AT Kearney Management Consulting S.R.L.
39-41 Academiei Str.
010013 Bucharest
Romania
+40 (21) 310 63 00 (Office)
+40 (21) 310 63 83 (Fax)
www.atkearney.com
www.atkearney.ro

If Romania continues to develop its road infrastructure at the current pace, the gap with Western Europe will be closed in about 130 years?

Bucharest, May 4, 2009: Eastern European countries present the most attractive opportunities in terms of growth in road construction, as the region is significantly underdeveloped compared to the more established EU countries, shows an A.T. Kearney study.

"Having an average density of road length of just 0,34 Km/ km^2 **,** which is four times lower than that of other Central and Eastern European countries and 14 times lower than the density of developed countries, Romania shows extremely high attractiveness for the investors in this sector", explains Iulian Cîrciumaru, consultant of A.T. Kearney and author of the study.

The attractiveness of the local market is significantly increased by the fact that the Romanian government earmarked 10 billion Euro for public investments in infrastructure in 2009 and also by the fact that the European Union has available some 4,3 billion Euro for Romania, only to be accessed through development projects.

With an expected growth rate of spending for road infrastructure of 30% per year until 2012, Romania has the most dynamic market in the region, being followed in attractiveness by the Russian and Slovak markets, which are expected to grow until 2012 by 25%, respectively 20% per year. However, the high percentage growth rate is explained more by the low allocated funds for the last years than by the amount of money which will be invested in the near future.

"Even though the Romanian market will grow by 30% per year until 2012 and the market in Poland, for example, will grow only by about 11%, the funds Poland invested last year in road infrastructure are 4,5 times higher than the funds Romania invested in this sector. The gap between our country and the most developed EU states is even higher, both in terms of spending and the existent infrastructure. If it maintains its 30% annual growth rate in this sector, Romania will need between 130 and 150 years to reach the road infrastructure standards of Western European countries", said Iulian Cîrciumaru, consultant, A.T. Kearney.

During the past years there was a large gap between what politicians said they will do in terms of infrastructure and what has actually been done.

"That was not caused by a lack of funds, not by the lack of demand of better infrastructure from the population. The truth is Romania didn't do its homework in attracting EU funds and private investors. The authorities were not able to develop and execute interesting projects and public-private partnerships", said Iulian Cîrciumaru, consultant, A.T. Kearney.

In mature markets, such as the United Kingdom or France, public-private partnerships are the standard in financing projects in road infrastructure and other utilities, but in Romania these types of partnerships are almost nonexistent. While four major European players in the field of road construction are looking for opportunities to expand in Central and Eastern Europe, from 51 large infrastructure projects planned and published on the website of CNADNR (Compania Nationala de Autostrazi si Drumuri Nationale din Romania) only two are financed through concession.

"In the current economic crisis, each country is trying to get a better position in the competitiveness race and in attracting foreign investors. Some companies are reviewing the way of getting more synergies out of the region and they are considering relocating the regional headquarters in order to achieve that. Other companies are planning to relocate production facilities in order to streamline their supply chain and to reduce costs. Romania will be attractive for these foreign investors only if it invests heavily in infrastructure. In addition to that, it has to develop its infrastructure homogenously in the entire country. Otherwise, the resources in Bucharest and in a few other cities which attract the vast majority of the funds will be overpriced, as it happened during the last few years. That would make some of the investors to look for opportunities in other countries", explains Michael Weiss, Vice President of A.T. Kearney.

Romania has already lost to some extent its attractiveness as an outsourcing destination during the past few years because of the very high salary growth rates and the lack of infrastructure. In 2006, Romania was ranked 24th and now went down to the 33rd place in the ranking of outsourcing destinations. In the same time, in the last A.T. Kearney Foreign Direct Investment Confidence Index, Romania was not anymore one of the most attractive 25 countries for foreign investors.

ATKEARNEY is a global strategic management consulting firm known for helping clients in gaining lasting results through a unique combination of strategic insight and collaborative working style. The firm was established in 1926 to provide management advice concerning issues on the CEO's agenda. Today, they serve the leading global and regional clients in all major industries. A.T. Kearney's offices are located in major business centers in 34 countries. AT Kearney is present in Romania since 2003 across industries with local and international consultants. A.T. Kearney office is placed in the center of Bucharest

If you have further questions regarding A.T. Kearney studies, please contact us.

Contact Person for Media Relations:
Daniel Catana
A.T. Kearney Management Consulting
+ (4) 0723 968 753
daniel.catana@atkearney.com