**Slide 1**

Dear colleagues,

My presentation is about the Ob River Bridge Projects in Novosibirsk implemented with the use of PPP.

**Slide 2**

Before 2014, there were only two road bridges in Novosibirsk which was clearly not enough for the third largest Russian city. The city transport situation remained particularly complex.

In line with the City Master Plan 2030, the number of bridges over the Ob River shall be increased to five. With the support of Novosibirsk Region Administration and the Federal Government, the Novosibirsk City has been persistently and consistently working towards the target.

**Slide 3**

Between 2009 and 2014, the third Ob River Bridge with a record 380-m long arch span was designed and completed.

**Slide 4**

The total length of the bridge crossing with two interchanges is over 2 km. The bridge was named Bugrinsky Bridge.

**Slide 5**

On 08 October 2014, in the lead-up to the meeting of the State Council for road infrastructure, the bridge was inaugurated. The ceremony was attended by President Putin.

Construction of Bugrinsky Bridge was a first step to improving transport situation in the city; however the City and Novosibirsk Region Administration are not going to rest on their laurels.

**Slide 6**

In the second half of 2013, Novosibirsk Region Administration and the City took a decision on implementation of a new investment project for construction of the fourth Ob River bridge. The bridge will be called Central Bridge and will be aligned with Ippodromskaya Street.

Considering limited budget resources, the bridge is planned to be a toll bridge constructed under PPP.

**Slide 7**

In December 2013, Novosibirsk Region Administration and the Novosibirsk City established on a parity basis a joint stock company “Central Bridge”. The company is responsible for assigning development of the design and tender documents, and tendering.

In April 2014, Central Bridge Company announced a tender for development of design documentation for the new bridge. The tender was a kind of investment competition since the tenderers were supposed to develop the design at the expense of their own working capital or borrowed funds. Payment for designing is planned to be made during two years in 2015 and 2016.

The tender was won by Stroyproekt.

**Slides 8 and 9**

To date all structural and architectural solutions of the bridge have been developed and approved. In early April the completed design will be submitted to state expert authorities for review.

**Slide 10**

The bridge crossing will be 5.6 km long and will include 3.5 km of engineering works.

The new bridge crossing will provide access to federal highways – the M51 *Baikal* (Omsk), the M52 *Chuisky Trakt* and M53 (Tomsk and Kemerovo) and will dramatically improve traffic situation in the city centre.

The total construction cost is RUR 25.5 billion, including 19.5 billion for the first construction phase.

**Slide 11**

The project will include 2 interchanges and a toll plaza.

**Slide 12**

According to the contract, our company was also assigned functions of a legal and financial consultant for preparation of an investment project. These functions included as follows:

- defining the project organisational and legal model

- developing a funding model

- preparing the investment tender documentation

- developing a draft concession agreement

**Slide 13**

When developing an organisational and legal model, a concession in line with Federal Law no.113 “On Concession Agreements” was considered a preferred option.

The Concedent will be the project owner – the city of Novosibirsk. Novosibirsk Region will co-finance the project through subsidies into the city budget (involving federal subsidies, wherever possible). Novosibirsk Region will be also a guarantor of the City. An investor (Concessioner) will be selected via a competition. A concession agreement will be concluded between the City of Novosibirsk and a winner of the investment tender.

**Slide 14**

The proposed funding model is based on the transport model of Novosibirsk that was developed using the most realistic scenario of the city transport network development from 2019 to 2035 and the traffic forecast for the whole period of the bridge operation by the Concessioner.

**Slide 15**

Concession will be granted for 20 years:

2015-2019 – bridge construction period

2019-2035 – bridge operation by the Concessioner

Within financial modelling various funding scenarios with different shares of a capital grant were evaluated.

|  |  |  |
| --- | --- | --- |
| Scenario | Capital grant, % | Private investment, % |
| 1 | 0 | 100 |
| 2 | 50 | 50 |
| 3 | 70 | 30 |

The project cost efficiency for the city budget increases with an increasing capital grant share.

If the project construction will be financed through loans and shared funding only (scenario 1), then the amounts the Concedent will have to pay during the operation stage will be excessive for the city budget. Scenario 3 shows the highest budget efficiency during operation but significantly increases the burden on the budget during construction. Therefore scenario 2 (50 to 50%) was accepted as a basic scenario in the tender documentation.

**Slide 16**

Before the basic rate of the Central Bank was increased, the project funding model had shown its high cost efficiency for the budget. For virtually all years of operation, expected toll revenues exceeded a minimum guaranteed income of the Concessioner providing earnings for the budget.

**Slide 17**

After the Bank basic rate increased up to 17%, cost efficiency of the model has dramatically reduced.

A minimum guaranteed income amount is now higher than toll revenues.

However Novosibirsk Region Administration and the City are not going to abandon the project.

Yesterday a working group meeting was held in Novosibirsk to discuss preparation for the investment tender.

**Slide 18**

The tender plan and time-schedule were developed.

We realise that the Novosibirsk project or any other regional PPP project cannot be possible without the support from the federal budget.

As far as we know, at the State Council meeting the President instructed to provide support to regional PPP projects.

**Slide 19**

The following measures are necessary to facilitate implementation of these projects:

* + Creating a fund to support regional PPPs
  + Subsidizing loan interest rates
  + Defining an optimal documentation package required to apply for subsidies from the federal budget
  + Clear procedures for obtaining the federal budget subsidies for the Capital Grant
  + Transparent criteria for selection of projects to be co-financed from the federal budget.

Thank you for your attention!