

A WAY TO SUCCESS: CROATIAN MOTORWAYS Ltd. – A SPONSOR OR A MANAGER

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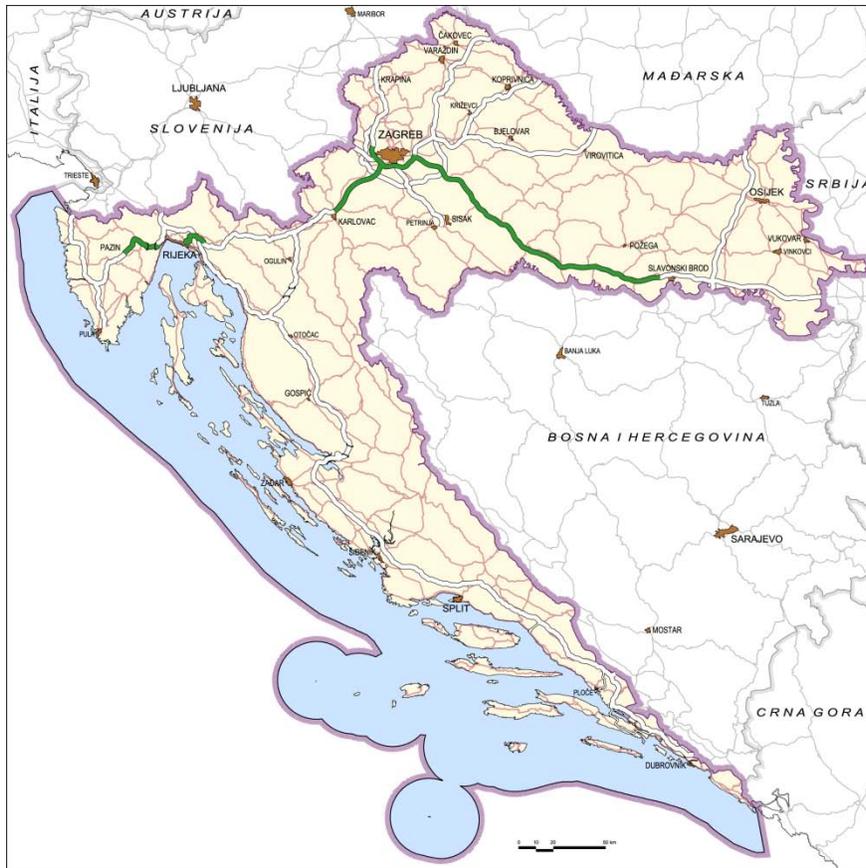
The intensive construction of motorways in Croatia that has marked the previous decade posed great challenges before all participants in what is undoubtedly the greatest Croatian infrastructure project in the history. Motorways are public good and as such are of national importance which makes the role of the Government and of Croatian Motorways Ltd. (Hrvatske Autoceste - HAC) that operate the network on its behalf very responsible. Before opening to traffic kilometres of motorways, a series of procedures had to be implemented including planning, design development and construction during which many subjects and institutions were engaged and often for long periods of time. This has resulted in such projects being subject to many political, economical, social and other impacts that directly affect their completion. The paper shows their relations and envisages the role of the investor as a sponsor i.e. operator within a specific institutional framework as is Hrvatske Autoceste company that has established, in the conditions of accelerated development, a professional, competent and motivated structure open to new knowledge and willing to accept new ideas and changes. The cooperation of all participants is a guarantee of success.

KEY WORDS: construction of motorways, the role of investor, institutional framework, success.

INTRODUCTION

An efficient transport system is of great importance for any country's economy. The development of transport infrastructure depends on political, economic and sociological conditions of regions. Since these are structures of national importance the models for the construction of this infrastructure are based on the adopted transport policy. The network of high serviceability roads in the Republic of Croatia after its achievement of independence had been very modest which is a consequence of the transport policy of ex Yugoslavia. Therefore, the transport value of its position could not be fully utilized. This has resulted in the determination of the country to undertake a project of connecting all its regions by modern motorways.

The figures witnessing the motorway completion in the times preceding the country's achievement of independence and those showing the status of motorway completion today are an evidence of a notable success of the motorway construction projects.



REPUBLIKA HRVATSKA
MREŽA AUTOCESTA

Stanje 1990. godine

Izgrađeno do 1990.

AC A1	Zagreb (Lučko) - Karlovac	(38,0 km)
AC A2	Zaprešić - Jankomir	(8,2 km)
AC A3	Jankomir - Sl. Brod zapad	(197,2 km)
AC A6	Oštrovica - Orehovica	(17,8 km)
AC A8	Cerovlje - čvor Učka	(26,6 km)

Ukupno izgrađeno **287,8 km**

Figure 1: Republic of Croatia Motorway Network

Key:

Completed by 1990:

A1 Zagreb – Karlovac	38.0 km
A2 Zaprešić – jankomir	8.2 km
A3 Jankomir – Sl. Brod west	197.2 km
A6 Oštrovica – Orehovica	17.8 km
A8 Cerovlje – Učka interchange	26.6 km
Total	287.8 km



Figure 2: Republic of Croatia Motorway Network

Key:

Completed by 2009	1196.0 km
Completed in 2009	42.3 km
A2 Slovenian border – Macelj	(0.8 km)
A5 Osijek – Đakovo	(32.5 km)
<u>A 11 Velika Gorica (South) – Buševac</u>	<u>(9.0 km)</u>
Total	1238.3 km

The determination and the support of the state has been a basic precondition for the implementation of great infrastructure projects which has been proven through long-term experience and asserted in many scientific and professional papers discussing the subject. The success of subsequent activities (creation of institutional frameworks, passing laws and regulations) depend on that support.

been summarised into eight subjects¹. They also include the importance of adjusting large projects with the institutional frameworks so that they can resist uncertainties. Based on experience it can be said that the remaining seven subjects depend on the institutional framework that is being developed. They are:

- Long, complex and critical entry phases,
- Creating coalitions within the network of relations,
- Great uncertainties and great risk,
- Development through stages of project elaboration,
- Strategic depth,
- Powerful sponsors,
- Thorough review.

The framework that is provided by Hrvatske Autoceste is successful in connecting the sponsorship role that has been shared by the Government and Management Board. The structure of the company permits a connection towards the outside but also a connection with the management of the specific project. The creation of particular portfolios that ensure collecting of their own income, distribution within the company, different types of analyses and support services give company certain independence. With this a part of the risk can be reduced or even better avoided. The projects are separated from the current political situation which is a prerequisite for their successful completion.

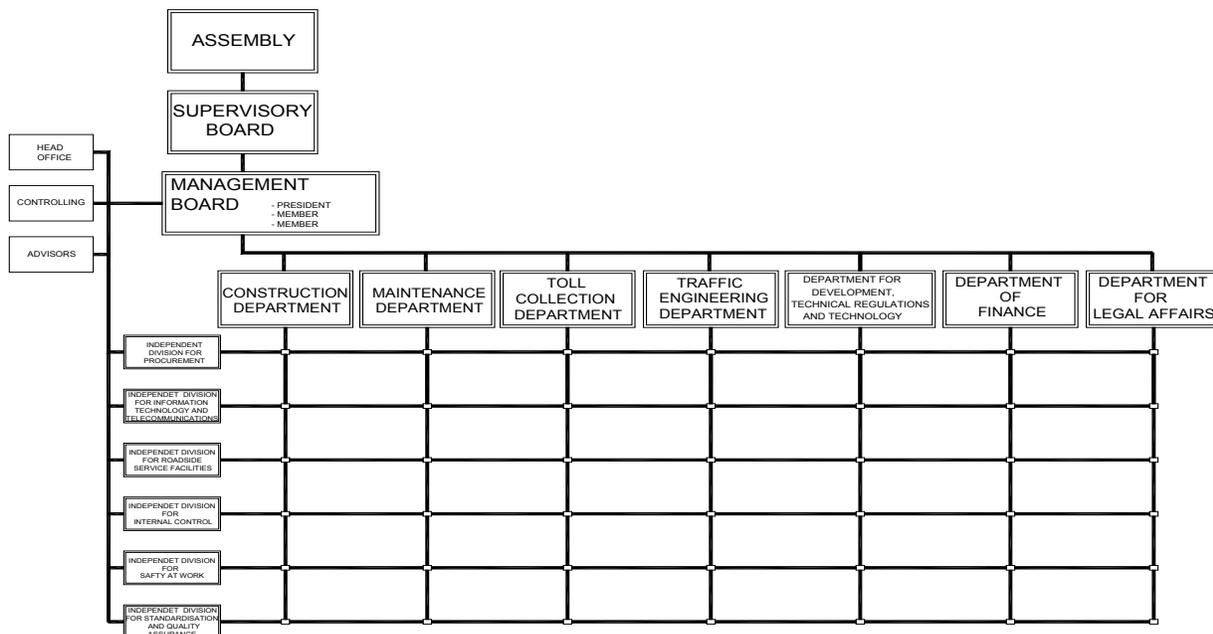


Figure 3: Organizational Structure of Croatian Motorways Ltd.(Hrvatske Autoceste d.o.o.)

¹ R. Miller; B. Hobbs: Governance Regimes for Large Complex Projects, Project Management Journal, September 2005.

However, we can't talk about full independence. Different groups, interested parties, politics through the sponsorship role influence the choice, dynamics, solution and the support to individual projects. If projects are widely supported, their preliminary stages are a lot shorter, the performance of works is faster and the financial and logistic support is considerable. Recognizing these relations and circumstances as well as the communication and relationship with the public is achieved through the company's Management.

The projects of construction of individual routes were subject to several changes in the political environment. The Zagreb to Split motorway (A1) which is one of the greatest investment and civil engineering projects ever completed in Croatia shows the continuity supported by institutional framework. The importance of this motorway which is a vital link between north and south is seen in its designation: A1. The 380 km long motorway was completed and opened to traffic in June 2005. The idea about construction of this motorway arose in different study variants as early as in the 1960's. The entire decade was marked by the elaboration of the design documents and by the preparation of investment plans for parts of roads on different routes. Unfortunately, political changes in 1971 in Croatia stopped abruptly all activities. The project was resumed in the 1970's but was soon stopped due to the lack of financing. This delay went all the way till the breakdown of the former state when the circumstances that determined the whole project changed greatly. The variants that would make use of the natural advantages of the Una river valley had to be abandoned since that route would pass through the border area of two countries. The chosen route in direction to Rijeka and Split coincides until Bosiljevo and later via Lika and Gospić it connects Zadar, Šibenik and Split. In 1997 Maslenica Bridge was completed which was the first structure on that section to be built after the country had reached its independence. At the same time Sv. Rok tunnel was built. The further step was the preparation of design development and issuance of the Transport Development Strategy. In 2000 the works on the section through Lika started. Upon completion of the part of A1 motorway to Split the works shall be resumed in direction to Dubrovnik. The project was going on under several Governments and it took about forty years. The determination of Government was crucial in overcoming all difficulties. This shows the importance of sponsor whose role is crucial for the success of the project.

INSTITUTIONAL FRAMEWORK FOR THE CONSTRUCTION OF MOTORWAYS

Successful implementation of strategies implies creating institutional frameworks that will allow the completion of the planned projects. In such institutional framework the broadest aspects that influence the strategy and management of particular projects have to be complied. A question arises: What role is to be assumed by such institutional framework? Is it a sponsorship issue or the issue of project management? It is exactly in overcoming or preferably integrating these roles where the key of success lies. In practice and in scientific works the role of sponsors has been recognized as one of the most important elements of success of a project. Bryde² /1/ stresses the

² D. Bryde; Perceptions of the impact of project sponsorship practices on project success; International Journal of Project Management; 2008; vol.26

role of the sponsor as one of the crucial factors of success. Based on experience, especially in case of large infrastructure projects the determination of the sponsor is not only a crucial factor but a requisite.

The associations and institutes that deal with the project management define sponsors and try to determine their role and significance. The definitions are reduced to two characteristics: Who assumes the risk? Who is securing financing?

Pursuant to the Public Road Act, the company Hrvatske Autoceste, (HAC) that was opened for business in April 2001 was charged with the task of construction and maintenance of motorways in Croatia.

The company is 100% state-owned, and uses its own income for business operations. The income is generated from the following sources:

- Fuel tax
- Toll income
- Charge for the use of roadside land and from roadside services
- Long-term loans.

When considering the relation between HAC and the Government of the Republic of Croatia as the owner's representative the first task would be to determine whose funds are used to build motorways and who assumes the responsibility. Clearly, in failed public projects the Government assumes the risk of public criticism, the risk of economic activities of the subjects etc. Equally, it is also clear that the funds that were distributed pursuant to the Public Road Act are collected by the Government and given to the company. It can be said that the Government has a certain role of a sponsor. The Government can make a decision on the termination or commencement of works. At the same time the Government does not make all the decisions that pertain to a sponsor. That role is on its behalf assumed by the agency or a state-owned company. Therefore, a part of the sponsor's role is assumed by the Management Board. The Management Board perceives the Government partly as a sponsor and partly as a client. Then, the Board assumes the role of a sponsor. Such relationship requires knowledge and information from several areas of social, political or technical aspects. Based on these information the Management Board can play the role of a sponsor in determining strategies and goals for the implementation of the project. Based on these findings the Management Board can play the role in determining the strategies and goals for the implementation of the project. In that regard we can talk about the messages of IPMA Competence Baseline /3/ in evaluating specific situations prior to making decisions. One of the crucial roles of the Management Board is to create structure that will permit successful completion of large projects. The way the structure works, the performance criteria and the critical factors of performance as a phase of the project implementation are not part of these contemplations. It is necessary to stress the link of the Management Board with individual projects through organisational units that either support projects or direct and review them through portfolios. The criteria and conditions for managing portfolios, programmes and projects will not be observed either.

Except for the vision of those that have initiated it, the success of each project depends on professional abilities, competence, and motivation of those that work on the implementation of the project. In other words, the qualified and motivated employees are a vital force of HAC. To lead large capital infrastructure projects a large number of highly-educated experts from different professions are required. In that regard a great progress in project management was noted that is primarily owed to the durability of the management structure. Namely, long-term experience through a range of projects has contributed to a better company structure by establishing efficient communication channels, advanced skills and ways of communication etc. At the operational level (which is a stage following the annual plan of construction) the structures are formed that are working on evaluation of the project, use of experience, development and control of plans. By strengthening the power of structures that evaluate the projects and decide on the scope and priorities based on the implemented analyses, business operations can be improved.

CONCLUSION

For the purposes of accelerated construction of motorways Hrvatske Autoceste Company was developing very quickly. A structure has been created that is dynamic and capable of reacting quickly to the changed circumstances. The very structure has changed in time in order to increase efficiency. Simultaneously with the construction staff has evolved and valuable experience has been gained. All that is motivating us to pursue the company's development and to improve business processes.

Specific characteristics of works on motorways require systematic approach to preparation, investment management, result analyses and application of experience. Besides that, the projects themselves are part of a wider structure with which they are in the interaction. That structure must support the project, but project itself contributes to the strengthening of structure. The compliance of all parts of institutional framework is a guarantee for the success of large infrastructure projects.

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