

Dnipro Tunnel PPP in Kiev



CEE Bankwatch Network's mission is to prevent the environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation

EBRD Annual Meeting, London, May 2009

Summary

In September 2008 the EBRD issued a USD 30 million loan for the Kiev City Traffic Management project which involves the planned construction of a major tunnel under the river Dnipro. Despite rising costs of now about USD 1.0 billion, no justification has been provided as to why this highly controversial tunnel has been chosen among other solutions to Kiev's transportation problem.

Instead of supporting a costly and economically risky project whose planning process is non-transparent and doesn't answer the most probing questions, the EBRD should push the Kiev City Council to focus on sustainable development of the city transport infrastructure, based on thorough strategic planning and the examination of alternatives including soft measures to reduce congestion.

Background

The idea of constructing a major tunnel under the River Dnipro and part of the city of Kiev has been discussed since the 1960s. It has been delayed for a number of reasons, one of which is the extremely high cost of the project.

According to media reports and data obtained from the Directorate for the Construction of Roads and Road Infrastructure (the project promoter), the tunnel would be 7.1 kilometres long, 14.2 metres in diameter, with 2 floors each with 3 one-way lanes, and a total capacity of 6 000 cars per hour. According to preliminary data trucks will not be allowed to use the tunnel, and most likely buses will be also restricted due to its technical characteristics.

Under the city the tunnel will be at a depth of 100 metres, and under the Dnipro at 20 metres. It will connect two major streets – Brovarsky Avenue on the left bank and Peremogy Avenue on the right. Both streets are axis streets and extend into the E95 and E40 highways outside of the city. Both are overloaded with daily traffic that visibly increases during the morning and evening rush hours. It is expected that the tunnel will permit drivers to bypass the busy city centre.

In 2008 the city council revised the City Programme of Road Infrastructure Development for 2007-2011. Among other projects the Dnipro Tunnel project was approved. The programme does not provide any justification why construction of the tunnel was chosen among other solutions to Kiev's transportation problems. The arguments of the project's proponents reported in the media sound rather superficial, for example construction of a tunnel is cheaper than a bridge due to the significantly increased cost of metal works and problems with land acquisition. While the land issue is a genuinely problematic one in Kiev that has to be addressed in any construction project, no proof of the lower cost of a tunnel has been provided yet and this requires a deep economic analysis that has not yet been done.

Indeed the putative costs of the project are constantly rising: in 2007 it was estimated as equivalent to roughly USD 0.5 billion, and in 2008 up to USD 1.0 billion. It is natural to expect that as a result of the detailed design the costs of the project may further increase. Financing of the project is expected from private investors under a

Private-Public Partnership (PPP) scheme, however it is questionable how much private financing will be available in the near future.

EBRD involvement

In September 2008 the EBRD issued a USD 30 million loan for the Kiev City Traffic Management project. As part of the project framework Kiev City received a non-reimbursable grant of EUR 200,000 for PPP structuring and a pre-feasibility study for a Dnipro Tunnel PPP¹.

Why the tunnel is not a solution

- The tunnel is a step towards private car-oriented development of the city transportation, which is not sustainable: public transport will not benefit from the existence of a tunnel as buses will not be able to use it. Furthermore, bypassing the city centre it will not divert commuter traffic from the centre and the surrounding area – most of the traffic jams in Kiev are caused by people driving their cars to the central part of the city in the morning (especially from the left bank of the Dnipro) and back in the evening.
- The tunnel will connect (via avenues) two highways: the E40 on the west of the city and the E95 on the east. Therefore its use by transit automobiles will increase the traffic on both the Peremogy and Brovarsky Avenues, which are heavily overloaded already.
- Currently already two bridges are being constructed in Kiev. Both are underfinanced and construction works are significantly delayed. In such a situation, the commencement of another giant project is not wise behaviour from the Kiev authorities.
- There is no experience of such construction in Ukraine, and the hiring of, for example, foreign consultancy services and a tunnelling machine of such a capacity and diameter would be extremely expensive and add significant costs to the project. Lack of experience also raises serious concerns about the safety of its operation.
- It is still not clear how the demand for such a route among Kiev drivers will be assessed – to date no methodology has been defined. Furthermore, there is low willingness among Ukrainian drivers to pay for the use of toll roads or tunnels, so the risk that the tunnel will not be economically viable is very high.
- Experience with similar projects in western Europe such as the Herrentunnel in Germany shows that even countries with much more rigorous project development practices than Ukraine have had problems with PPP tunnel schemes.

Public involvement

Public involvement in the development of and discussion on the project is very limited. Almost all information has come from external sources such as the media. There is no detailed information about the project on the websites of the project sponsor or the Kiev authorities.

1 <http://www.ebrd.com/projects/psd/psd2008/39170.htm>

Recommendations

- The EBRD has to be pro-active and push Kiev City Council to focus on sustainable development of the city transport infrastructure, based on thorough strategic planning and the examination of alternatives including soft measures to reduce congestion. City transport plans must be subject to public consultation.
- The EBRD should make sure that the PPP structuring and pre-feasibility study for the Dnipro Tunnel PPP and the Public Sector Comparator is available to the public.

For more information

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