



Public private partnerships in Dutch Road and Water Infrastructure

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Research programme Governance for Smartening Public Private Partnerships:
<http://smartgovernance-partnerships.org/>

1. DBFM(O) in the Netherlands

Ministry of Finance 2016:

- 37 projects
- €13 billion
- Added value € 1.5 billion
- DBMF appr. 10% of the total budget of the Road and Water Agency



2de Coentunnel. 30 year (2042) 2,1 Billión €



Sea sluice IJmuiden. 26 year (2041) >500 million €



Ministry of Finance. 25 Y (2034). 147,1 million €



What is a DBFM(O)-contract?

- **Integrated contracts:**

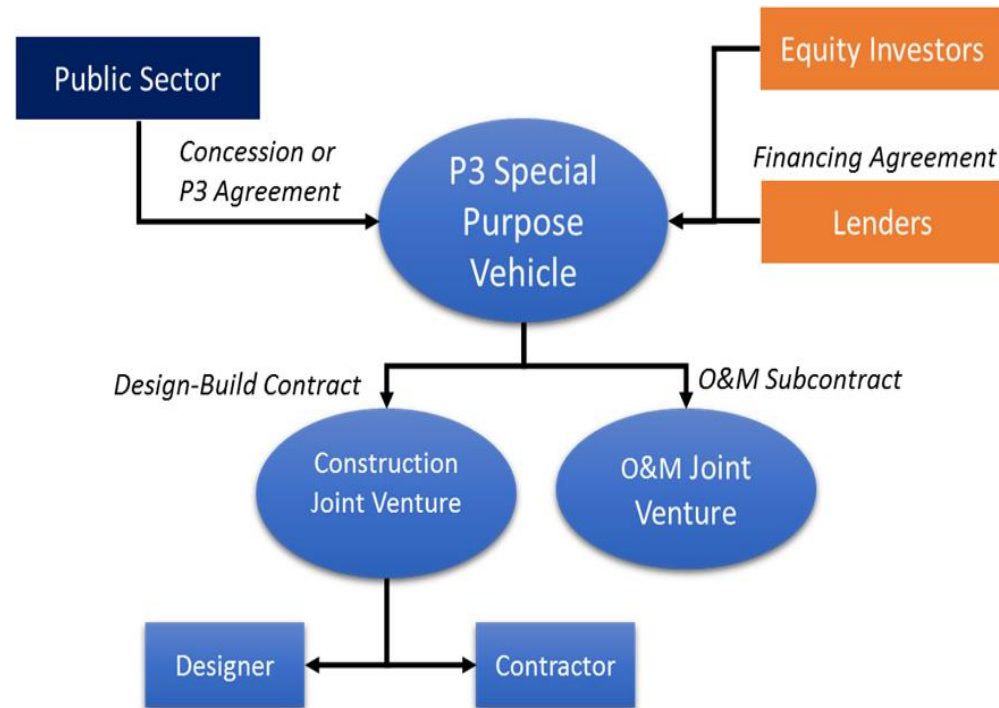
- incentive for design optimizations and efficiency gains

- **Finance:**

- Private money
- Transfer of risks
- Strong incentive to perform
- Risk management by financiers

- **Payment structure:**

- milestone payments
- availability payments
- Performance incentive



2. The practice of DBFM projects

PPP: Problem, problem, problem?

Several DBFMO project evolved into 'fight projects'.
'Bleeders' with major losses for government and private companies!



The current Dutch debate on future DBFM

1. **Opportunistic biddings**
2. **Banks:** no flexibility and transfer risks
3. **Contested added value** (hard to measure)
4. No **design knowledge** left within government due to outsourcing and DBFM: design mistakes are not noticed!
5. Rapid and uncertain technological developments: **flexibility** needed
6. 2015 **Market vision** to improve public-private collaboration in DBFM-projects not effective
7. **Alternative contracts:** alliances & 2 phase process

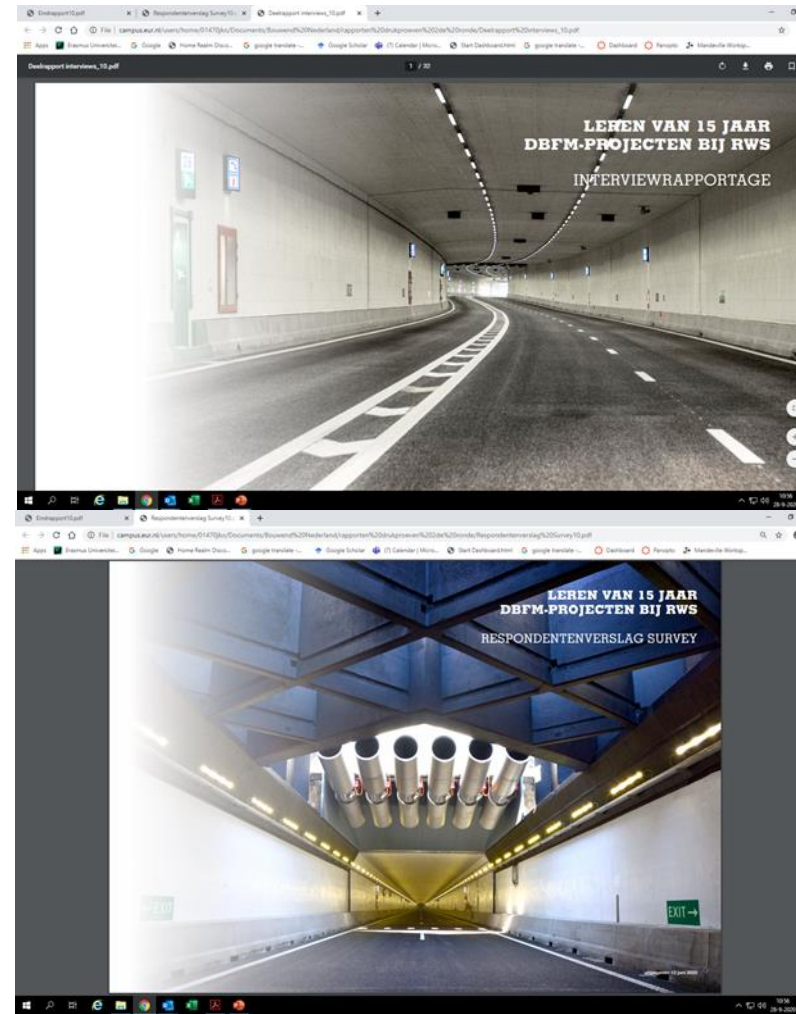
Our research on the performance of DBFM:

- Dutch constructing sector & the Road & Water Agency
- DBFM is framed by a few large project failures
- ***What do we actually know about the performance of the 'average' DBFM-contract?***



Research of the EUR

1. 35 Interviews with project managers government, companies and financiers involved in 21 DBFM projects
2. Survey with 161 respondents aimed at comparing DBFM with D&C projects
3. Database on performance of D&C and DBFM projects of road and water agency.
4. Financial performance of private consortia.



3. Our findings on the performance of DBFM projects



Performance aspect	
1. Time and availability infrastructure	Better due to availability payments and financial pressure
2. Quality	Better due to lifecycle-approach (not present in case of D&C). Sometimes under pressure
3. Financial performance	Comparable to Design & Construct (D&C) contracts DBFM less added costs compared to D&C
4. Innovations	More process innovations, some product innovations, but less than expected
5. Flexibility, Risk-allocation and collaboration	Not without problems, but improved in course of time
6. Role banks and investors	Contribute to time and management. Lender's Technical Advisor contributes to quality. But: also limited flexibility and innovation

What did we learn from 15 years of DBFM in Dutch infrastructure government?

Learning: the development of a **professional community** with

- High standards regarding management of teams and production chains
- A practice with flexibility, informal collaboration, high quality of relations, collaborative problems solving and risk management
- High quality expertise and skills of private and public partners

Recommendations in the context of the debate on the future of public-private partnerships:

- 1. Consolidate learning experience**
- 2. Strengthen DBFM practice by e.g.:**
 - Selective application. Less complex projects (but not too small! Between 200-400 million?). Not too innovative.
 - Enhance learning capacity by evaluations and improve data management
 - Improve risk allocation and utilize network management role of Financiers
- 3. Apply lessons learned also in other collaborations:**
 - Like relational contracting, importance of flexibility and collaboration, soft skills, etc.



