



INFRASTRUCTURE COMMITTEE

January 11, 2007
9:30 a.m.— 12:00 p.m.
404 HOB

ACTION PACKET

Marco Rubio
Speaker

Mike Davis
Chair

COMMITTEE MEETING REPORT

Committee on Infrastructure

1/11/2007 9:30:00AM

Location: 404 HOB

Attendance:

	<i>Present</i>	<i>Absent</i>	<i>Excused</i>
Mike Davis (Chair)	X		
Susan Bucher	X		
Greg Evers	X		
Richard Glorioso	X		
Ed Hooper	X		
Jimmy Patronis	X		
Scott Randolph	X		
Michael Scionti			X
Nicholas Thompson	X		
Totals:	8	0	1

COMMITTEE MEETING REPORT

Committee on Infrastructure

1/11/2007 9:30:00AM

Location: 404 HOB

Workshop

Public-Private Partnerships in Transportation Projects

COMMITTEE MEETING REPORT

Committee on Infrastructure

1/11/2007 9:30:00AM

Location: 404 HOB

Other Business Appearance:

Public-Private Partnerships

Lowell R. Clary, Assistant Secretary (Lobbyist) (State Employee) (At Request Of Chair) - Information Only

Department of Transportation

605 Suwannee Street

Tallahassee Florida 32399

Phone: 850-414-5215

Public-Private Partnerships

Karren Hedlund, Partner (At Request Of Chair) - Information Only

Nossaman Guthner Knox & Elliott LLP

2111 Wilson Blvd

Arlington Virginia 22201

Phone: 703-351-5010

Public-Private Partnerships

Carlos R. Ugarte, Director US Head of Business Development (At Request Of Chair) - Information Only

Cintra

7700 Chevy Chase Drive

Austin Texas 78752

Phone: 512-637-8545

COMMITTEE MEETING REPORT

Committee on Infrastructure

1/11/2007 9:30:00AM

Location: 404 HOB

Summary: No Bills Considered

***House Committee on Infrastructure
Workshop on Public-Private Partnerships
January 11, 2007***



**Lowell R. Clary, Assistant Secretary
Finance and Administration**

Why P3s or PPPs?

- Stress on Transportation Revenue Streams
- Re-use/Expansion of Existing Corridors and New Corridors
- Major interest from international P3 firms to invest in the United States

State Revenue Impact

- Over Fifteen years growth from traditional transportation revenue sources robust or stable
- FY 2005/06, actual receipts were \$14 million below estimate
- November 2006 Transportation Revenue Estimating Conference (REC) reduced forecasted revenues for transportation, with a negative impact of \$150 million on the Work Program



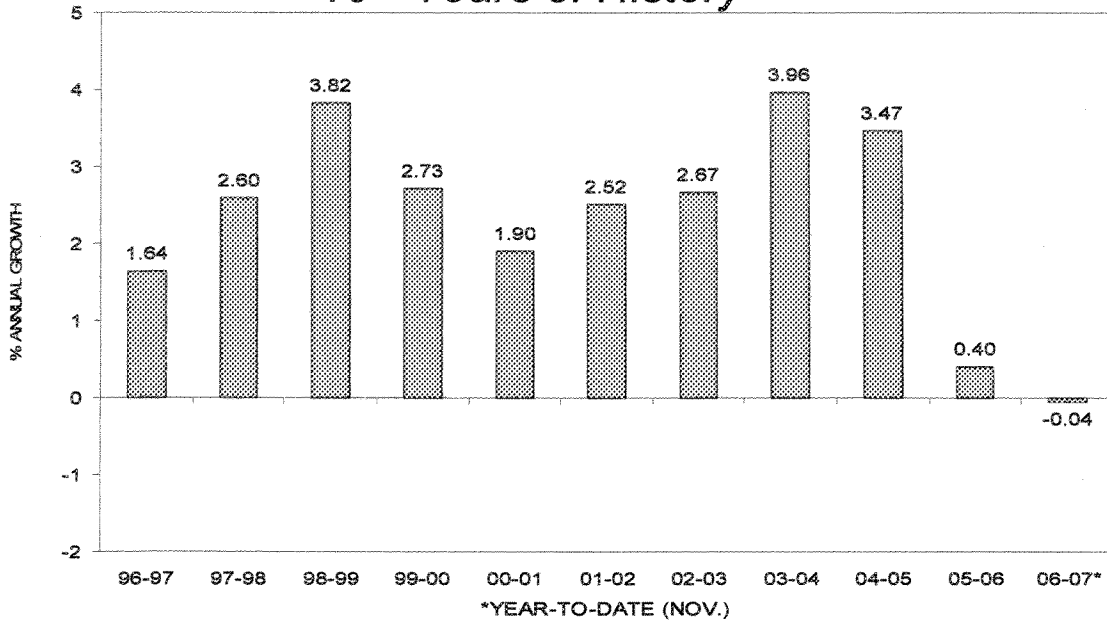
State Revenue Impact

- Primary reason for reduction:
 - *Lower than expected motor fuel consumption*
 - *Shift in vehicle registration from large to medium vehicles*
- Through December 2006, FY 2006/07 actual receipts are \$19.7 million below the revised (lower) REC estimates



Motor Fuel Consumption

10+ Years of History



National Revenue Outlook

- Congress consumed all available funds in the National Highway Trust Fund through Federal FY 2008-09 in funding the last six-year Transportation Act (SAFETEA-LU)
- Federal revenue estimates are also tracking lower than originally forecasted for SAFETEA-LU
- Congress is faced with a transportation funding "problem" as early as 2008

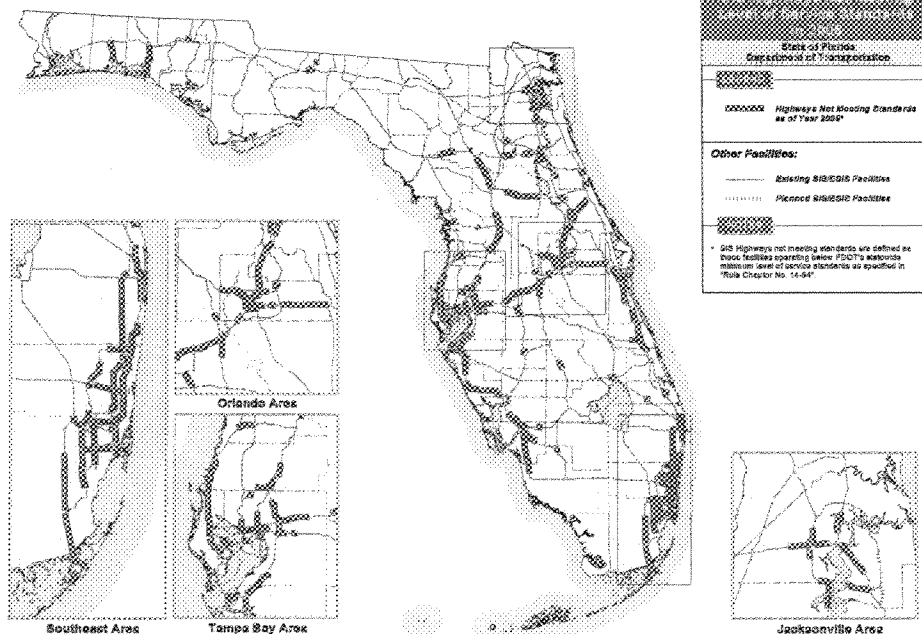


DOT Work Program

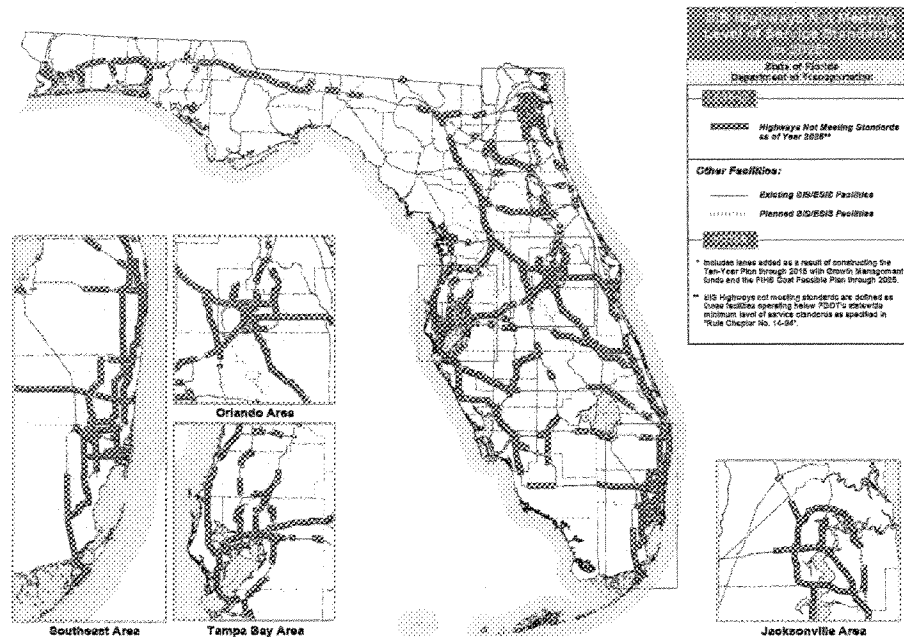
- Work Program covers five-years and is updated by adding a new fifth year annually and making adjustments as needed to the “common” four years from one cycle to the next
 - Any loss in revenue, regardless of amount, will likely cause project slippage and possible deferral outside the Work Program
 - A continued trend in the decline in revenues compared to current estimate will create an inability to deliver the Work Program and longer-range plans beyond the five-years



Congestion in 2005



Congestion in 2025



Corridors Plan

- Governor Bush/Transportation Commission challenged the DOT to develop a “Corridors” plan to better move people and goods in Florida
- Plan was published and released on December 29, 2006
- Plan development included a public process including multiple public meetings with key stakeholders



Corridor Update

- Implementation of the Future Corridors Program is underway with the next steps expected to include:
 - Create Statewide Advisory Group
 - Accelerate Regional Visioning Activities
 - Accomplish Additional Partner and Public Involvement Activities
 - Initiate Prototype Future Corridor Studies
 - Identifying Funding Policies and Options



Current Studies

- Future Corridors are likely middle and longer-range (10 to 50 years)
- There are a number of “re-use” and new corridors studies that are nearer term across the state
- Over 91% of new corridors in Florida over past 15 years are toll facilities
- Likely future new corridors and possibly new lanes on re-use corridors to be tolled



Long History of Public Private Partnerships

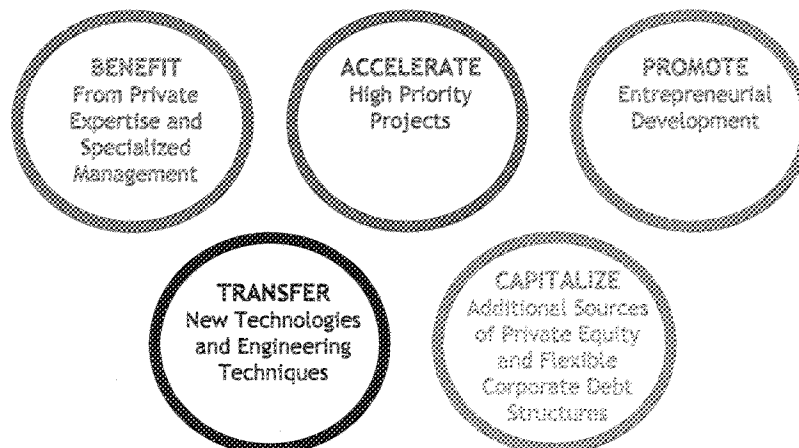
- Outsourcing Partnerships
 - 100% of roadway/bridge construction
 - Over 80% of engineering work
 - Over 80% of maintenance
- Periodic private sector “equity” investments
 - Right of Way donations
 - Cash investment such as for Interchanges
- “Advanced” on Innovative contracting



Purpose of Public Private Partnerships

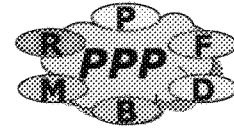
PUBLIC PRIVATE PARTNERSHIPS

...have many forms and seek to provide the public sector with a variety of benefits



Global Use of PPPs – Since 1985

- PPPs expedite infrastructure development
 - \$887 billion in projects planned or built
 - About 2,100 projects
- PPP road projects are the largest category
 - \$325 billion - 36%
 - 656 projects
 - Mostly toll highways – 66% of PPP road projects
- Most PPP road projects in Europe and Asia
 - Europe – 43%
 - Asia - 26%
- Most PPP road projects by concession or Build Operate Transfer (BOT)/Build Transfer Operate (BTO)
 - Concession – 39%
 - BOT/BTO – 26%



Source of Data: 2004 International Public Works Financing Projects Database



15

Use of PPPs in the U.S. – Since 1985

- PPPs increasingly used to expedite infrastructure development:
 - \$104 billion in projects planned or built
 - 364 projects
- PPP road projects are the largest category
 - \$42 billion - 40%
 - 73 projects
 - Mostly toll highways – 62% of PPP road projects
- Most PPP road projects done by Design Build Operate and Maintenance (DBOM) or Design Build (DB)
 - DBOM – 37%
 - DB – 24%



Source of Data: 2004 International Public Works Financing Projects Database



16

Factors Driving Privatization

- Established PPP Market and Industry Internationally
- \$1.6 trillion transportation infrastructure needs nationally in the next 5 years
- Successive federal highway and state innovations authorizing and encouraging PPPs:
 - Federal: SEP-14, ISTEA, NHS Act, TEA-21, SEP-15, SAFETEA-LU
 - State: PPP law update, Future Corridor Program, Turnpike and Expressway Authorities, Innovative Contracting law



Factors Driving Privatization

- Non-U.S. Market Becoming Saturated
- **Money** ready to invest in U.S.:
 - Significant supply of equity capital
 - Historically low overall interest rate environment and low returns on comparable equity investments
 - Concessions typically provide long-term inflation-protected returns
 - Toll roads typically have favorable pricing power compared to other private sector investments



Florida Tolling Model

- Toll Systems leverage overall system to improve existing facilities and build new toll facilities:
 - Turnpike System
 - Authorities like Orlando-Orange Co. Expressway Authority and Miami-Dade Expressway Authority
- Start Up Toll Facilities generally subsidized to jump start:
 - Toll Facilities Revolving Trust Fund loans, Operations & Maintenance (O&M) covenants/subsidies
 - DOT operates/maintains
 - Tampa South Crosstown, Mid-Bay Bridge



Tolling and PPPs

- New Corridors likely to be financed through tolling:
 - Demonstrated willingness to accept/use toll facilities in most major urban areas
 - Examine and consider all possibilities including PPPs and existing models for tolling
 - PPPs may offer advantages in some situations to advance the corridor forward



Bottom Line

Toll Road PPPs Can Make Both Fiscal and Transportation Sense

- Large majority of PPPs involve toll facilities
- Can make the pie bigger
- Access to global capital and expertise
- Policy issues must be outlined and discussed
 - Identify pros and cons
 - Develop solid process



New "Fashion" or Long-Term Trend?

- Long term erosion of transportation revenues
- Pent-up transportation demand
- Increasing cost of roadway construction
- Flexible financing tools
- Improved federal laws on tolling



Environment for Success

- Entrepreneurial Vision
- Political Support
- Executive Leadership and Organizational commitment to innovation
- Risk management philosophy
- Ability to respond to diverse proposals



23

PPP Model

- PPP is a tool
- PPP has both strengths and weaknesses
- PPP likely to be exception, not rule for delivery of transportation projects



24

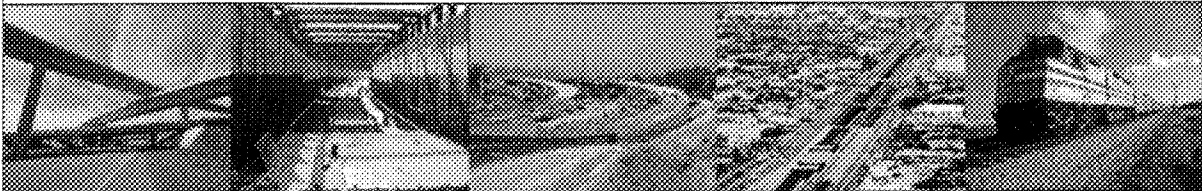


FLORIDA HOUSE COMMITTEE ON INFRASTRUCTURE

Nuts and Bolts of Public-Private Partnerships

January 11, 2007
Tallahassee, Florida

**KARREN J. HEDLUND
NOSSAMAN GUTHNER KNOX & ELLIOTT LLP**



© Copyright, 2007 Nossaman Guthner Knox & Elliott, LLP. All Rights Reserved.

1

TYPES OF PPPS

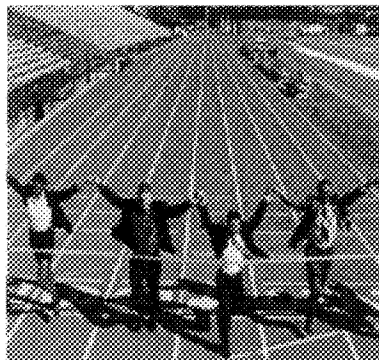
- **Design-Build**
 - **Design-Build + Operation and Maintenance**
 - **Design-Build + Finance**
 - **Design-Build + Finance + Operate**
 - **Concession**

Key Public Sector Objectives

- **Effective Competitive Procurement Methods**
- **Maximize Private Sector Investment and Risk Sharing**
- **Limited Public Financial Exposure**
- **Reasonable Tolling Structure and Profits**
- **Opportunity for Revenue Sharing**
- **Quality Design, Construction, Operation and Maintenance**
- **Effective Assurances of Performance**
- **Effective Remedies**
- **The Right Legislation**

3

EFFECTIVE COMPETITIVE PROCUREMENT METHODS



4

EFFECTIVE COMPETITIVE PROCUREMENT METHODS

- **When and How to “Marry Up”**
 - **“Hard Money” PPP – Characteristics:**
 - **Public partner defines project**
 - **Clears it environmentally**
 - **Achieves public consensus on project and PPP**
 - **Validates financial feasibility**
 - **Sets toll rate schedule**
 - **Develops complete business and contract terms, technical specifications**

5

EFFECTIVE COMPETITIVE PROCUREMENT METHODS

- **“Hard Money” PPP - Nature of Competition**
 - **Competing hard money bids**
 - **Qualifications submittal and short listing**
 - **Industry workshops**
 - **One-on-one proposal meetings**
 - **Alternative technical concepts**
 - **Stipends**
 - **Competing hard money bids**
 - **Proposer assembles design, construction, O&M pricing and forces**
 - **Proposer delivers firm equity/debt commitments**
 - **Selection primarily a price competition**

6

EFFECTIVE COMPETITIVE PROCUREMENT METHODS

- **“Hard Money” PPP – Examples:**
 - **Wide international use; little domestic use**
 - **SH 121**
 - **Asset leases**

7

EFFECTIVE COMPETITIVE PROCUREMENT METHODS

- **“Predevelopment” PPP – Characteristics:**
 - **PPP formed at beginning or during environmental process**
 - **Complex, large development project**
 - **Project configuration fluid**
 - **Finance plan rudimentary or non-existent**
 - **Preliminary T&R analysis done and suggests financial feasibility**
 - **Public partner may lack funds, resources to progress project**

8

EFFECTIVE COMPETITIVE PROCUREMENT METHODS

- **“Predevelopment” PPP – Nature of Competition:**
 - **Selection is qualifications based**
 - Project understanding
 - Conceptual development and finance plans
 - Track record
 - Pricing of pre-development work
 - **Successful work earns exclusive right to negotiate concession agreement**

9

EFFECTIVE COMPETITIVE PROCUREMENT METHODS

- **“Predevelopment” PPP – Examples:**
 - **Wide domestic use, little international use**
 - **Virginia – Pocahontas, I-81 Truck Lanes, I-95/395 HOT Lanes, Dulles Rail Corridor**
 - **Texas – TTC-35, SH 130 Segments 5& 6, TTC-69**
 - **Oregon – Sunrise, Newberg – Dundee, I 205 South Corridor**
 - **Washington – Tacoma Narrows**
 - **California - SR 125, SR 91**

10

EFFECTIVE COMPETITIVE PROCUREMENT METHODS

	<u><i>Predevelopment PPP</i></u>	<u><i>Hard \$ PPP</i></u>
Private partner participation in predevelopment work	Strategic partner	Minimal Role
Project definition	Strong	Weak
Environmental review	Technical and economic analysis	None
Preliminary T&R work	Yes	No
Investment grade T&R study	Yes	Yes
Value engineering	Yes, all stages	Only via Alternative Technical Concepts at proposal stage, and post-award design
Stakeholder relations	Possibly	More limited

11

EFFECTIVE COMPETITIVE PROCUREMENT METHODS

	<u><i>Predevelopment PPP</i></u>	<u><i>Hard \$ PPP</i></u>
Technical specification development	Direct participation	Only via industry draft review and comment
Financial planning analysis	Yes	No
Nature of Competition		
Predevelopment contract	Qualifications	N/A
Concession contract	Sole source negotiation (price reasonableness analysis)	Price competition
Transparency	Less	More

12

EFFECTIVE COMPETITIVE PROCUREMENT METHODS

- **What is best public sector role?**
 - **“Hard Money” PPP – public sector is “proxy” for private sector innovation and efficiency in:**
 - **Project definition**
 - **Engineering**
 - **Environmental solutions**
 - **Financial analysis**

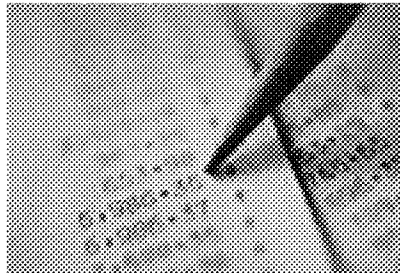
13

EFFECTIVE COMPETITIVE PROCUREMENT METHODS

- **Predevelopment PPP – public sector is “proxy” for private market competition over**
 - **Price**
 - **Risk allocation**
 - **Contract terms**

14

LIMITED FINANCIAL EXPOSURE



15

LIMITED FINANCIAL EXPOSURE

- **Public sector needs reduced capital expenditure, reduced exposure to claims from unanticipated events**
- **Revenue-positive projects – financial model indicates toll revenues fully pay debt and return on equity**
 - No public capital needed
 - Up-front cash payment
- **Revenue-negative projects – financial model indicates public sector financial contributions needed to fill gap in private investment**

16

LIMITED FINANCIAL EXPOSURE

- **Revenue risk**
 - Real toll concession – no public sector revenue risk
 - Availability payment concession – public sector takes revenue risk
 - Maximizes use / minimizes diversion
 - More stable revenue stream
 - Higher gearing, lower coverage ratios
- **Other risk transfers**
 - Cost escalation
 - Differing site conditions
 - Hazardous materials management/remediation
 - Change in law
 - Force majeure
- **Getting value for money**

17

REASONABLE TOLLING STRUCTURE AND PROFITS



18

REASONABLE TOLLING STRUCTURE AND PROFITS

- **Public sector needs:**
 - Maximize its income?
 - Minimize toll rates?
 - Prevent excessive profit?
 - Manage traffic demand and congestion?
 - Depoliticize setting toll rates?
 - Toll exemptions for critical public purposes?
- **Tools:**
 - Indexed toll rate schedule – caps future toll rates, depoliticizes
 - Set initial rates
 - Use stated rates of increase and/or inflation indices for capping future toll rate adjustments
 - CPI, GDP, GSP, ECI

19

REASONABLE TOLLING STRUCTURE AND PROFITS

- **Toll Pricing – congestion management**
 - Dynamic toll rates varying by time of day, level of congestion
 - SR91, San Diego, SH 121
- **Banded revenue sharing – generates public partner revenues, prevents excessive profit**
 - Public partner takes escalating share of toll revenue as rate of return increases
 - Examples:
 - Pocahontas: 40% of real net cash flow after IRR on total investment = 6.5%; 80% after IRR=8.0%
 - Segments 5 & 6: 4.65% of gross revenue until IRR on equity = 11%; 9.3% of next band of gross until IRR = 15%, 50% of all further gross

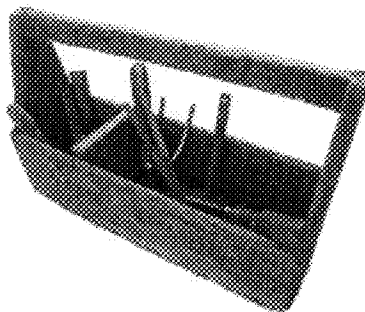
20

REASONABLE TOLLING STRUCTURE AND PROFITS

- **Maximum return on equity/investment – prevents excessive profit, depoliticizes**
 - Agree on maximum rate of return
 - When maximum hit, either 1) public sector receives revenue and private sector provides operating services for a fee, or 2) PPP terminates
- **Shadow tolls and availability payments – reduce or eliminate tolls, prevent excessive profits, depoliticize**
- **Toll exemptions / suspensions**
 - Police , fire, emergency vehicles
 - Transit vehicles
 - School buses
 - Suspend tolls for mass evacuations, emergency traffic diversions

21

QUALITY DESIGN, CONSTRUCTION, OPERATION AND MAINTENANCE



22

QUALITY DESIGN, CONSTRUCTION, OPERATION AND MAINTENANCE

- **Traditional Approach**
 - Public agency establishes detailed standards, designs and specifications
 - Private contractor constructs, then exits
 - Public agency exercises strong control over construction, including QA/QC, testing, inspection, monitoring, acceptance
 - Public agency maintains and operates

23

QUALITY DESIGN, CONSTRUCTION, OPERATION AND MAINTENANCE

- **PPP Approach**
 - Private partner designs, constructs, operates, maintains
 - Private investors and lenders will not accept traditional public sector control
 - How can public partner assure quality?

24

QUALITY DESIGN, CONSTRUCTION, OPERATION AND MAINTENANCE

- **Tools**
 - **Performance-based measures and standards – specify outcomes, and inspections to measure outcome achievement**
 - **Private partner project management plan – procedures, processes, quality management systems for all aspects of work. Subject to public partner approval**
 - **Private partner responsibility for acceptance testing and inspection**

25

QUALITY DESIGN, CONSTRUCTION, OPERATION AND MAINTENANCE

- **Use of Independent Engineer**
 - **Field inspections, monitoring and auditing**
 - **Document review and audits for compliance with management plan and performance standards**
 - **Verification testing (at lesser frequency than private partner's testing)**
 - **Reporting to both parties**
 - **Measures to assure independence**

26

QUALITY DESIGN, CONSTRUCTION, OPERATION AND MAINTENANCE

- Regular performance measurement inspections and reports by private partner to determine and maintain asset condition
- Public partner audit and monitoring of IE and private partner, and spot testing and inspection
- Renewal and replacement scheduling and reserves
- Handback requirements

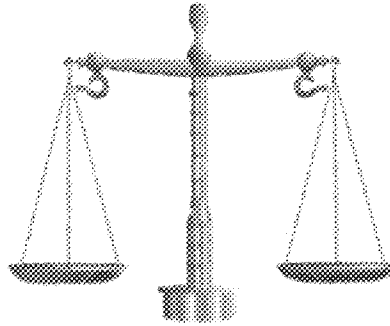
27

QUALITY DESIGN, CONSTRUCTION, OPERATION AND MAINTENANCE

- **Changes in Standards**
 - What is private sector obligation to conform to future changes in standards?
 - PPP solutions vary
 - Conform at public partner's election and expense (cost and revenue impacts)
 - Conform at private partner's expense
 - Sharing of cost risk

28

BALANCED APPROACH TO COMPETING FACILITIES



29

BALANCED APPROACH TO COMPETING FACILITIES

- **Public Sector Need** - right to build other projects over time to address traffic safety and system capacity issues
- **Private Sector Need** - protection of the originally expected revenue stream

30

BALANCED APPROACH TO COMPETING FACILITIES

- **The Mistakes of SR91**
 - Contract prohibited operation of competing facilities
 - Exceptions too narrow
 - Result: Private partner had, and exercised, legal right to enjoin expansion of free lanes on SR91
- **The Lessons Learned**
 - The sole remedy is \$ to cover net revenue impact
 - No right to enjoin. Public sector free to build whatever it wants

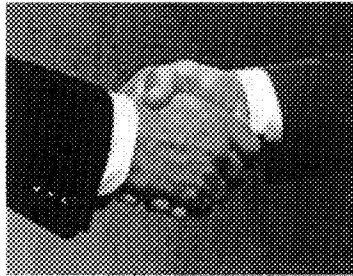
31

BALANCED APPROACH TO COMPETING FACILITIES

- **Exceptions for:**
 - All projects identified in transportation plans
 - All projects outside a "competing facilities zone"
 - Improvements for safety, maintenance or operational purposes
 - Certain capacity improvements – ITS systems, metering devices, intersection grade separations, restriping that adds lanes
 - HOV/HOT lane additions on other roadways
 - Transit and other non-highway projects
 - All projects outside public partner's control

32

EFFECTIVE ASSURANCES OF PERFORMANCE



33

EFFECTIVE ASSURANCES OF PERFORMANCE

- **Public Sector Need - effective security for performance of private partner's obligations**
- **Traditional Approach – 100% payment and performance bonds; parent guarantees**
- **PPPs**
 - **Private partner aversion to:**
 - Parent guarantees or other recourse to assets of parent companies
 - Posting bonds
 - **Alternative security**
 - Lender skin in the game
 - Bonds from design-build contractor
 - Guarantees from parents of design-build contractor, O&M contractor
 - Letters of credit for specific obligations – routine O&M; renewal and replacement work; handback work
 - Reserves

34

EFFECTIVE REMEDIES



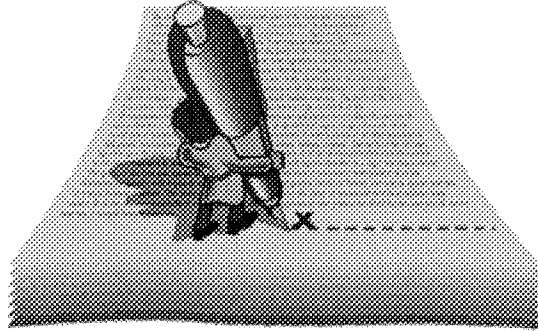
35

EFFECTIVE REMEDIES

- **Scale remedies to the type and severity of breach**
- **Liquidated damages – for delayed completion, noncompliance with routine covenants**
- **Step-in rights, including receivership**
- **Work suspension during construction**
- **Anticipatory breach and assurances of future performance for persistent default**
- **Termination for major uncured default**
 - **Lender rights to notice and cure**
 - **Termination compensation to private partner**

36

THE RIGHT LEGISLATION



37

THE RIGHT LEGISLATION

- **Must have:**
 - PPP contracting authority
 - Tolling authority, including electronically and after debt repaid
 - Good toll enforcement mechanisms (video tolling; DMV data access; late fees; levying driver's license/registration; civil suits)
 - Privacy protections for users
 - Authority to mix public and private capital funding
 - Private partner ability to sue, collect judgments from public partner
 - Authority to issue toll revenue bonds

38

THE RIGHT LEGISLATION

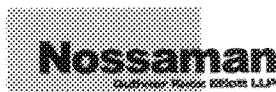
- **Right to condemn property for a project that private sector will lease and operate as a business**
- **Flexible procurement and negotiating authority, including selection based on other than lowest price**
- **Protection of private partner's trade secrets and proprietary information from public disclosure**
- **Requirement for utilities to timely relocate for PPP projects**
- **Authority for less than 100% payment and performance bonds, and bonding at contractor level**
- **Relief from subcontractor listing law**
- **Flexibility to adopt rules, specifications and manuals tailored to PPPs**

39

CONTACT

Fredric W. Kessler, Esq.
Nossaman Guthner Knox & Elliott LLP
445 S. Figueroa Street
Thirty-First Floor
Los Angeles, CA 90071
Phone: (213) 612-7829 Fax: (213) 612-7801
fkessler@nossaman.com

www.nossaman.com



40



Cintra

*Florida House Committee
on Infrastructure*

Carlos Ugarte

US Head of Business Development

January 2007

The European Shift to PPP



- Mobility growth: vehicles tripled from 1970 - 2000
- Political willingness to improve cross-European corridors
- Growth in international traffic
 - Concern regarding infrastructure cost sharing
- Limited budget capacity – Maastrich restrictions
- Willingness to increase private sector involvement
 - Unlock access to private funds
 - Innovative management tools
 - Prioritization of public resources: education, health, environment
- Traditional public procurement malfunctions (cost & time overruns)

The Current US Mobility Crisis



Congestion is Increasing...

The average annual delay for every person using motorized travel in the peak periods in the 95 urban areas studied climbed from 16 hours in 1982 to 47 hours in 2003. The total cost of congestion delay is about \$65 billion annually.

Source: The 2003 Urban Mobility Report - Texas Transportation Institute

Funding is Decreasing...

By 2015, U.S. states could have a cumulative (surface transportation) funding deficit of \$1 trillion. In 2005, the gap was \$42 billion on road maintenance, \$91 billion for improvements.

Source: "Surface Transportation Funding: Options to States," National Conference of State Legislatures, 2005

The Public Supports Change

	% Agree
Members of Congress should fight to ensure sufficient funding for transportation projects in their local area.	87%
The nation's highway and mass transit network is extremely or very important to the U.S. economy.	81%
Investment in highways, bridges and mass transit should be an important element in homeland security.	79%
America is facing a transportation capacity crisis.	67%

Source: U.S. House Committee on Transportation and Infrastructure, 2003 Zogby Poll

The Case for Private Development of U.S. Transportation Facilities



"In a time of funding shortages at all levels of government, it is particularly important that we look at opportunities for the private sector to participate in funding transportation infrastructure improvements."

Mary Peters
U.S. Secretary of Transportation

USDOT Report to Congress on PPPs – Dec '04



Value of Public Private Partnerships

- PPP's can result in significant project cost savings
- PPP's enable States to build Projects sooner
- Cost and time savings from innovative project management
- PPP's allow for the allocation of risk to the Party best able to manage risk
- PPP's encourage innovations and incorporation of life-cycle costs that leads to the delivery of a higher quality transportation facility
- Risks and challenges of PPP procurement
- International PPP's and Private Finance Initiatives

Delivering Answers



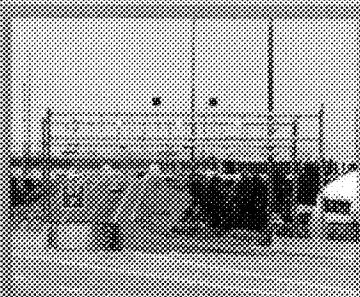
Public Private Partnerships



Multi-modal Corridors



Toll Road Solutions

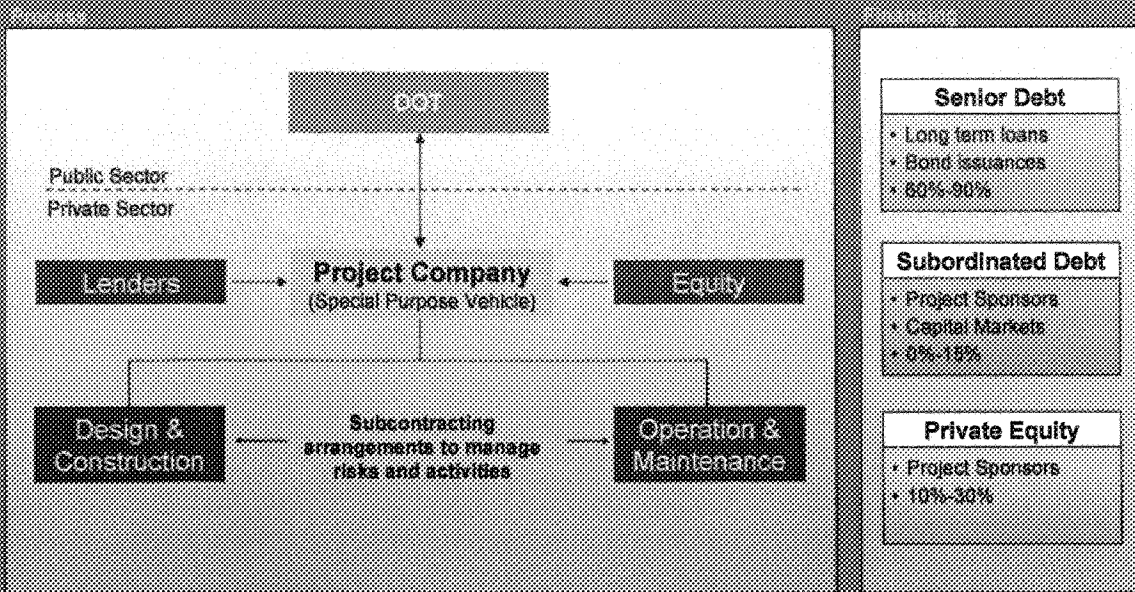


"Transportation is about more than asphalt, concrete and steel. It's about the economy. It's about national security. It's about human services—about the person making the transition from welfare to work, seeking opportunity."

U.S. Transportation Secretary Ray LaHood
November 2006

Public Private Partnerships

How They Work



- Senior Debt**
 - Long term loans
 - Bond issuances
 - 60%-90%
- Subordinated Debt**
 - Project Sponsors
 - Capital Markets
 - 0%-15%
- Private Equity**
 - Project Sponsors
 - 10%-30%

Public Private Partnerships

Public Sector Benefits



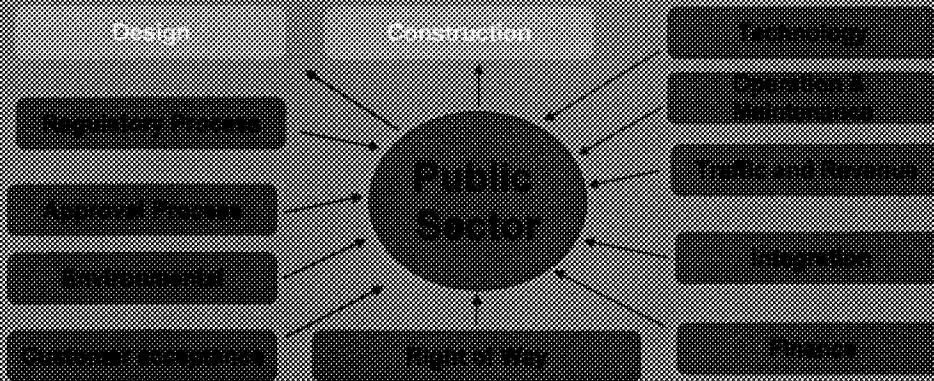
	PPP	Traditional
Brownfield Projects		
• Fast easy and transparent process (< 6 months from RFP to closing)	●	●
• Maximum asset value for the Grantor (leverage, ratings, etc.)	●	●
• Liquidity available for other investment priorities	●	●
• Reduced highway maintenance expenses	●	○
• Reduction in CAPEX budget for major expansion needs	●	○
Greenfield Projects		
• Fast development time (earmarking)	●	●
• Streamlined construction process (turnkey contracts, fixed prices)	●	○
• New assets generate public sector revenue with no gov't investment or future obligations	●	○
• Customer-orientation, ownership mentality: maintenance, quality, technologies	●	●

Traditional development model

in Public Sector



Traditional allocation of risks – Bid/ build procurement



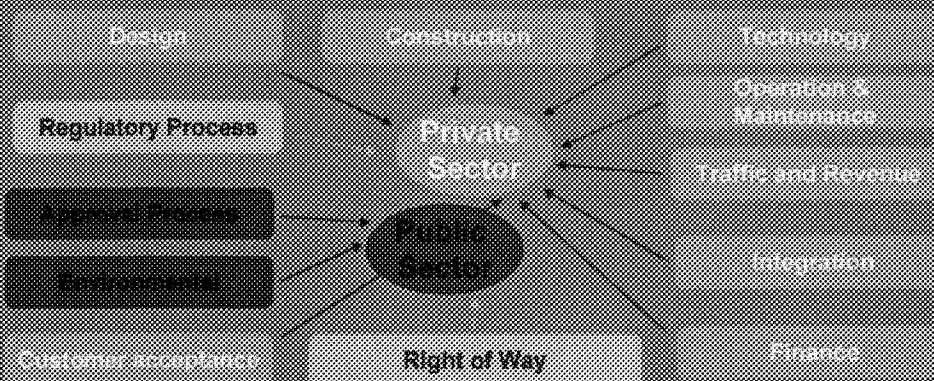
Misaligned interests between contractor and Public Sector

Public Private Partnerships Model:

risk allocation



Concession model – Allocation of risks



Aligned interests between concessionaire and Public Sector

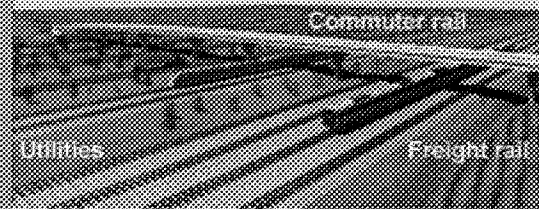
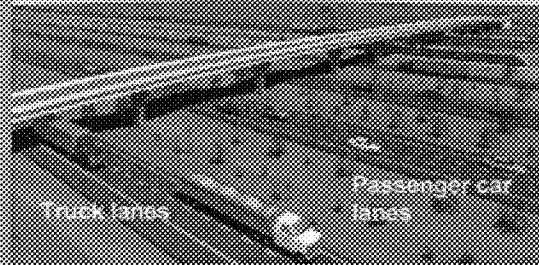
Multi-modal Corridors

Evolutionary Concept



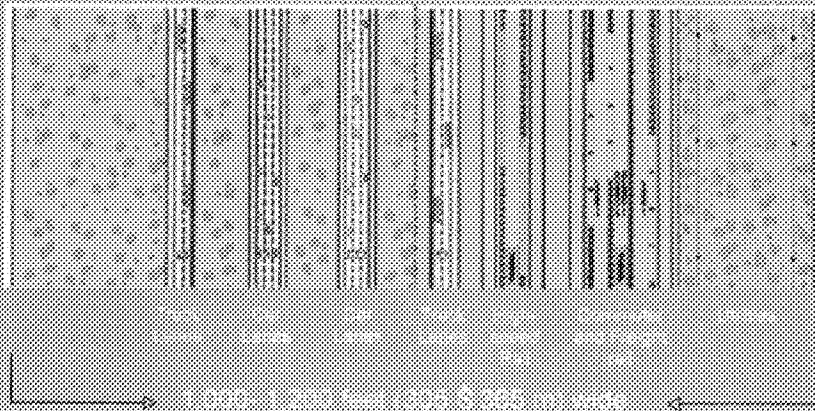
Integrated Elements

- **Light vehicles:** 3 lanes each way (3 x 2)
- **Heavy vehicles:** 2 lanes each way (2 x 2)
- **Rail:** 6 lanes (high-speed, commuter and freight)
- **Utilities:** water, energy (natural gas and oil pipelines), tele-communications, optical fibre and high-tension power lines



Multi-modal Corridors

Efficient Footprint



Less total land required

Reduced travel times (up to 85mph)

Helps improve air quality

Safer HazMat cargo route

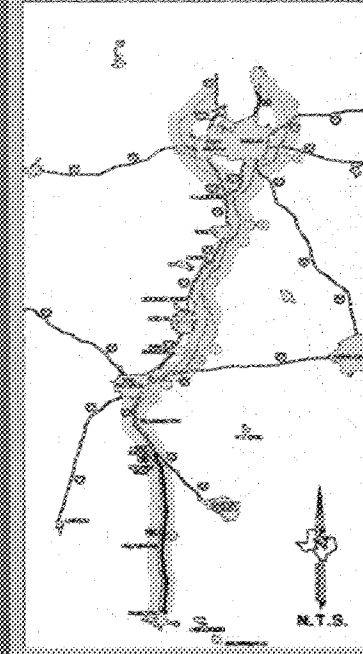
Financed by users via tolls

Multi-modal Corridors

Texas Corridor-35



- A 50-year concession project: Cintra leads a consortium that includes Zachry (Texas based Construction Company)
- Project objectives:
 - **Economic development:** TTC-35 will parallel to the oversaturated I-35, the main artery of NAFTA
 - **Congestion relief:** Texas population is set to double in the next 25 years
- Total investment: between \$29B and \$36.7B including over \$6B in projected private financing
 - No public funds required
 - Integrated finance plan (private, fees, grants)
 - Anticipating in excess of \$1B revenue to TxDOT
- Runs from the Mexican border to the Oklahoma state line north of Dallas
 - 600 miles long, 1,200 feet wide

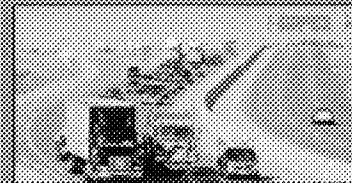
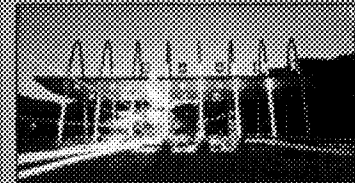


Toll Road Solutions

Solutions Every Mile



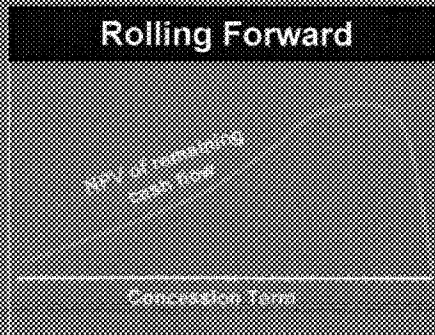
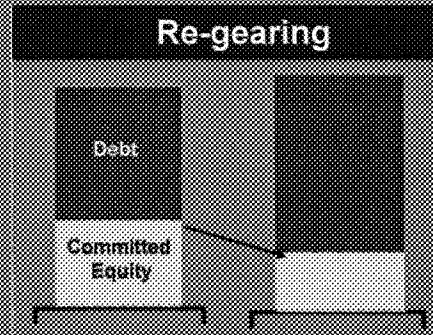
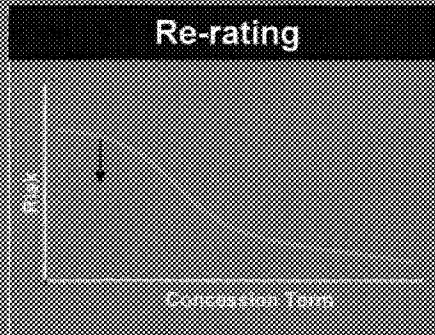
- Free-flow Toll Technology
- GPS Maintenance Vehicle Monitoring
- Best-practice utilization and industry standard-making
- Safer driving experience
 - Reflectors and Signage
 - Road surface materials
 - 24-hour repair cycles



How Private Developer Make Money?



Creation



- Infrastructure concessions are valued using Discounted Cash-Flow Method (DCF)
- Long-term, growing, de-risking cash flows

Key features to develop the industry:



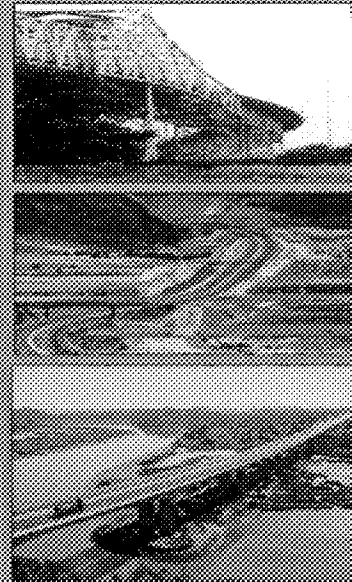
Sector willingness to invests

- **No Political or legal risks**
 - Clear balance concession contract (dispute resolution mechanism)
- **A measurable economical and Financial risk**
 - Specified compensation for "Price Acts"
- **Strictly non-recourse projects**
- **Up-side potential**
 - Traffic Risk is our business
- **Adequate amount of investment involved**
- **Long concession term agreements**
 - The longer the better for both Grantor and Sponsor
- **Straightforward procurement method**
 - Transparency, fast, objective (based on price)

Cintra: A World Leader in Transportation Infrastructure



- Transportation infrastructure developer creating value through investments in the world's roads bridges and rails
- Nearly 40 years experience in developing and operating transportation infrastructure
- A Ferrovial Group Corporation
 - Founded in 1952
 - 78,000 employees
 - 48 countries
 - \$11.7B in 2006 sales
 - \$2B in owned equity
 - \$13B market capitalization



Ferrovial Group Profile



ferrovial

ferrovial
construction

ferrovial
infrastructure

ferrovial
facility services

ferrovial
real estate

ferrovial
airport services



- 37 years experience in concession business
- Listed on the Madrid Stock Exchange
- \$ 6.3 Billion market cap (June, 2006)

Cintra's Strengths



Financial Innovation & Depth

- Long term investor: buy, develop and hold model
- Hands-on management: financial structuring, D&C oversight, O&M direct management
- Global credibility, access to equity and debt markets
- Maximum equity participation (avg. stake is ~62%)
- "3 Rs" value creation methodology:
 - Rolling forward (cash flow growth)
 - Re-rating (reducing risk)
 - Re-leveraging

Cintra's Strengths



Processes & Solutions

- A problem-solving culture aligned with the needs of the grantor
- Free-flow technology innovators
- Leading the PPP market
 - Chicago Skyway: first US privatization of infrastructure asset (\$1.8B)
 - 407 ETR (Toronto): Largest private investment in highway industry history

Cintra's Strengths



Winning Track Record

- 1968 First concession, Spain
- 1995 First international win
- 1999 Canada 407 ETR win
- 2003 First corporation to successfully complete a concession cycle
- 2006 US, Italy, Greece consolidation
 - 23 road projects
 - 8 countries
 - 3 continents
 - 1,531 road miles

Public Private Partnerships

Global Presence



Investing AND Operating

- 23 concessions
- 8 countries
- 3 continents
- 1,531 road miles
- Average stake is ~62%

Country	Concessions	Dev. Contract
Canada	1	0
Ireland	2	0
Spain	9	0
U.S.	3	1
Portugal	2	0
Chile	5	0
Greece	1	0
Italy	1	0

Right solutions to the grantor; clear understanding of complexities

Public Private Partnerships

Value-Add



Intelligent Investment Model

Private equity for higher levels and superior investment grade debt

- Advantage over tax-exempt public bonds
- More money, faster, to get projects up and running
- Reduced costs to public asset owners
- Incentives for wise long-term financial management
- Smart risk management
- Equity in the game

Streamlined Project Management

A single voice, centralizing the ownership and O&M of the project

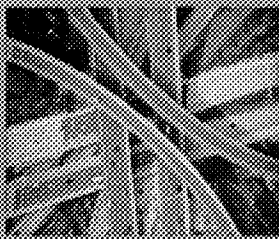
- Avoids conflicts of interest between owners, financiers, constructors and operators
- Guarantees alignment between operational efficiency, periodic and major maintenance, profitability and customer service
- Reliable O&M
- Win-win problem solving, an advocate for the grantor

Superior Financial Capabilities

Innovative and efficient financing structure

- Excellent reputation with finance markets and rating agencies
- Proven track record in revenue forecasting
- Ability to tap debt markets and instruments around the world to create competition
- Lower premiums and spreads

The Cintra Difference



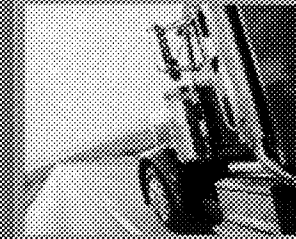
Scale

- Global operation
- Proven experience and capabilities
- Unparalleled financial strength



Scope

- Industry standard and trend setter: finance, processes, technology
- Complete project life-span expertise: financing, designing, constructing, operating, maintaining



Vision

- Culture of continuous innovation
- An "ideal partner" committed to helping solve transportation issues through win-win relationships

Q&A

Cintra

