

## Transparent Public Procurement Rating

### Sector Assessment Questionnaire

#### ROADS SECTOR IN CZECH REPUBLIC (2018) (CPV - 45233000)

##### Quantitative Questions

Amount of public funds spent in target sector in 2018.

46.915.263.371 CZK

Breakdown of procurement spending in the target sector by source of funding (i.e. state budget, EU, donor funds, etc.).

EU funded tenders - 26.188.922.562 CZK  
The rest is state funded.

Share of procurement in target sector in the total volume of procurement in 2018.

total volume of procurement in 2018 - 470,6 bil.CZK  
volume of target sector in 2018 - 46,9 bil. CZK  
ie. cca 10%

Target sector share in GDP of the country.

GDP of the Czech republic in 2018: 5,05 tril. CZK  
The construction sector in 2017 (more uptodate info n/a) was 5,3 %.  
The target sector share is too specific part of the construction sector. The statistical office does not use the CSV codes, therefore the data are too untrustworthy.

Ratio of direct procurement to tender (competitive procedures) in target sector in 2018.

Total amount of procurement in target sector: 1032 (46,9 bil. CZK)  
Direct procurement: 100 = 10,32% (0,493 bil. CZK = 4,9% )

Share of contracts in the target sector that are won by state-owned enterprises.

n/a

Average number of bidders in target sector.

4,97

Percentage of failed tenders in the total number of procurements in target sector.

0

Top 5 contracting authorities in the target sector and their primary contractors (top 3 for each) – highlight any suspicious trends – for example: recurrent tender participants on same tenders, unusually high share of one or two companies winning most contracts, winners of direct contracts etc.

| ID       | Name   | Total amount of procurement awarded in CZK | Top 3 contractors ID | Top 3 contractors                        | Total amount of procurement awarded to each contractor |
|----------|--|--|----------------------|--|--|
| 65993390 | Ředitelství silnic a dálnic ČR                 | 33 108 219 113,00 CZK                      | 45274924             | EUROVIA CS a. s.                         | 12 952 117 020,00 CZK                                  |
|          |  |  | 26271303             | Skanska a.s.                             | 7 080 894 896,00 CZK                                   |
|          |  |  | 60838744             | STRABAG a.s.                             | 3 880 460 364,00 CZK                                   |
| 44992785 | Statutární město Brno                          | 1 412 441 995,00 CZK                       | 25322257             | IMOS Brno, a.s.                          | 1 197 447 545,00 CZK                                   |
|          |  |  | 25317628             | FIRESTA-Fišer, rekonstrukce, stavby a.s. | 193 741 643,00 CZK                                     |
|          |  |  | 26255618             | DIRS Brno s.r.o.                         | 10 197 608,00 CZK                                      |
| 70889546 | Královéhradecký kraj                           | 1 278 085 414,00 CZK                       | 42196868             | M-SILNICE a.s.                           | 412 335 314,00 CZK                                     |
|          |  |  | 45274924             | EUROVIA CS, a.s.                         | 318 058 531,00 CZK                                     |
|          |  |  | 60838744             | STRABAG a.s.                             | 147 922 734,00 CZK                                     |
| 1312774  | Česká republika-Státní pozemkový úřad          | 929 887 066,00 CZK                         | 60838744             | STRABAG a.s.                             | 217 891 316,00 CZK                                     |
|          |  |  | 45274924             | EUROVIA CS, a.s.                         | 95 417 184,00 CZK                                      |
|          |  |  | 48035599             | SWIETELSKY stavební s.r.o.               | 94 413 746,00 CZK                                      |
| 3447286  | Technická správa komunikací hl. m. Prahy, a.s. | 857 036 364,00 CZK                         | 45274924             | EUROVIA CS, a.s.                         | 199 633 244,00 CZK                                     |
|          |  |  | 60838744             | STRABAG a.s.                             | 164 522 907,00 CZK                                     |

|  |  |  |          |           |                    |
|--|--|--|----------|-----------|--------------------|
|  |  |  | 43005560 | Porr a.s. | 132 297 976,00 CZK |
|--|--|--|----------|-----------|--------------------|

Top 5 winning economic operators in the target sector and the share of total contracts won by them.

| ID       | Contractor       | Total amount of procurements won | Share of contracts won to contracts in the sector |
|----------|------------------|----------------------------------|---|
| 45274924 | EUROVIA CS a. s. | 14 588 880 528,00 CZK            | 31 %  |
| 26271303 | Skanska a.s.     | 7 400 241 071,00 CZK             | 16 %  |
| 60838744 | STRABAG a.s.     | 5 326 932 233,00 CZK             | 11 %  |

How do the above data points compare to the country's overall results indicated in the TPPR Questionnaire on PP Performance.

N/A

### **Narrative Questions**

1. Do any unreasonable legal exemptions apply to the road construction sector?

No

2. Does access to procurement documentation in the road construction sector meet the requirements of the national legislation?

Yes, all contractors have access to the procurement documentation via specific internet page of the contracting authority.

3. In recent years, have there been any prominent cases that illustrate existing challenges (inefficiency, corruption or other forms of misspending) in the road construction sector?

Yes, there are many examples of road construction procurements that have been problematic. Especially reconstruction of czech main highway connecting Prague and Brno. Delaying of the projects, higher final price and low quality have happened in numerous cases in the Czech rep.

4. Is there any indication that suppliers fail to fulfill contractual obligations in the road construction sector? Any prominent cases in recent years?

Contractors failed to fulfill their obligations mainly within the procurements procured during the financial crisis (up until cca 2015). During these years the contractors won the procurements with prices way below their real price. After some years these contractors were not able to complete the contract for such prices.

A well known case happened last year on the highway D1 - a consortium of contractors had to be replaced by another contractors for not fulfilling their obligations. Project was delayed for many months.

## **Conclusion**

What are the major strengths and weaknesses of public procurement in the road construction sector? (minimum of 2 each; personal deliberation of the author)

### Strengths:

1. Contracting authorities finally start with alternative contracting methods to contracting based on the lowest price. First big contracting authorities use eg. the method called Best value.
2. The main road construction projects are based on FIDIC sample contracts. These are well known also for the construction companies from other EU member states.

### Weaknesses:

1. Main contracting authorities are unable to proceed a real project management. There are not enough well paid officers to be able to do so. Therefore the contracting authorities must outsource almost all expertise of the project cycle.
2. For the Czech republic is a small market, we experience a lot of conflicts of interest among contractors themselves and contractors with public bodies.

## Recommendations of the author

Construction projects are complicated and expensive and therefore the contracting authorities have to focus on the successful project completion itself. They should not focus just on the financial side of the project. Negative externalities of an incomplete construction project are much higher than a few safed millions.

The cooperation among contracting authorities, contractors and technical supervision is essential for a successful project. The cooperation is based on balanced contracts and a positive market environment. This is something each contracting authority has to work on systematically and consistently.

For that a continuous education of the main stakeholders is vital. Therefore I would recommend every country to establish a specific educational university program focused on public procurements and project management. This continuous work will be much appreciated in the future.