

TEN-T, PM Workshop, 12 January 2010
Payment Cycle

Fixed Link across the Fehmarn Belt (Denmark – Germany)

January 2010



Femern
Sund ≈ Bælt

Fehmarn Belt Action TEN-T, Priority Project No 20



Key facts about the infrastructure:

- The German and Danish Governments have agreed that a fixed link (coast-to-coast) shall be built
- Treaty ratified in both countries in 2008
- The infrastructure: 4 lane motorway and a 2 track railway
- 20km across the Fehmarn Belt
- Hinterland infrastructure in both countries is to be upgraded (seperate projects)
- Expected opening date is 2018

Bridge or tunnel solution? Not yet decided



Underground
tunnel



Cable Stayed Bridge

Key facts about the organisation (coast to coast):

- The two Governments have agreed that the coast-to-coast project should be **planned, constructed, financed and operated** by Denmark
- Denmark has formed a **single purpose company** (Femern A/S) to perform above tasks as the owner organisation
- The company is a subsidiary of the Danish Government/ Ministry of Transportation
- During 2008 – 2012 technical investigations are being accomplished and authority approval process is finalised
- All investigations and construction activities are contracted with external consultants and entrepreneurs.

Key facts about financing (coast to coast):

- The owner company (Femern A/S) is backed with a financial State Guarantee from the Danish State
- During planning and construction the company takes up loans in the international financial markets
- The TEN-T programme is the second source of financing
- During operation phase user fees will be collected and this will enable the reimbursement of the debt from the construction phase and finance maintenance of the infrastructure
- Payback time of 30 years (including Danish Access routes)

Observations about the Payment Cycle in the TEN-T programme

Suggestions for improvements:

- 1. Uncertainty of the annual commitment
- 2. Timing of the pre-payment
- 3. Definition of eligible cost

Comment regarding:

- 4. Intermediate payment
- 5. Financial Statement
- 6. Final Payment (no experience yet)

Issues for:

- 7. Mid-term evaluation process

1. Uncertainty of annual commitment

The annual commitments in a MAP decision are indicative – dependant on technical and financial progress

From the project's point of view this contributes to the uncertainty around the annual financial planning

Therefore a "calculation tool" for the project, to forecast the annual commitments based on progress would be beneficial

This (tool) would need to incorporate the key parameters in the financial regulations

2. Timing of pre-payment/first annual payment

From the project's point of view the knowledge of size and timing of annual commitment/instalment is important for financial planning and the ability to finance activities

Suggestion for new goal for the TEN-T programme

Information to projects from the TEN-T EA by the start of a new year about the annual commitment + pre-payment :

- a) Based on the ASR financial overview coming years + potentially include a confirmation procedure during autumn
- b) introduce a forecast reporting process in autumn for next year

3. Definition of eligible cost

I suppose that projects are very differently organised

The TEN-TEA could share the experience of how project organisations from different projects impacts the definition of indirect eligible cost

Publish a number of examples so that projects can gain some insight/inspiration for one's own project

Comment

The use of a flat-rate to cover for indirect cost is recommendable, but the project still needs to establish a definition of direct eligible and indirect eligible cost

4-6. General comments to payment cycle (1)

- The MAP programme is well defined for multi-annual projects
 - (the importance of the overall commitment vs. annual calls is crucial)
- The link between ASR reporting (technical and financial progress) and payment cycle is logical and minimises reporting
- However 1 annual report is impacting the timing of pre-payments
- The "Interim Financial Statement for Interim Payment" template is good, logical and easy to work with

4-6. General comments to payment cycle (2)

Complying with the TEN-T program rules and requirements in terms of management and reporting. Has not been difficult:

- The general (e.g. environment and procurement) are identical with national rules and requirements
- The TEN-T reporting structure is based on the financial structure for the whole project
- The financial structure is closely linked to the project planning structure (highly recommended to all projects)
- Enables the communication and reporting of project progress and financial status – not only to TEN-T but to all ext. parties
- Agency needs and internal needs are not conflicting

7. Mid-term evaluation process

- It would be appreciated if the Mid-term evaluation is integrated in the ASR process
- Clarification on:
 - The process
 - Requirements to beneficiaries
 - Timeplan
 - How the 20% reallocation rule is applied (between works and studies)
 - If changes in total budget for project (eligible costs) will lead to an call-process

Fehmarn belt fixed link 2018?

(Photo of the fixed link between Denmark and Sweden the "Øresundsbroen")

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