

## **Breakdown of Co-ordination between Public and Private Sector Construction Programmes in Bangkok**

The Don Muang Tollway is a 28 kilometer road built and opened between 1994 and 1998. A further 11km is due to open during 1999. The road links central Bangkok and the international airport. The new segments will connect the airport with the Second Stage Expressway (another Thai toll road).

In 1989 the Don Muang Tollway Public Company Limited (led by a German firm), received a 25-year concession from the Department of Highways to build the US \$407 million 15.4 km initial segment of the project. About 23 percent of the initial investment consisted of equity, and 32 percent was foreign debt to be repaid in eight years.

One clause in the concession agreement specified that the Government would remove flyovers on a parallel road which competes with the toll road. The Government would then construct new flyovers allowing radial movements. However the Government did not meet these clauses in the agreement for more than two years.

The Transport and Communications Ministry would not on the other hand allow toll rate increases until the flyovers were complete. The toll increases were to be from 20 to 30 Baht. Hence toll revenues were almost 30% lower than had been forecast for the period. This meant that the sponsor was threatened with Bankruptcy and the Government was required to provide significant compensation (around Baht 3 billion) in return for a 40% stake in the company thereby helping to refinance the loans. Other changes took place at the same time when the company was granted the right of construction of an extension past the airport, part of the link to the Second Stage Expressway. The company's shareholders therefore made further investments and took on more debt. In addition the Government built another 7.3km which were then to be operated as part of the DMT facility once complete.

Source: *Developing Best Practices for Promoting Private Sector Investment in Infrastructure: Roads*. 2000. Asian Development Bank.

For more on the Bangkok experience in general, see *Asian Toll Road Development Program: Review of Recent Toll Road Experience in Selected Countries and Preliminary Tool Kit for Toll Road Development*.