

# Infrastructure – what's going to change in Poland?

Andrzej Adamczyk, the new Minister of Infrastructure and Construction, has specified housing projects as the engine for the development of the Polish construction sector. The government also plans to focus on railway and road projects. These create interesting opportunities for foreign companies including developers and construction companies, especially those specialising in the development of transport infrastructure.

## Construction market: new building code

As far back as 2012, the previous PO-PSL government set up a Building Law Codification Committee, with the main objective of developing a new code for construction and town planning in Poland. This was to streamline the construction process, but also to improve spatial planning (e.g. by halting the expansion of suburbs in large cities). However, work on this proceeded very slowly. The previous government announced in its policy statement for 2015 that 2015 would see the successful adoption of the building code, but ultimately the project only reached the consultation phase, and the section on urban planning was not even completed. For the new government formed by PiS (the Law and Justice party), the invigoration of the construction sector will be more important than to its predecessors, so the completion of the code is a priority. For the key assumptions laying behind the new legislation please refer to one of our other clients' briefings dealing specifically with this issue.

## Housing: affordable homes

The new Minister of Infrastructure and Construction is regarded as the author of PiS's election slogan promising that flats would be built for PLN 2,500-3,000 (EUR 600-700) per sqm. He is now responsible for the introduction of legislation that should fulfill this promise. Adamczyk is also pushing for implementation of a solution modelled on German Bausparkassen and English building societies being a financial institution owned by its members as a mutual organisation offering banking and related financial services, in particular savings and mortgage lending. The Minister of Infrastructure and Construction will also concentrate on ensuring that all cities and towns in Poland adopt finalised zoning plans.

## Railway infrastructure: speed up investments

PKP PLK – the member of the PKP Group (Polish National Railways), responsible for ownership and maintenance of railway infrastructure across the entire country – only began to issue tenders for projects financed from the EU budget for 2014-2020 in September 2015 and, so far, none of them has been awarded. The deadlines for submitting tenders for the largest (by value) projects are the beginning of 2016. PKP PLK has PLN 67.5 billion (approx. EUR 15.7 billion) to spend by 2022 and if it does not accelerate the pace of investment, it will have to cope with a back-log of projects by the end of the decade with a risk of losing the available EU subsidies. The improvement of railway investment is therefore a priority. The new government has said that it is considering transforming PKP PLK into a government agency similar to the GDDKiA (the General Director for National Roads and Motorways) for roads.

## Roads: building program to be reviewed

According to certain experts, the current National Road Construction Programme is not achievable within both the current budget and timeline. The Minister of Infrastructure and Construction plans to reduce the investment costs currently envisaged under the Programme. This will be difficult because the minimum cost of each project is determined by EU requirements. To secure additional sources of funding for road projects, the Minister intends to set up a special-purpose vehicle that will issue project bonds to finance road construction. On top of that the Minister will have to constantly monitor the implementation of future road projects so they remain on time and avoid insolvencies among contractors which could potentially end-up in EU co-financing for these projects of being lost. The newly-appointed general director for roads and motorways, Jacek Bojarowicz, will be responsible for this monitoring process. The Minister is also under pressure to develop an e-toll system for passenger vehicles and extend charges for lorries.

## Conclusion

In the next few months, Andrzej Adamczyk will concentrate on implementing the new housing legislation as the political success of the new Minister of Infrastructure and Construction will be measured by the number of flats completed, rather than the miles of roads and railways built. Deputy Minister Piotr Stomma will carry out a fundamental restructuring of the railways, as an important criterion for assessing the effectiveness of the new Minister will be the efficiency of railway investment. Roads pose the fewest problems; tenders are already under way, so the Ministry's principle challenge is supervise these projects effectively so as to avoid delays.

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