

# PPP funding of protection measures against natural hazards in Austria

## Premises and consequences

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- ▲ Protection measures – an overview
- ▲ Current catastrophe funding system in Austria
- ▲ Alternative approach with Public Private Partnerships
- ▲ Premises and consequences of PPP concepts

## ▲ **Passive protection measures**

- ▲ → Reduction of the damage potential (individuals, property)
  - ▲ Spatial planning  
Federal regulations regarding the use and composition of areas
  - ▲ Urban and regional planning  
Hazard zone maps, land use designation, municipal/regional land use plans
  - ▲ Legislative and executive competences in Austria spread across state (“Bund”), federal states (“Laender”) and local authorities (“Gemeinden”)

## ▲ **Active protection measures**

- Reduction of the probability of losses occurring
  - ▲ Technical or biological protection measures

# Examples for protection measures in Austria

(2006)

10.5 mio. EUR

improvement of  
the Tyrolean protection forest

63% financed by EU, state („Bund“),  
federal state („Land“)

37% financed by Tyrolean forest  
owners



Securing the Kalvarienberg Church in  
Arzl/Tyrol:



Seebachtunnel/Pitztal/Tyrol:

640 m length



Source: BMLFUW, Federal State Tyrol, municipalities

## ▲ Sources of funds:

- ▲ Source: 1.1% of Income Tax, according to Austrian Cat Fund Act (1978) (excl. Capital Gains Tax, incl. Corporation Tax)
- ▲ Thereof ~73% (approx. 270 mio. EUR p.a.)  
→ Financing of § 3 Z 4 Cat Fund Act  
= Removal and prevention of flood and avalanche events,  
passive flood protection measures according to WBFG (1985) idgF.
- ▲ Specific additional funds after flood events 2002 and 2005 on the basis of the „Hochwasseroferentschaedigungs- und Wiederaufbau-Gesetz“ 2002 and 2005
- ▲ Additional funds provided by federal states, local authorities  
Annual average 2002-2006: 131.16 mio. EUR

# Current funding system in Austria

## ▲ Resources:

<b>Revenues and Expenses Austrian Cat Fund 2002-2006</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
	in mio. EUR				
Revenues	279.33	269.62	267.6	266.09	279.55
Additional means (HWG 2002, 2005)	500.00			33.70	136.04
<b>Total_Rev p.a.</b>	<b>779.33</b>	<b>269.62</b>	<b>267.6</b>	<b>299.79</b>	<b>415.59</b>
Expenses	284.78	244.46	250.23	266.07	267.19
Expenses on basis of HWG 2002, 2005	154.57	236.67		33.70	136.04
<b>Total_Exp p.a.</b>	<b>439.35</b>	<b>481.13</b>	<b>250.23</b>	<b>299.77</b>	<b>403.23</b>
<b>Difference (Total_Rev - Total_Exp)</b>	<b>359.98</b>	<b>-211.51</b>	<b>17.37</b>	<b>0.02</b>	<b>12.36</b>

## ▲ Allocation of resources:

<b>Allocation of resources Austrian Cat Fund 2002-2006</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Average</b>
	in mio. EUR					
Preventive measures	159.70	158.27	155.16	162.27	176.31	162.34
Aid for physical and legal persons	169.70	160.61	8.92	42.57	36.59	83.68
Property damages to regional authorities	71.12	125.35	46.10	54.94	133.75	86.25
Fire brigade, warning and alarm systems	27.48	23.98	28.07	27.82	33.08	28.08
Hail insurance (subsidy)	11.36	11.85	11.98	12.18	12.13	11.90
Other		1.06			11.37	2.49
<b>TOTAL p.a.</b>	<b>439.36</b>	<b>481.12</b>	<b>250.23</b>	<b>299.78</b>	<b>403.23</b>	<b>374.74</b>

Source: Austrian Court of Audit (2008/8) on the basis of data of BMLFUW and the Austrian Federal States

## ▲ Reasons for rethinking the funding system:

- ▲ Fair distribution of financial means (Cat Fund)?
- ▲ Optimal amount of annual reserves (now 29 Mio. EUR)?
- ▲ Clear distribution of competences and responsibilities?
- ▲ Additional capacities provided by case specific laws (HWG 2002 and 2005) -- sustainable policy?
- ▲ Already partial co-financing of affected private parties – need for regulation and support!

- ▲ **PPP definition (COM(2004) 327 final):**

- ▲ *...forms of cooperation between public authorities and the world of business which aim to ensure the funding, construction, renovation, management or maintenance of an infrastructure or the provision of a service.*

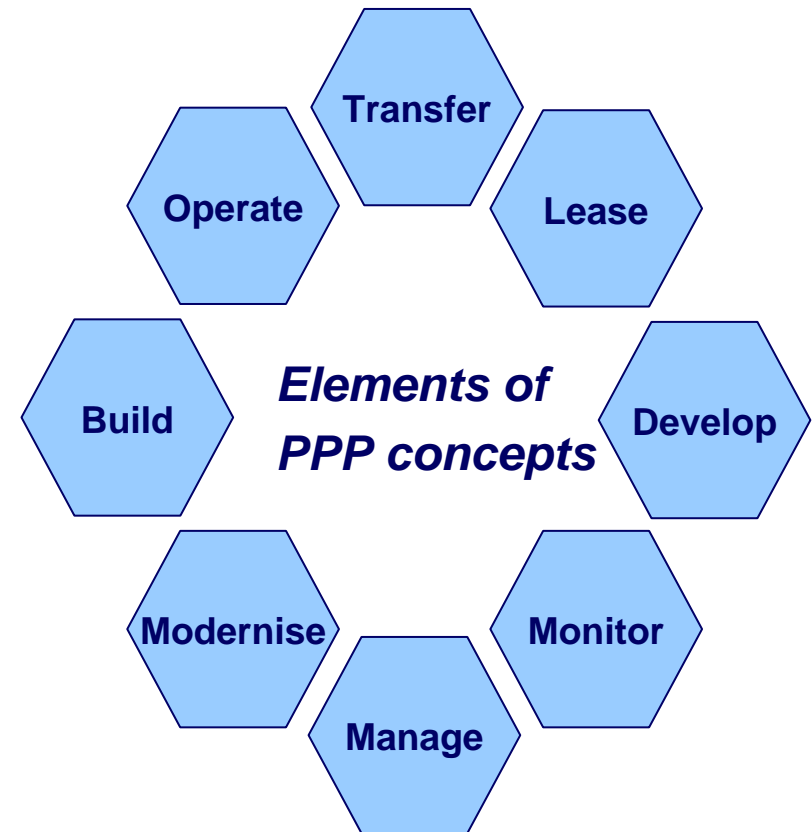
- ▲ **Potential partners:**

- ▲ Financial institutions: banks, insurance companies
- ▲ Public institutions: e.g. municipal authorities
- ▲ Small and medium sized enterprises, private individuals and interested parties (syndicates)



# Alternative approach with Public Private Partnerships

- ▲ Operator Model
- ▲ Cooperation Model
- ▲ Concession Model
- ▲ Contracting (out) Model
- ▲ Leasing Model
- ▲ Build Lease Operate Transfer Model
- ▲ Modernise Operate Transfer Model
- ▲ Other
  - ▲ e.g. specialised credit facilities;
  - ▲ subsidies, financed via capital markets



## ▲ Premises & critical issues of PPP cat funding:

- ▲ Integration of PPP into system of local affairs and objectives
- ▲ Clear distribution of responsibilities, ownership rights and duties, risk and return
- ▲ Transparency and efficiency of procurement procedure
- ▲ Due diligence and suitability tests
- ▲ Structural business plan
- ▲ Worst case and exit szenarios
- ▲ Initiative parties: private individuals, companies, local authorities
- ▲ Sources of return on investment

## ▲ Consequences of PPP cat funding:

- ▲ Amendments to hazard zones
- ▲ Redesignation of land - spatial planning
- ▲ Value enhancements of buildings and land
- ▲ Increased insurability of property

→ → Need for proper communication and planning tools

- ▲ → Need for proper **regulation and monitoring** in order to
- ▲ guarantee **responsible land use planning** and to
- ▲ avoid misuses of PPP concepts

***Thank you for listening...***

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