



# ***Applying for public contracts in road sector – general overview from contractor's perspective***

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**STRABAG**  
TEAMS WORK.

# AGENDA:

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1. General information about **Strabag Group**
2. **Strabag** as the Contractor on the Polish public procurement market
3. Case study
4. Contractors' biggest concerns in relation to the contract award procedures in infrastructural projects



# 1 STRABAG AT A GLANCE

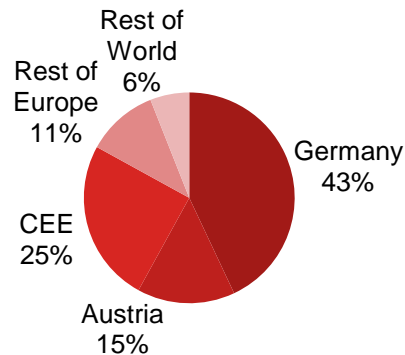


# STRABAG AT A GLANCE

## FACTS & FIGURES

- Output volume 2013: € 13.6 bn
- Net income after minorities 2013: € 114 m
- 73,100 employees
- > 500 locations in more than 80 countries
- Highly innovative: Central Technical Division with over 750 engineers
- Equity ratio: > 30%
- Strong brands: STRABAG & Züblin

## OUTPUT VOLUME BY REGION (2013)



Source: [www.gtai.de](http://www.gtai.de), company information

## MARKETS



# LARGEST PROJECTS IN PROGRESS

## NO SPECIFIC EXPOSURE TO ANY LARGE PROJECT (DEC. 2013)

Country	Project	Order backlog in €m	As % of total order backlog
Italy	Pedemontana motorway	1,015	7.5
Chile	Hydro power plant Alto Maipo	372	2.8
Austria	Koralmb Tunnel, lot 2	324	2.4
Germany	Stuttgart 21, under-ground railway station	314	2.3
United Arab Emirates	STEP wastewater systems	189	1.4
Germany	Jena University Hospital	164	1.2
Germany	Upper West Berlin	161	1.2
Germany	Albabstieg Tunnel	149	1.1
Italy	Grosseto–Siena motorway	107	0.8
Poland	S8 Opacz–Paszków	106	0.8
<b>Total</b>		<b>2,903</b>	<b>21.6</b>



STEP wastewater systems



S8 Poland



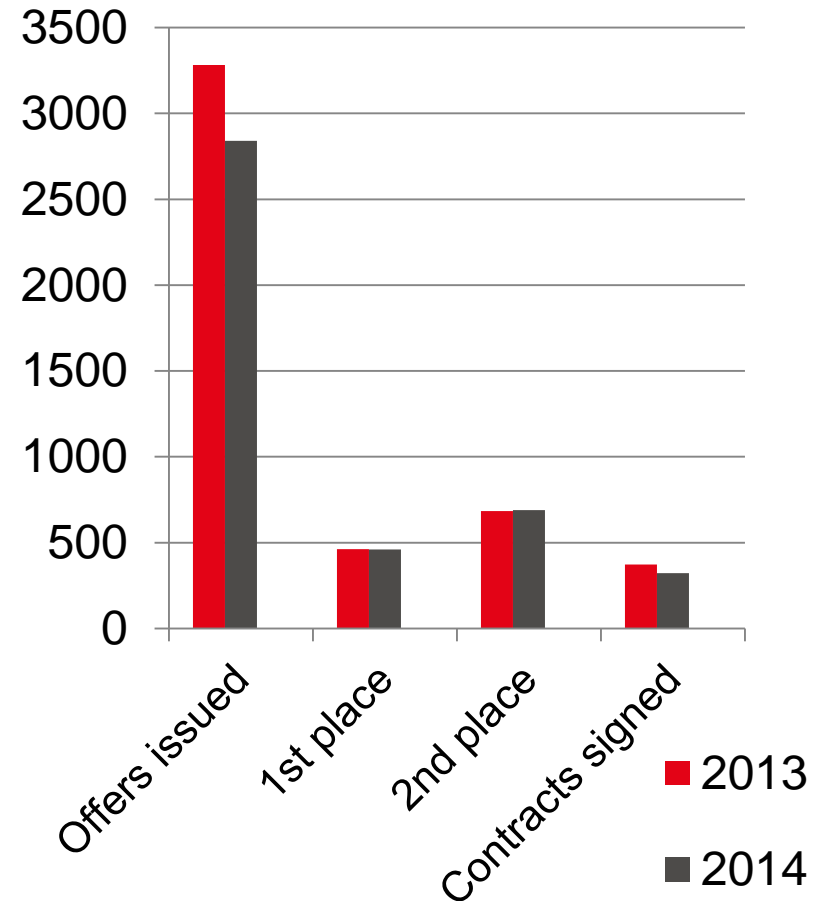


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# **STRABAG AS THE CONTRACTOR ON THE POLISH PUBLIC PROCUREMENT MARKET**

# COMPETING FOR THE AWARD OF PUBLIC CONTRACTS IN POLAND – in numbers

- In last two years:
- **2013:**
  - 372 agreements signed
  - total amount of Strabag share: 2 billion PLN
- **2014 (until today):**
  - 322 agreements signed
  - total amount of Strabag share: 1.6 billion PLN



# COMPETING FOR THE AWARD OF PUBLIC CONTRACTS IN POLAND – today and in the future

- ❑ **TODAY:** we look on the market with the real perspective for 2015 – 2018



- ❑ **TODAY** we work on calculation for **20** big road projects (>50 mln EUR)
- ❑ **NEAR FUTURE** - within next 6 months we expect announcement of next **30** large projects (including 3 contracts for southern bypass Warsaw for more than 2 bln EUR)



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# CASE STUDY





# CASE STUDY 1 – expressway S8

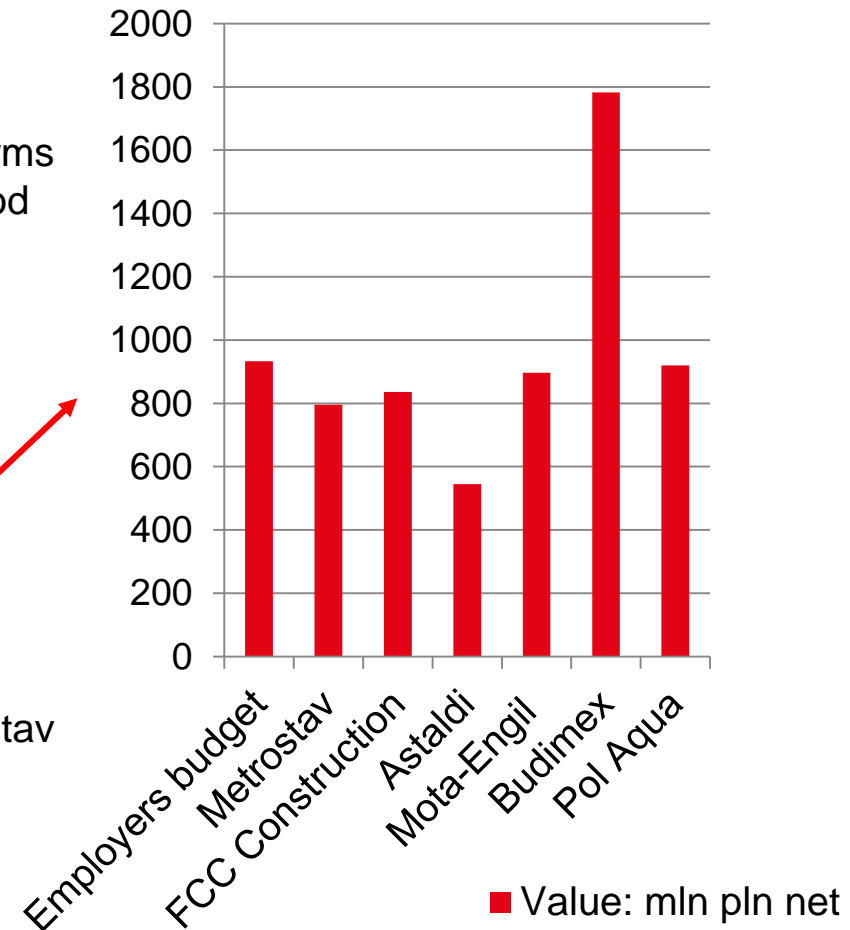
- **Construction of S8 between Walichnowy and Sieradz Południe**
- **Size:** € 254 m
- **Project schedule:** 2012–2014
- **Project scope:** Construction of two expressway segments, bridges and service area
- Contract executed, we are waiting for the Taking Over certificate
- **Employer:** GDDKiA



# CASE STUDY 2 – S8: road junction Powązkowska - Modlińska

- Employer: **GDDKiA**
- announcement of the proceeding published on December 10<sup>th</sup> 2011 (restricted tendering)
- the contractors opinion → **poor quality** of the terms and conditions and technical specifications = good valuation of the works almost impossible
- especially: **fixed price** for building infrastructural objects like bridges, overpasses, etc. and very restricted right to demand additional payments (issuing claims)
- unreal time schedule
- offers opened on February 19<sup>th</sup> 2013
- agreement signed on: July 18<sup>th</sup> 2013 with Metrostav
- **Strabag has not filed an offer**

## Prices in the proceeding:



# CASE STUDY 3 – S2: southern bypass Warsaw

- Employer: GDDKiA
- the announcement of the proceeding published on December 20<sup>th</sup> 2013 (restricted tendering)
- scope of works: project and building (yellow FIDIC) of the roads, road junctions, tunnel under the subway line, together with equipment and associated infrastructure
- Today: proceeding is on the second phase, terms and conditions and technical specifications handed over to the contractors
- **APPEALS against T&C:**
  1. Astaldi;
  2. PORR;
  3. Mosty Łódź + Teerag Asdag
- GDDKiA intends to sign the agreement in January 2015





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# CONTRACTORS CONCERNS



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## TWO SCOPES OF PROBLEMS:

<b>COOPERATION WITH PUBLIC ENTITIES IN POLAND</b>	1. shifting all risks to the contractor („Polish” FIDIC)
	2. no dialog with the contractor during the execution of the projects
	3. critically reduced role of the contract engineer
	4. lack of operational decisions from the employers side (i.a. fear of the inspection entities decisions, especially this who control correctness of spending of the EU funds)
	5. deadlines for spending EU funds are for the employer deadlines for execution of the works, no matter of the actual situation on site (no possibility to extend time)
	6. bad preparation of investments (poor quality of the projects and technical specifications)
<b>LAW REGULATIONS ON PUBLIC PROCUREMENT MARKET</b>	1. frequent changes of the public procurement law
	2. new procedures referring subcontractors - imposing provisions of the future subcontracts
	3. joint and several liability for the subcontractor’s remuneration (art. 647 <sup>1</sup> c.c.)
	4. inconsistent „case law” – KIO (The National Appeal Chamber)
	5. unclear definition of an abnormally low price

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