had the obligation to design, construct, finance and operate the new crossing/bridge. The contract was signed in 1995, for a maximum concession period of 35 years in a design, build, finance, operate and transfer scheme. In my opinion, at the time that the contract was signed, the APP model used was the most suitable since there was the need

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to design and build the bridge quickly with the main funds coming from the private sector. Financial Structure of the Project and the role of the participants The Visas dad Gamma bridge cost 897 million Euros, mainly financed by the private sector.

The project was funded by a combination of private equity, through bank loans, shareholders, government grants, etc. More specifically the resources for this European Investment Bank Loan grant (299 m), 33% of the project Toll revenues collected from 25 April bridge (50 m), 6% of the project other resources such as shareholders and government grants (299 m), 26% of the project Both shareholders and government benefit from the project, since they receive dividends for their investment during the concession period. It should be noted that the toll price to cross the bridge varies from 2. 0 to 11 Euros, pending on the size and type of vehicle crossing the bridge. TOTAL COST 897 MILLION EURO Table 1 (Funding of Visas dad Gamma bridge) The European Investment loan was for 20 years with no capital repayment over the first 120 months, guaranteed by the commercial banks for only 15 years. Out of the total cost of the project, around 640 million Euros was for construction, payment of land, re-housing, environmental projects, and maintenance costs. It is worth mentioning that in 2000, Illusions and the Portuguese government signed an agreement in order to extend the duration of the concession period until

In the case of the Visas dad Gamma bridge, both the public and the private partners undertook the financial risk (currency, interest rate, equity, foreign exchange, liquidity, commercial and economic risk. They also undertook the

political risk (related to the provision of loans and overall investment situation in the country). Both partners undertook the shareholder's risk (market, changes in management personnel). The private partner, Illusions, undertook the technical risk (construction, operation, and maintenance risk).

Problems and Limitations of the project The European Accounts Tribunal (EAT) detected a series of irregularities in the financing and the construction of the project. Some drainage and negative results were detected to the resistance of some of the material used in the construction of the bridge. Regarding the finance aspect, the EAT stated that 95% of the costs of the building of the structure of the bridge was funded by the European Union, which is in conflict with the regulations of the community.

Recommendations A few recommendations may be welcomed at this point. There should be more compliance with project goals in the future. In addition, there should be more compliance with the European legislation in the future. Another alternative location for the bridge would have been highly recommended or the construction of two smaller bridges in different locations. Moreover, a more careful study has to be made regarding the location of future similar projects, and a better usage of regional and municipal land use plans in the future is recommended.

Conclusion Even though there is a lot of criticism about the APP of Vasco da Gama bridge in Portugal, it is evident that without this procurement model the fast development of under public scrutiny. The Vasco da Gama bridge aimed to solve the congestion problem of the other bridge of Lisbon (the 25 April bridge) and to create the north-south connection around the capital

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city. According to data, traders prefer to use the bridge in Scorecard (30 km from Lisbon to the North, built after the Visas dad Gamma bridge.

This bridge seems to have solved the problem of the north-south connection around the capital city. The daily traffic on the Visas dad Gamma bridge is approximately 70, 000 vehicles, which is below the daily traffic on the 25 April bridge with approximately 170, 000 vehicles per day. Taking this into consideration, we conclude that Visas dad Gamma bridge did not manage to meet the expectations and to solve the decongest problem, however it affected positively other areas such are regional development.