The Mayor and City Council of San Antonio, Texas will vote Oct. 30 on a water-purchase contract three years in the making with a large Spanish water company that will increase consumer water rates by 16%. A yes vote will commit the political leaders of the south Texas city, 25th in size by metro area, to a $3.4-billion, 30-year contract for 50,000 acre-ft a year of imported groundwater, enough to augment current city supplies by 20%, via a 142-mile, 54” pipeline along I-35.

If approved, the availability payment contract with Abengoa will dwarf any similar groundwater transfer contracts in the U.S. Only Poseidon’s 50-mgd seawater desalination projects in California match the 45 mgd in new water promised to San Antonio.

Abengoa’s website says it supplies drinking water to more than 6 million customers globally. The company has completed more than 50 pipeline projects and has successfully executed every design-build contract awarded. Abengoa has successfully financed more than 100 projects with a total investment value of $20 billion.

Abengoa has spent $40 million pursuing the contract, much of which went to securing long-term leases with 3,400 landowners for their groundwater from two wellfields in Burleson County. The poor, rural county east of Austin has a population of 17,200. Half of the availability payments will go to landowners there.

Strong support by the business community saved the project earlier this year when the San Antonio Water System (SAWS) staff wanted to cancel the imported water procurement and pursue expansion of its ongoing groundwater desalination project. The big water agency pivoted quickly and Abengoa was selected on July 1 to negotiate a contract. The SAWS staff, led by Donovan Burton, chief of staff to CEO/President Robert R. Puente, produced a final draft that was unanimously approved by the SAWS board on Sept. 29.

City Council approval is not assured. The first-year cost of delivered water under its water purchase contract would be $2,239 per acre-ft, requiring an estimated 16% rate increase starting as early as 2019. The city’s existing supply from the nearby Edwards aquifer ranges in cost from $330 to $540 per acre-ft. Water purchased from a neighboring county is $1,224 per acre-ft. The estimated cost of potable water from the first phase of its brackish water desalination project, which started construction a few months ago, is $1,138 per acre-ft.

Mayor Ivy R. Taylor was appointed on July 22, 2014 after the sudden departure of Julian Castro to be President Obama’s HUD Secretary. A 1992 graduate of Yale who holds a city planning masters from UNC Chapel Hill, she sits on the SAWS board and voted with the majority in favor of the Abengoa contract.

One close observer is optimistic: “Proponents have won the p.r. battle and any anti’s on the council are boxed,” he says.

SAWS’s legal advisors are Hawkins, Delafield & Wood LLP and Norton Rose Fulbright; financial advisors are PFM, Estrada Hinojosa & Co., and Langley & Banack, Inc.
The financial problems on the Indiana Toll Road (ITR) lease became public this month when the creditors and equity sponsors agreed to a plan to sell the rights to operate the road for the remaining 67 years of a 75-year lease they signed in 2006. The plan permits ITRCC to either sell its assets through a competitive process or recapitalize ITRCC by reducing its debt in a “pre-packaged” Chapter 11 process.

The liquidation analysis in the Chapter 11 filing projects the valuation of the remaining concession rights to be from $1.5 billion to $2.25 billion. Debt refinancing projections assume $2 billion of senior debt (at LIBOR+2.5%) and $750 million of sub debt (at LIBOR+6%).

ITRCC operates and maintains the Indiana Toll Road on behalf of the Indiana DOT. The company has 283 employees in Chicago and Granger, Indiana. For the fiscal year ending December 31, 2013, ITRCC had total revenues of approximately $206 million.

If no sale is completed, then a restructuring of the debt, held mainly by hedge funds, will be implemented whereby ITRCC’s secured debt will be substantially reduced and the secured creditors will receive 95.75% of ITRCC’s equity.

Kirkland & Ellis LLP is serving as legal advisor to the equity sponsors. Moelis & Company LLC is serving as financial advisor to equity. Houlihan Lokey Capital, Inc., is serving as financial advisor and Milbank, Tweed, Hadley & McCloy LLP and Taft, Stettinus & Hollister LLP are serving as co-counsel to the Committee of Secured Lenders.

Private Operators Deliver Promised Public Benefits

Two of the world’s most experienced infrastructure investors paid Indiana $3.8 billion in 2006 for a 75-year lease of the Indiana Toll Road. Tolls had not been increased by the state since 1985. The road was deteriorating, and the toll collections system was outdated. Statewide Mobility Partners—Cintra and Macquarie—committed to set things right and paid a premium price for the right to try.

The region served by the 157-mile Indiana Toll Road contains 15.5% of the U.S. population. Recognizing that, Macquarie equity analyst Ian Myles titled his 2006 report on the Indiana Toll Road (ITR) lease transaction: “Acquiring America.” It might also have been called “Rebuilding America.” Gov. Mitch Daniels promised that most of the ITR concession fee would be used for transportation improvements, eliminating the state’s $2.8-billion funding shortfall in its 10-year transportation plan.

Most of the proceeds of the lease fee was used to defease $225 million in state debt on the toll road and fund a 10-yr transportation capital program, “Major Moves”. A total of 87 Major Moves projects have been built. Some 130,000 jobs were created during and after the recession, says the Indiana Finance Authority (IFA), which owns ITR.

In announcing Major Moves, Gov. Mitch Daniels, said: “We will deposit this astonishing sum, equalling more than a decade of new construction funding at the current level, into a new trust fund, to be invested as fast as legally and humanly possible in the biggest building program in state history.” He added: “A breakthrough like this may come but once in a public-service lifetime.”

Indiana’s current governor, Mike Pence, a possible presidential contender, has benefitted from Daniel’s successes, including the ITR lease. Since Pence took office in Jauary 2013, Indiana’s unemployment rate has dropped to 5.9% from 7.3%, the fourth best record in the country.
Employment has risen by 120,000 jobs, many in manufacturing.

In addition to the $3.8-billion fee, the private operator has spent $458 million since 2006 to make a number of “crucial investments in and updates to the toll road that have improved travel for passenger and commercial traffic,” says IFA Director Kendra York.

The 2006 concession lease agreement also commits the operator to a long-term capital program of close to $4 billion over 75 years. Rather than being specified in the lease, capital spending by the new operators are determined by level-of-service guarantees, so the amount and pace of the spending is not precisely defined.

IFA was created in 2005 to consolidate all debt issuance by state building agencies. It managed the ITR procurement in the fall of 2005. The agreement with ITRCC was signed in April 2006 (http://www.in.gov/ifa/files/4-12-06-Concession-Lease-Agreement.pdf). Financing was arranged two months later.

The ITR lease was modeled on a similar contract for a 99-year lease of the Chicago Skyway in 2005, which also was won by Cintra and Macquarie. Four international teams competed for the ITR lease and five for the Chicago Skyway.

“Had we known we were heading into the worst recession since 1929, we would have bid much lower. That’s business.”

Nicolás Rubio, President of Cintra US

Mayer Brown of Chicago drafted the contract terms for both agreements, which, among other things, governs toll increases, the private O&M performance, repairs, improvements and the eventual handback to the state. Any new operator must agree to the terms of that contract after being approved by IFA.

“Contingencies to address situations like this were written into the 2006 agreement,” says York.

Annual toll increases in the 2006 agreement are capped at the greater of 2%, or CPI or nominal GDP per capita. The bankruptcy court could adjust those rates to suit the hedge fund investors, who were promised 22% returns. In the end, however, markets and travel demand will determine price increases.

For the ITRCC financing, the private sponsors, Cintra and Macquarie, each put in $385 million in equity, which accounted for 19% of the $4 billion raised. Seven international banks syndicated the loans, which were oversubscribed. Macquarie had estimated its IRR on the ITR deal at 12.5-13.5%. Instead, both Cintra and Macquarie have lost all of their investment.

“Had we known we were heading into the worst recession since 1929, we would have bid much lower,” says Nicolás Rubio, President of Cintra US. “That’s business.”
INTE Opens Nine Months Early
Concessionaire Cintra opened 13.5 miles of its North Tarrant Express managed lanes project in Dallas on Oct. 4, almost nine months ahead of schedule and with contractor change orders of only $5 million, according to Russell Zapalac, Chief Planning & Project Officer for Texas DOT.

The design-build contract held by Ferrovial and its subsidiary Webber Construction called for completion in June 2015. Working with 278 subcontractors, they rebuilt 13.5 miles of a highly congested segment of I-35 from Fort Worth to the Airport Freeway in Dallas under traffic.

Counting suppliers and subcontracts, a total of 200 disadvantaged business enterprises were recruited for a total of $187 million in contracts, 147% of the goal and about 19% of the total budget. “For a megaproject, that’s amazing,” says Zapalac.

The $2.1-billion, 52-year DBFOM concession was funded in 2009 with $427 million in equity, a $650-million TIFIA loan, $400 million in PABs and $573 million in public funds. The investors are Cintra (57%)/ Meridiam (21%)/ Dutch pension fund APG (12%), and the Dallas Police and Fire Pension System (10%).

As described by Ferrovial: “The NTE project was completely redesigned and reconstructed to replace the 50-60 year old infrastructure with 21st century technology, safer designs, better pavement and more service road/bypass lane access points, while dropping in managed toll lanes to give corridor commuters a choice. These managed lane corridors are designed to provide motorists expanded free capacity or tolled lanes with a minimum speed of 50 mph.”

Under the TxDOT contract, Cintra will operate & maintain the corridor for the life of the concession (48 years) which will free up $400 million to $600 million of...
taxpayer and gas tax money for other transportation projects.

Under a similar concession, Ferrovial started construction in May on another segment of the North Tarrant Express: reconstruction of I-35W for 10.5 miles north from downtown Fort Worth. Meanwhile, Ferrovial has opened two short sections of its LBJ Express managed lanes concession east of DFW Airport and predicts all 13 miles will be operating next year.

Advising TxDOT on the NTE Expressway and LBJ concessions are Nossaman, KPMG, HDR, and Goldman Sachs.

**Virginia I-66 Teams Forming**

At least three teams are forming to compete for Virginia DOT’s I-66 managed lanes P3 in northern Virginia, an estimated $3-billion toll concession project. VDOT says it intends to seek qualifications for a DBFOM project late this year, shortlist in mid-2015 and then request proposals late in 2015.

I-66 was declared a project of statewide significance a few months ago. Significantly, however, Tier 2 environmental studies only began recently and NEPA approvals aren’t expected until late 2015, at the earliest. The project runs east-west through Fairfax and Prince William Counties south of Dulles airport.

So far, the teams lining up to bid include:

- Fluor-Granite-Lane Construction
- Archer Western-Skanska
- Cintra

(ACS Infrastructure Development/Dragados and a number of other large civil contractors are also circling for a role on I-66.)

All are seeking a strong financial partner for what the state’s Office of Transportation Public-Private Partnerships (OTP3) is posting now as a pure demand-risk managed lanes project, requiring a large state subsidy in the range of $750 million and a TIFIA loan.

VDOT’s ability to pay the subsidy will come into sharper focus over time as the revenue forecasts from last year’s gas/sales tax deal are tested. Current projections based on six months of data show a $100-million shortfall for the year.

[Replacing motor fuel taxes with sales taxes can be counterproductive. The Texas Transportation Institute estimates that if the state’s fuel tax had been replaced by the state’s sales tax 10 years ago, Texas DOT would have received $16 billion less revenue over that period.]

In circulating a draft of its new P3 guidebook early this month, OTP3 floated the idea of using an availability payment (AP) approach or a hybrid of both. It hasn’t specifically linked I-66 to those approaches, but I-66 is the only project in OTP3’s procurement pipeline and will be the first to be procured under the new guidelines.

[The final version of the new P3 manual will go before the Commonwealth Transportation Board on Nov. 16, 2014, for a resolution supporting the adoption for use by VDOT and the state rail agency. The PPTA law would also require other transportation agencies to adopt the new guidelines for use in procuring P3 projects.]
OTP3 Director Doug Koelemay, who has strong political ties in northern Virginia, has been explaining the benefits of the availability payment model to public officials around the state. But “the real story will be where the discussion leads when the General Assembly meets again later this year,” says Jacqueline H. Cromwell, OTP3s communications and new business director, who has led the revision of the agency’s 2012 guidelines.

Rather than broad authority, project-specific legislation for availability payments would be sought. But finding support for any use of availability payment P3s will be a challenge. It’s against the law, the state treasurer’s office has ruled AP obligations are debt, House of Delegates Speaker William J. Howell is opposed, and Gov. Terry McAuliffe has not signaled any desire to take on Howell and his Republican majority.

Importantly, two key players with detailed knowledge of Virginia politics—Transurban USA and Shirley Contracting, a subsidiary of Clark Construction—have not firmed up their intentions on I-66. Shirley began work in April on a $55-million design-build contract to widen a section of I-66. It is still negotiating with various contractor/equity sponsors on the I-66 DBFOM contract.

Transurban is the main equity sponsor of two demand-risk projects in Virginia, the 495 Express Lanes opened in 2012 and the 95 Express Lanes, which are scheduled for completion by in December. Both were built by Fluor and Lane Construction.

Jennifer Aument, a member of Transurban’s Executive Committee and Group General Manager overseeing its North American business, says, “We intend to pursue the [I-66] project, assuming it ultimately aligns with our investment criteria, and are in the process of making all the necessary arrangements to do so.”

PB Gains P3 Clout In WSP Deal
Montreal-based WSP Global Inc. agreed to buy Parsons Brinckerhoff for $1,242.5 million debt-free this month, giving PB a strong presence in Canada and, hopefully, the financial backing it wants to more aggressively pursue P3 projects as an equity partner.

At an 8.8 multiple of EBITDA, the stock purchase agreement by WSP will give Balfour Beatty plc a substantial return on the $626 million it paid for PB in 2006. Balfour Beatty Investments has been aggressively pursuing P3 projects in the U.S. and Canada, mainly social infrastructure. Its P3 portfolio worldwide is valued at $1.2 billion.
The is little overlap in services between PB and WSP. One potential conflict, however, is the participation of both firms as non-equity members in the Saint Lawrence Alliance consortium (Kiewit-Macquarie-Skanska-Aecon). It is one of three powerhouse consortia shortlisted to bid on the $4-billion Champlain Bridge project in Montreal. The DBFOM project involves building three bridges and roadways in a highly congested corridor over the St. Lawrence River.

For political reasons, the procurement and construction schedule were accelerated in order to complete the project in 2018, three years sooner than originally planned. An industry source says all of the teams are over-stressed by the schedule, allowing just 10 weeks to submit qualifications and six months to prepare bids. “It’s ungodly short. It’s not doable,” he says.

Portsmouth Bypass Sets The Pace
ACS Infrastructure Development, teamed with eight Ohio contractors and design firms, was selected as the apparent low bidder on Sept. 22 for DBFOM delivery of the Ohio DOT’s largest project and the state’s first P3 procurement, the Portsmouth Bypass.

Teams led by ACS, Plenary Group and Cintra have been pursuing Portsmouth for over two years. Their bids were evaluated based on the maximum annual payment (MAP) they required from ODOT. Spreads were razor thin. ACS’s MAP is just $50,000 lower than the second-low team of Plenary Group-Walsh-Parsons, and roughly $350,000 less than Cintra-Ferrovial, the high bidder. All three MAP prices are about 20% less than ODOT’s shadow-bid estimate.

Base MAP offers are:

- ACS Infrastructure team: $25,884,800
- Plenary Group team: $25,935,390
- Cintra-Ferrovial: $26,229,590

The tight bidding on Portsmouth indicates that the highly competitive market for availability payment P3 deals is about to become even more competitive. Number two bidder, Plenary Group, has worked to build a base of investments in the U.S. for the past few years and has two wins—U.S. 36 in Denver and a success-fee advisory on SH 183 in Texas.

Plenary leads one of four P3 development teams that submitted bids on Sept. 29 for Pennsylvania’s Rapid Bridge Replacement Project, one the most sought-after P3 projects in the U.S. The design-build component could total roughly $1 billion and the bundling of hundreds of bridges for replacement under a single availability payment agreement could become a model for other states with similar deferred maintenance problems. Bid results won’t be announced until late October.

(Allen & Overy is ODOT’s legal advisor on Portsmouth and is also advising PennDOT on its Rapid Bridge Replacement Project. Plenary-Walsh is the only team bidding on both, giving Plenary a possible edge in interpreting the Rapid Bridge contract documents.)

Project sources say the unusually tight spread on Portsmouth bids was partly due to a number of factors. ACS’s design-build price of $429 million was based largely on its estimate of earthmoving costs which are well-known by its Ohio-based partners—and by the other bidders. “We were all bidding on the same project,” says one of the contractors.
Though the performance-based specifications invited innovation, scope-change opportunities were limited, contractor sources say. The project, a 16-mile-long, four-lane highway, has been under design for years and has a well-defined scope within a constrained alignment. It is located in a distressed area of southern Ohio.

The Appalachian Regional Commission is funding the milestone payments, which will amount to about 10% of the construction cost. It too has been involved in the design of the Portsmouth Bypass, which will complete the 3,000-mile Appalachian Development Highway System authorized by Congress in 1965 to open up the poorest areas of the eastern U.S.

Two other equity investors are teamed with ACS—Star Infrastructure and Infrared Capital Partners. ODOT’s Adam Sheets and Michael Wawszkiewicz managed the procurement, ran the numerous meetings and directed the work of ODOT’s other advisors, which include: Ernst & Young (financial); CH2M Hill, with HNTB (technical); and Allen & Overy (legal), with Cleveland-based Calfee, Halter & Griswold LLP.

**Decatur Bridge P3 A Stretch**

Traffic and revenue studies by CDM Smith show that tolls will support about half of the estimated $444-million cost of building a 2.4-mile bridge over the Tennessee River in Decatur, Alabama, now planned as a demand-risk DBFOM concession, the state’s first.

The new bridge would compete with an existing untolled bridge downstream that is frequently congested and carries about 45,300 daily trips. A planning level study by CDM Smith released on June 12 predicted first-year revenue for the proposed new bridge would be $8.2 million at a $2 car toll, and $6 for trucks, with inflation at 2.5%. Revenues in 2021, at the end of ramp-up, are estimated at about $15 million.

Based on the strong showing at an industry forum on June 3, Alabama DOT will seek qualifications in the next few months. It hopes to complete the procurement and award a contract early in 2016.

Advising Alabama DOT are CH2M Hill (technical); CDM Smith (traffic); and Maynard, Cooper & Gale (legal).

**Jones Lang LaSalle Gets Help On Redo Of Merced P3 Quals**

University of California, Merced, Vice Chancellor Daniel Feitelberg in late September rejected all six responses to an RFQ for a long-term DBFOM contract to expand the campus to accommodate 4,000 more students by 2020. A revised RFQ was immediately issued to the same teams on a pass-fail basis after “across-the-board problems with teams following rules,” says a project source.

The University’s goal was to shortlist three to five teams this month and select a developer in the fall of 2015. Lead advisor Jones Lang LaSalle insisted it could handle the financial and technical aspects of the procurement itself. It couldn’t, and the advisory team, which includes Nossaman, now has been expanded to include Ernst & Young for finance and a larger role for AECOM on technical aspects.

“This bodes well for the re-release” of the RFQ says the source.

The six teams that submitted qualifications in August were:

- Edgemoor/ Plenary/ Clark Construction /SOM/
Arup/Goldman Sachs

- Balfour Beatty Investments, Inc.

- HOCHTIEF PPP Solutions/Meridiam with Turner Construction/NBBJ LP/Johnson Controls/KPMG-Wells Fargo

- Hunt Development/Shikun & Binui, with Saaki/Moss+Shikum & Binui, jv/CGL-Kitchell

- Lend Lease/Macquarie/American Campus Communities, with MCarthey Building+Lend Lease

- Skanska/Fengate

16 Law Firms Line Up for MassDOT

Massachusetts DOT will hold an industry day forum on Oct. 15 and 16 at 10 Park Plaza in Boston to showcase two potential P3 opportunities—Route 3 South managed lanes and a third crossing of the Cape Cod canal, including a possible twinning of the Sagamore Bridge.

Sixteen law firms submitted qualifications to MassDOT this month for a shot at helping it devise a process for procuring development teams under the state’s untested P3 law (Chapter 5 of the Special Acts of 2009, Sect. 62-73). Environmental consultants also will be added to advise on state and federal permitting.

Financial advisors (Piper Jaffray, William Blair and E&Y) were hired a few months ago to review potential projects proposed in March by the state’s Public-Private Oversight Commission (PPOC), which was created in 2009 to promote P3s.

Requests for proposals for all types of P3s involving private finance in Massachusetts must receive PPOC’s written approval before being issued by MassDOT. Design-build procurements and any other publicly funded projects remain under the control of MassDOT.

Four PPOC members are appointed by the Governor and one each by the Senate President, House Speaker and State Treasurer. Among them is Joseph P. Dorant, president of the state’s professional engineers’ union.

Seven Law Firms Vied For I-70 East

Meanwhile, for the I-70 East project in Denver, Freshfields, in joint venture with local law firm Kaplan Kirsch & Rockwell LLP, was selected in mid-September from a list of seven prequalified firms to provide P3/TIFIA counsel to the High Performance Transportation Enterprise (HPTE).

The project’s main proponent at Colorado DOT, Ben Stein, retired last month to manage the Denver office of Rep. Mike Coffman.
As Vice President and Director of Public Private Partnerships for Granite Construction, Kent Marshall brings extensive transportation and P3 leadership to AIAI.

“AIAI is pleased to have Granite Construction on the team, and we particularly value the contributions of Kent Marshall. We laud Kent for his thoughtful leadership and insight into the P3 market. He adds tremendous value to AIAI's mission and his careful direction has provided the foundation for many of its accomplishments. Kent is very active in our Government Affairs Committee, working towards our objectives and representing the organization in ways that only he can,” says Richard Fierce, President of AIAI.
Dear Governor Christie:

As you know, New Jersey now can’t build one inch of new roads using gas tax revenues because every penny of income to New Jersey’s Transportation Trust Fund is legally committed to pay debt service on bonds and fund road maintenance. Toll increases on the N.J. Turnpike and Garden State Parkway have paid for road improvements around the state for the past few years. But that can’t go on forever.

I have a simple idea for saving New Jersey’s bankrupt Transportation Trust fund — reduce the state gas tax by half a cent (14.5 cents – ½ cent = 14 cents) and index that 14 cents to inflation on the same day. Do the same for diesel (17.5 cents – ½ = 17 cents).

(Or, index the 14-cent gas tax to regional GDP, which ties annual increases to drivers’ ability to pay. GDP historically has grown at a faster rate than CPI).

There will be maybe two years when proceeds to the trust fund are reduced. Then the effect of indexing kicks in, and soon the fund is on sound fiscal footing, the annual CPI/GDP increases win the affection of the credit-rating agencies, and new revenue bonds can be issued to fund the state’s transportation capital program.

The ½-cent gas tax reduction is equal to 3.44%. Hopefully, that’s enough to win bipartisan support for the proposal. Because the effect of indexing is minimal for the first few years, there probably won’t be a backlash from commuters. Truckers may oppose this, but, at the end of the day, who can resist an immediate reduction in your diesel fuel tax and better roads?

The Building Trades unions and highway contractors may also oppose this. The ½-cent cut in the gas tax will create a two-year revenue gap in the trust fund that will have to be filled. I suggest issuing short-term bond anticipation notes (BAN) to cover the dip in income, and then roll the BANs into CPI bonds once cash flow is predictable. BANs are not state general obligation debt. Nor are the CPI bonds. Both rely on gas tax revenues and are seen by rating agencies as contingent obligations, not a draw on the general fund.

The optics are good. Gas prices are headed down due to a glut. Rightly or wrongly, every downward tick will be attributed to your ½ cent cut.

Inflation is projected to remain low for the near term. Based on that, your studies will reflect a slow rampup in CPI or GDP increases in the gas tax. Long term, however, all indexed contracts I’ve seen put inflation CPI at +/- 2.5%, enough to put the trust fund on firm footing.

This simple solution is not all mine. The Soy Transportation Coalition, which represents the companies that grow and move the largest export crop in the U.S., came up with this idea.

Mike Steenhoek, Executive Director, has the numbers. His study investigates the impact of a one-cent reduction in the federal gas tax (18.4 cents) and CPI indexing. He asks:

• What would be the effect of a one-cent reduction in gasoline and diesel taxes?

• What would be the effect of linking the gasoline and diesel tax to inflation in 2014 in terms of annual fuel tax revenue through 2025?

• How much additional revenue could have been generated from linking the gasoline and diesel tax to inflation the last time fuel taxes were adjusted?

His study answers those questions at (http://www.soytransportation.org/FuelTax/National FuelTax Memo.pdf)

I think this is politically possible, fiscally responsible and easy to explain. I hope you agree.

Sincerely,
William G. Reinhardt, Editor
I-4 ULTIMATE FINANCIAL CLOSE A P3 BENCHMARK

by Patrick D. Harder

With the dust now settled on the financial close of the I-4 Ultimate project, it is an opportune moment to examine some of the features of the transaction that helped to make it such a success. First and foremost, the Florida Department of Transportation (FDOT) continues to make public-private partnerships (P3) a priority for the right projects, at the right time. It is an agency excited and motivated about the power of the P3 tool, while having reverence for the consequences of using the tool indiscriminately. With three complex and highly successful P3 transactions now under its belt, FDOT has developed and nurtured home-grown talent to fill the various key roles critical to the success of a P3 program. Both FDOT headquarters and its districts have identified the brightest and most creative talent across financial, technical, procurement and legal disciplines and brought this talent to the bear on its P3 transactions, both in the planning and in the implementation phases.

The commitment that FDOT brings to its P3 transactions, coupled with its success to date in the P3 market, gives FDOT a great deal of credibility in the market, resulting in robust competition throughout the procurement. Starting with an industry workshop attended by over 1,000 people, the project attracted 7 very high quality teams, including several new participants to the market including U.S.-based equity investors, and equity and major non-equity participants from such countries as Sweden, South Korea, Spain, Australia, the UK, Israel, and Canada. This credibility extended to the finance community as well, with active participation by nearly all of the major financiers in the market. The high level of interest by the market resulted in extremely high quality proposals, with highly competitive pricing, committed financing, and extensive innovation in the technical proposals.

Part of the strategy FDOT employed to ensure healthy competition and efficient pricing was to implement a process whereby each interaction with the proposers was followed by a corresponding internal discussion about the points raised by the proposers. In addition to responding to well over 3,000 written questions received from proposers, FDOT conducted 4 rounds of all-day one-on-one meetings with proposers. At de-briefing meetings after each one-on-one meeting, FDOT would assign one or more people to advocate the major issues raised by the proposer, and have an internal debate about the advisability of making changes to address the points raised by the proposer. As a result of this process, FDOT was able to develop a set of contract documents that maximized efficiency in risk transfer and facilitated reduced risk contingency in pricing.

With the confidence that comes from a successful, stress-tested P3 program comes a willingness to experiment with new ideas, paving the way for its brethren in other states. FDOT has relished the role of pioneer, bringing availability payment structures to the United States for the first time and developing processes and precedent documents that have found their way into most of the subsequent availability payment P3 transactions in the United States. I-4 was no different—FDOT wanted to explore ways to innovate and bring new approaches to the table for this groundbreaking project.

Among the innovations FDOT introduced was the concept of “Project Technical Enhancements,” which involved a process whereby proposer teams were given an opportunity to propose additional work scope, higher quality or warranty enhancements on portions of the work not part of the long term operations and maintenance phase, in order to garner additional technical points in the evaluation process. Through this process, FDOT was able to contract for the more feature-packed project put forth by I-4 Mobility Partners, a consortium led by Skanska Infrastructure Development and John Laing Investments. Their proposal included the introduction of direct connections from the I-4 Express Lanes to State Road 408, additional auxiliary lanes and an additional pedestrian bridge.

Patrick Harder led the Nossaman team representing FDOT in the development and negotiation of contract and procurement documents for the $2.3 billion I-4 Ultimate project. A design-build team of Skanska-Granite-Lane, with HDR/Jacobs will reconstruct and widen 21 miles of I-4 in Orange and Seminole Counties. The work includes reconstruction of 15 major interchanges, 56 new bridges and 71 bridge replacements. Four tolled express lanes will be added. The project was procured as a PPP through a 40-year DBFOM concession agreement. The concessionaire will receive milestone payments and final acceptance payments during construction, and availability payments throughout the operating period. The project achieved commercial and financial close in September 2014. The equity investors are Skanska and John Laing Investments Ltd.
FDOT was able to achieve this result despite its incorporation of an affordability limit into the procurement.

FDOT was also the first public agency to implement the new streamlined TIFIA loan process under which proposer teams are provided with a uniform term sheet upon which to base their assumptions regarding TIFIA loan terms and conditions. The process, while not perfect in its debut, was instrumental in getting from an award to financial close within the 4 months remaining in the proposal validity period. With the help of a motivated team at the USDOT’s TIFIA office, the parties were able to reach financial close in a period of favorable interest rates, resulting in savings in financing costs of about $70 million as compared to the interest rate assumptions built into I-4 Mobility Partner’s financial model.

As the baton has been passed to the technical team to bring the project alive, FDOT remains at the forefront of agencies willing to spend some political capital, gather their most creative employees, and bring something special to the travelling public.

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**Source:** Public Works Financing (9/14)
### Projects Financially Closed in 2014

**Florida DOT: I-4 Ultimate ($2.3 bn)**
- ~ 9/5/14 financial close: Skanska/John Laing
- ~ 40yr DBFOM with availability payments

**Indiana DOT: I-69, section 5 upgrade ($325m)**
- ~ 7/23/14 financial close: Isolux Corsan/Infra-PSP
- ~ 35yr DBFOM with availability payments

**Texas DOT: SH 183 Managed Lanes ($850m)**
- ~ 5/29/14 financial close: Kiewit Development/Parsons Transportation
- ~ DBF + 25yr O+M with $250m gap financing

**Waterloo, Ontario: ION LRT, stage 1 ($820m)**
- ~ 5/9/14 financial close: Plenary/Meridiam
- ~ 10 (+10+10) yr DBFOM with availability payments (30yr maintenance)

**Colorado DOT: U.S. 36, phase 2 ($113m)**
- ~ 2/26/14 financial close: Plenary Group/Ames Construction/Granite
- ~ 50yr DBFOM with demand risk

### Projects with Preferred Bidder Chosen

**Ohio DOT: Portsmouth Bypass ($820m)**
- ~ 9/14 preferred bidder: ACS Infrastructure Development/Infrared Capital Partners/Star America Fund
- ~ 30yr DBFOM with availability payments

**North Carolina DOT: I-77 HOT Lanes ($655m)**
- ~ 4/14 preferred bidder, 6/14 commercial close: Cintra with Ferrovial Agroman, WC English, and Louis Berger
- ~ 50yr DBFOM with revenue risk

### Projects with Bidders Shortlisted

**PennDOT: Rapid Bridge Replacement ($11bn)**
- ~ 9/29 proposals due from (1) Plenary/Walsh/Granite (2) Infrared/Kiewit/Parsons (3) John Laing/Fluor (4) Meridiam/Lane Construction
- ~ 50yr DBFOM with availability payments

### Saskatchewan MOT: Regina Bypass ($800m)
- ~ 8/14 three shortlisted: (1) Hochtief/Aecon/InfraRed (2) Vinci/GraCorp Capital (3) SNC-Lavalin/Kiewit
- ~ 30yr DBFOM with availability payments

**City of Edmonton, Alberta: Valley Line LRT ($1.8bn)**
- ~ 8/14 three shortlisted: (1) Bechtel/Fengate/Ellis-Don (2) ACS/Hochtief/Meridiam (3) SNC-Lavalin
- ~ 35yr DBFOM with availability payments

**Public Works Canada: Champlain Bridge ($4bn)**
- ~ 7/14 three shortlisted/RFP issued: (1) SNC-Lavalin/ACS (2) Kiewit/Macquarie/Skanska (3) OHL/DIF Infra/Acciona
- ~ 35yr DBFOM with availability payments

**Texas DOT: Harbor Bridge, Corpus Christi ($700m)**
- ~ 6/14 RFP issued to seven shortlisted teams
- ~ DB with gap finance + OM (SH 183 model)

**Ontario MOT: Highway 407 East ph. 2 ($1b)**
- ~ 4/14 three shortlisted + RFP issued: (1) Cintra/Holcim (2) ACS/Fengate (3) SNC Lavalin/Aecon
- ~ 30yr DBFM with availability payments

**Indiana DOT: Illiana Expressway ($300m)**
- ~ 3/14 four shortlisted for Indiana segment: (1) ACS/Fengate (2) Cintra (3) Isolux Infrastructure Netherlands (4) Meridiam/Walsh
- ~ 35yr DBFM with availability payments

**Ontario: GO East Rail Transit Maintenance Facility ($600m)**
- ~ 2/13 three shortlisted; 6/14 RFP. Shortlist: (1) SNC-Lavalin/ACS (2) Aecon/Balfour Beatty/Investec (3) Plenary/Kiewit/TD Securities
- ~ 30yr DBFM with availability payments

**Illinois DOT: Illiana Expressway ($950m)**
- ~ 1/14 four shortlisted for Illinois segment: (1) Cintra (2) ACS/Fengate (3) Fluor/Plenary (4) Walsh/Meridiam
- ~ 35yr DBFOM with availability payments

**Maryland DOT/MTA: Purple Line LRT ($2.4bn)**
- ~ 1/14 four shortlisted; 7/14 RFP. Shortlist: (1) Vinci/Walsh/InfraRed + Alstom + Keolis (2) John Laing/Kiewit + Edgemoor (3) Meridiam/Fluor/Star America (4) Macquarie/Skanska.
- ~ 35yr DBFOM with availability payments
**P3 PROCUREMENT TRACKER**

**U.S. AND CANADIAN TRANSPORTATION PROJECTS**

**Toronto: I/Q/Metroline: Eglinton LRT ($4bn)**

| ~ 12/13 two shortlisted + RFP issued: (1) ACS Infrastructure Canada/ SNC-Lavalin/ Ellis Don/ AECON, (2) Bechtel/ Fengate Capital/ OHL |
| ~ DBFM with availability payments |
| **Texas DOT: SH 288 ($600m)** |
| ~ 9/13 three shortlisted; 1/14 RFP, Shortlist: (1) OHL Concesiones/ Macquarie Capital Group, (2) ACS Servicios y Concesiones/ InfraRed Capital Partners, (3) Cintra |
| ~ DBFOM with revenue risk |
| **PANYNJ: LeGuardian Central Term. ($3.6bn)** |
| ~ 7/13 four shortlisted, proposals due 10/20/14: (1) Aéroports de Paris Management/ADPI/TAV, (2) Meridiam/ Vantage/Skanska, (3) Highstar Capital/Aeroporto de Cancun, (4) Macquarie/Lend Lease |
| ~ DBFOM with availability payments |

### Projects 2015-2017

| Alabama, Decatur Bridge |
| Arizona, SR 189 |
| Arizona, High-Speed Rail Phoenix-Tucson |
| California, SR 156 West |
| California, Los Angeles Sepulveda Pass |
| California, High Speed Rail |
| Colorado, 70 East corridor |
| Colorado, North I-25 corridor |
| Florida, All Aboard Florida |
| Florida, Orlando Maglev |
| Illinois, Chicago Red & Purple Line Modernization |
| Illinois, South Suburban Airport |
| Massachusetts, Route 3 South |
| Massachusetts, Third Crossing over the Cape Cod Canal |
| Michigan-Windsor, Ont., Detroit River International Crossing |
| New Jersey, Newark Airport Terminal A |
| Ohio, Brent Spence Bridge |
| Puerto Rico, Caguas Light Rail |
| Texas, High Speed Rail |
| Virginia, I-66, HOT lanes |
| Virginia, I-64 HOT Widening |

### Unsolicited Proposals

| Accepted Orlando Maglev passenger rail—7/13 proposal from American Maglev Technology for BOO line from Orlando Airport to Orlando Convention Center accepted 5/14 by FDOT |
| Accepted All Aboard Florida passenger rail, Orlando-Miami—3/12 proposal for 240-mile at-grade private rail accepted. FRA funding EIS |
| Under study I-70 Mountain Corridor Colorado—reversible HOT lanes to serve vacationers traveling from Denver to resorts—propsoal from Parsons Corp. under study by CDOT |
| Rejected Virginia, Thimble Shoal Channel project—11/13 DBFM proposal from Skanska/Kiewit for a new tunnel rejected by the Chesapeake Bridge and Tunnel District |
| Rejected Virginia Hampton Roads Bridge-Tunnel—10/13 proposal from Skanska/Kiewit rejected by VDOT |
| Rejected Florida 54 Xpress, SR 54/56, Pasco County, FL—6/13 proposal from OHL-PB-Gugenheim rejected by FDOT |
| Rejected South Mountain Freeway, Loop 202, Phoenix AZ—7/13 proposal from Kiewit-Sundt-Parsons Corp. rejected 9/14 by ADOT |
| Rejected Georgia, Northwest Corridor, Atlanta—5/09 proposal from Granite Construction rejected by GDOT |

### Life-cycle option rejected

| 8/14 Nevada DOT: Project Neon, Las Vegas ($1.5bn)—DBFOM changed to DB |
| 7/14 Arizona DOT: Loop 202 Phoenix ($1.9bn)—DBFOM option rejected for DB |
| 4/14 Caltrans: ARTI bundled roads, Los Angeles ($750m)—DBFOM project cancelled |
| 3/14 KABATA: Knik Arm Bridge ($900m)—DBFOM changed to DB |
| 6/13 Texas DOT: SH 99 Grand Parkway, segs. H & I ($1bn)—DBFOM project changed to DBM |
| 5/12 Georgia DOT: Northwest Corridor, ($840m)—DBFOM changed to DB+gap finance |
| 5/12 Virginia DOT: U.S. 460 ($1.4 bn)—DBFOM changed to DB |
| 2009 Missouri DOT: Safe and Sound Bridge Improvement Program ($487m)—changed from DBFOM to DB |
| 6/07 Oregon DOT: Newberg-Dundee Bypass ($262m)—DBFOM rejected for DBB |
### U.S. Transportation PPPs/Leases, 1993-2014

*Source: Public Works Financing P3 Projects Database*

#### Notice to Proceed

<table>
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<tr>
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#### Key
- * underperforming/bankrupt
- # upfront lease payment
- † Public and private contributions
- TF financing includes USDOT TIFIA loan
- BOO—build-operate

#### Chart Summary

- $34.3bn in public and private funds invested in 30 P3 transportation projects since 1993 (Dulles Greenway)
- $8bn invested in five brownfield leases of existing toll roads
- $24bn invested in 23 highway and bridge capacity additions, of which 15 (worth $14.5bn) were financed with toll-revenue debt, and seven (worth $8.6bn) with debt repaid from states’ availability payments to developers.
- $2.4bn invested in two rail projects, one farebox, one availability payment

#### New business

- As of 9/14, eight states have transport P3 procurements underway for projects that will need well over $1bn in financing in the next 12 months.

#### Market share

- PWF estimates the annualized design-build investments in U.S. road and bridge P3s under construction 2013 was $1.35bn, which is about 12% of all public and private capex on capacity additions and expansions of limited access highways in the U.S. in calendar 2013.

*Source: PWF’s P3 Projects Database*

#### P3 developers with U.S. projects

- ACS-Dragados—Spain
- Abertis—Spain
- Balfour Beatty—U.K.
- Bilfinger—Germany
- Bouygues—France
- BRISA—Portugal
- Cintra-Ferrovial—Spain
- Figg Bridge Developers—U.S.
- Fluor—U.S.
- Granite—U.S.
- Isolux—Spain
- Kiewit—U.S.
- Lane—U.S.
- John Laing—U.K.
- Macquarie—Australia
- Meridiam—U.S.
- Plenary—Canada
- Skanska—U.S./Sweden
- Transurban—Australia
- Vinci—France
- Walsh—U.S.
- Zachry—U.S.
Treasury Secretary Jacob Lew, Transportation Secretary Anthony Foxx, Commerce Secretary Penny Pritzker and Director of the White House National Economic Council Jeff Zients convened an “Infrastructure Investment Summit” on September 9th to explore both the opportunities and impediments to greater private sector investment in infrastructure. This high-octane group of Cabinet officials was joined by a veritable Who’s Who from the infrastructure financing community, CEOs representing some of the largest infrastructure agencies in the country, and industry thought leaders. Perhaps the best news is that this summit happened in the first place—it’s an explicit recognition by senior leadership across the executive branch of the fundamental link between infrastructure and economic development.

While other types of infrastructure such as water and energy were discussed, transportation was the primary focus. This Summit is the latest step in the Obama Administration’s larger “Build America Investment Initiative” that includes previously announced action steps like the new interdepartmental Transportation Investment Center housed at DOT.

The panels and breakout sessions at the Summit fell into three general categories: projects, processes and financing. The Denver RTD Eagle project, I-4 in Florida, Pennsylvania’s Rapid Bridge project and Maryland’s Purple Line were offered as examples of the latest, most sophisticated wave of P3 projects. Through their use of availability payments, careful allocation of risk between the private and public sectors, and performance-driven specifications, these projects show that we are just starting to tap the potential of public-private partnerships as critical tools for US infrastructure.

Some of the most interesting discussions—in both the panels and the breakout sessions—focused on processes. We are all familiar with (and many of us have scars from) the arduous, often arbitrary and unpredictable process of obtaining approvals and permits for major projects. For projects of regional or national significance, getting through the various approval processes, and doing it in a timely manner, is a major risk factor. This uncertainty, in turn, directly impacts project financing.

The Tappan Zee bridge project in New York is widely regarded as a model for breaking that process logjam. Its Environmental Impact Statement went from a standing start to Record of Decision in 14 months, it was structured as a design/build project with cost, schedule and other risks carefully thought through, and the project was financed, in part, by what was at the time the largest TIFIA loan ever. It’s worth noting that the Tappan Zee project had several critical success ingredients: a passionate, relentless advocate in Governor Cuomo, a skilled project team, and some flexibility in building a financial plan. But it also had another advantage—being listed on the Infrastructure Permitting Dashboard of nationally and regionally significant projects maintained by DOT. This enabled, among other things, early coordination and concurrent, rather than consecutive, reviews by multiple federal agencies. Most importantly, it was a not-so-subtle signal to every reviewer to “do it now.” The interagency cooperation and innovation that put the Tappan Zee bridge on the fast track must now become the norm for major projects throughout the country. There was widespread recognition at the Summit—including by senior...
federal officials—that it is imperative for the federal government to be more flexible, creative and just plain helpful to their state and local brethren that are pushing these rocks uphill.

And that brings us to the third discussion category: financing. It has been clear to industry observers for some time that there is currently more financial capacity than there are good projects structured as P3s. Ideas were discussed at the Summit on building a bigger pipeline of potential P3 projects, including lowering the barriers by enacting enabling legislation in the approximately 17 states that do not currently have it; educating officials at the local and state levels on what P3s are (and are not); and better knowledge sharing of best practices among state and local governments. A P3 “boot camp” that builds a basic understanding for state and local officials of the tenets of public-private partnerships, model enabling legislation, understanding and allocating risk, and best practices around the country and the world could open the doors to a new generation of P3 projects.

Next Steps: The interagency Infrastructure Finance Working Group has been tasked with delivering recommendations and an action plan to the President by November 14. The industry has an extraordinary opportunity in this limited window of time to provide specific recommendations to DOT and Treasury leadership on how to ramp up P3 projects across the infrastructure spectrum in the United States.

When trying to convey a sense of urgency on the need to rebuild and replace America’s infrastructure, it is useful to think about it in generational terms. The prosperity we enjoy today is literally built on the foundational infrastructure designed, built and paid for by our parents and grandparents - and, too often, our great-grandparents. Now play it forward, and it’s obvious that we have to pay it forward: by the year 2050, American will have up to 100 million more citizens. And double the freight tonnage of today. Our existing mechanisms for funding or financing projects are simply inadequate for today’s needs, let alone those of the future. Let’s use this invitation for input between now and November 14th to open the aperture for public-private partnerships with specific, actionable input.

John D. Porcari is Senior Vice President and National Director of Strategic Consulting for Parsons Brinckerhoff. He previously served 4 1/2 years as Deputy Secretary of the US Department of Transportation and twice served as Secretary of the Maryland Department of Transportation.

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**House P3 Panel Recommendations**

The Panel on Public-Private Partnerships created by the House Committee on Transportation and Infrastructure last January to examine the role of P3s in infrastructure development made three over-arching recommendations in its report this month:

> **Improve Public Sector Capacity.** P3 procurements are complex undertakings, and can differ significantly from traditional project delivery and procurement procedures. P3s are most successful when there is a synergy between the policy goals of the public sector and the needs of private sector financing and expertise. The Panel identified the need for increased accountability in the highway and transit procurement process generally, including P3s. The Panel recommends several ways to improve the traditional design-bid-build procurement process and better structure P3 processes and agreements to maximize benefits to both public and private sector participants and to improve the capacity of the public sector to negotiate good agreements that result in benefits to the public.

> **Ensure Transparency and Accountability.** P3s are long-term agreements that have been utilized to deliver and finance high-cost, complex infrastructure projects that involve multiple parties. Transparency is critically important to holding both the public and private partners accountable, and ensuring that the agreement is in the long-term interest of the public and all parties are meeting the terms of the agreement. The Panel recommends several ways to expand the use of analytical best practices, provide enhanced transparency, and ensure that the parties are held accountable. The Panel also recommends ways to ensure that there is an accurate accounting of the costs and benefits of the agreement and the total federal investment.

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> **Break Down Barriers to Consideration.** The federal government can do more to ensure that our Nation’s most pressing infrastructure needs are addressed through projects that expend taxpayer dollars more effectively. P3s, when carried out through well-designed contracts that ensure appropriate risk transfer and public benefit, may be an effective approach for certain types of projects. The Panel recommends several changes to federal programs to ensure fair consideration of P3 projects, where appropriate, and that the federal oversight processes take the realities of P3 procurements into account.
**Demand-Risk P3s Are An Unhappy Family**

Washington came out strong for P3s this month, but much of the talk was about user-fee financed concessions where the private sector takes the traffic demand risk. There was little mention of availability payment P3s where public sponsors take the traffic risk and control toll rates. Yet that approach now dominates the U.S. P3 market, and the rest of the world, largely because of the high cost to government of transferring demand risk to private investors.

In fact, there was only one demand-risk P3 project financed so far this year—U.S. 36 ($113 million) in Colorado, by Plenary Group. Cintra plans to close the financing for NCDOT’s I-77 managed lanes in December ($655 million).

Proposals are due in December from three Spanish concessionaires shortlisted to compete for SH 288 ($600 million) in Texas. SH 288 is the only demand-risk project currently in procurement in the U.S. In many cases, states pursuing demand-risk concessions find they can’t afford the subsidy required to satisfy rating agencies.

One reason for the high risk-premium attached to toll concessions is lender anxiety caused by the poor performance of nearly every U.S. demand-risk project financed on the basis of traffic and revenue forecasts done before the financial crisis in 2008. Of the 12 demand-risk projects in that group, 11 either have gone bankrupt or are substantially underperforming forecasts. The only profitable pre-crash road, 91 Express Lanes, was developed privately by Kiewit with Citigroup loans and sold to Orange County, Calif., in 2003 (see chart p. 16).

**Support For User-Fee Financing Asked In 2009**

Among the recommendations made by the National Surface Transportation Infrastructure Financing Commission in 2009 was a list of eight things the federal government should do to support state and regional agencies use of tolls to finance infrastructure. Of the eight, two have been accomplished (√) and six remain to be done (0):

√ Reauthorize the TIFIA program and give it $1 billion a year in annual budget authority to fund core credit assistance.

√ Encourage and facilitate private investment, but ensure appropriate controls are in place to protect the public interest. If state or local sponsors receive revenue from such projects, the money should be spent on surface transportation.

0 Allow tolling of new capacity on the interstates, and of existing interstate capacity to relieve congestion in metropolitan areas of 1 million or more people.

0 Advance user-fee backed projects with pre-construction feasibility assessment grants and capital cost gap funding grants.

0 Increase the number of slots from three to five in the demonstration program that allows tolling of existing interstates to pay for reconstruction and rehabilitation.

0 Boost the cap on highway/intermodal private activity bonds from $15 billion to $30 billion, and limit the program’s use to projects that create new capacity.

0 Consider the use of tax credit bonds for capital projects with clear public benefits.

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Richard Fierce, Sr. VP, Fluor Corp.
“PWF is the #1, must-read publication in our industry.”
Industry response to Robert Poole’s column in PWF last month came fast and sharp. Headlined “It’s Time To Respond to Populist Opposition,” the piece warned that even the natural allies of a market-based approach to delivering transportation improvements were on the attack. His column this month on p. 24 extends that warning even further, citing similarly uninformed attacks by the mainstream transportation media as a clear and present danger.

[For example, Tom Jackson, executive editor of Equipment World titled his August 1 column: “Toll Roads, P3s, and Creative Financing Will Bring Short-Term Gain, Long-Term Disaster for the Road Building Industry.”]

PWF asked four P3 industry thought leaders to consider the industry’s response to these attacks.

**Michael Schneider, Senior Vice President, HDR / InfraConsult**

As I read through the subject issue, it occurred to me that like virtually everything else these days, the impediment to accelerating delivery of infrastructure is an unholy alliance between the far right and the far left.

The Tea Party righties and the Progressive lefties are effectively killing any progress toward improving our infrastructure. The Progressives oppose tolling as regressive; the neo-Populist Conservatives oppose tolling as taxation. The right refuses to let government fund public works, and the left refuses to let private business take government’s place. Left-leaning Democrats concern themselves with the “Public Interest;” right-leaning Republicans refuse to ask the public to pay for the facilities and services that their constituents desire.

What will it take to bring the extremes toward a vision of moderation so the country can get on about its business?

**Richard A. Fierce, President, Association for the Improvement of American Infrastructure**

Bob Poole’s column in the July-August issue of PWF is a thoughtful analysis of some of the current policy and political debates concerning tolling in general and Public Private Partnerships in particular. Speaking on behalf of AIAI, we hope that we are an effective voice to explain PPPs and “debunk” some of the opposing arguments, as Bob suggests. We certainly agree that populist opposition must be taken seriously and addressed head-on, rather than dismissing and ignoring that faction.

A number of counter-arguments readily come to mind. A competitive PPP procurement with multiple bidders and close scrutiny of capex and lifecycle costs bears little resemblance to the kind of “crony capitalism” that has drawn criticism from populists. The old “Lexus Lane” argument against HOT lanes ignores the fact of added capacity and reduced congestion in the general purpose lanes. AIAI is always pleased to describe the enhanced minority and women-owned business participation and community engagement that PPP project delivery can enable.

We can also find a silver lining here. When extremists from both the right and left unite in condemning PPPs, that suggests that bipartisan support from the (hopefully) vast middle may be possible. It’s not hard to find additional signs pointing in the same direction. The House T&I Committee has convened its special panel on public private partnerships in the same political season as the Obama administration’s Build America Investment Initiative, suggesting that serious minds from both parties view PPPs as a
valuable tool for delivering public infrastructure. While the two extremes may come up with a plethora of things to rule out (no increase in gas taxes; no VMT taxes; no tolls; no increase in deficit spending; no privatization), responsible and serious policy makers understand that we need to come up with a few actual solutions to the country’s real and immediate problem of crumbling infrastructure.

Matt Girard, ARTBA P3 Division President; COO Plenary Concessions

Bob Poole’s column in the PWF’s July-August issue is timed perfectly, and it needs to spur a wake-up call to the P3 Industry. As an industry, we have our hands full in continuously needing to respond to misinformation and misunderstandings about P3’s—it’s simply a full-time job that isn’t going to change anytime soon. At the same time, when talking to the public and legislators when responding to such criticisms, the P3 industry needs to separate funding mechanisms from project delivery mechanisms.

From a funding point of view, I get it, people don’t like taxes or tolls. They want to drive on public roads for free—and oh yeah—they want them maintained in a state of good repair. The critics of alternate funding need to be asked how they want these roads and growing maintenance paid for—a gas tax that hasn’t been raised or even inflation adjusted for 20+ years? Increased use of tolls? If no to both of these, then how?

And as it relates to project delivery, P3 contract structures are completely consistent with the long-term interests of the public. P3’s not only pick a transparent winner via an open competition based on lowest overall life-cycle cost (as compared to lowest upfront cost), but they also protect the public interest by only paying the private sector for properly performing assets.

The bottom line is that the P3 industry needs to continue to correct misunderstandings, and to do so in a unified way, using as many conduits for such discussion as possible. The recent T&I Subcommittee report on P3’s to Congress is one example of the industry providing factual information, and the subcommittee doing an excellent job in couching the information in a bipartisan and accurate way. I remain very hopeful that such efforts, along with a list of growing P3 project success stories, will only help in this effort to educate and explain the benefits of P3’s. We owe it to the industry, but more importantly we owe it to our country.

Stephen C. Lockwood, Senior Vice President, Parsons Brinckerhoff

Reading Bob Poole’s excellent piece in the July-August PWF stimulated me to address another dimension that is sometimes overlooked in the “Inside the Beltway” dialogues on financing and innovation.

Many national commentators have commented on the Washington political incapacity to get important things done in terms of political right-left gridlock, lack of leadership, financial crises, anti-tax sentiment and interest group vetoes. No doubt the transportation sector is impacted by this phenomenon, but the problems (and opportunities) lie substantially outside the Beltway.

Congressional transportation politics has always been conducted somewhat apart from the general budget context—largely non-ideological and non-partisan, although certain interest groups (urban or rural, highway or transit, environment or technology) are always at play. Differences have historically been overcome by predictable increases in highway and transit budgets, and the ability of stakeholders to gain visibility and traction with legislators.

In the last few years, transportation has not been a top 10 issue on the national agenda (competing with health,
defense, education, etc.): congestion growth rate is down, highway conditions stabilized, other concerns fuzzy. A sufficiently specific compelling business case has not been put forward by a significant enough coalition of interests to provoke major Congressional action—either to increase fuel taxes—and/or unleash a “substitute” via deregulating the Interstates for tolls.

The political inaction on taxes and tolling at the federal level does not translate directly to the state and local level. Over 30 states have taken some type of fiscal initiative over the last 2-3 years in the form of state or local fuel tax increases and indexing, revenue bonds and sales taxes.

State and local initiatives are determined by site-specific measures of which partisan positions is only one. (For example, both Virginia (R) and Maryland (D) have passed recent tax-related measures.). Both tolling and P3s have to be sold to local constituents. The key determinants of revenue measures, including new toll facilities and P3s, are often matters of local capability, not of politics. For example:

- Clarity in making the business case regarding congestion, economic development, etc. associated with projects or a specific proper name projects and locations and stakeholders.
- Institutional political support : gubernatorial or committee leadership and turnover
- State DOT credibility—based on track record of performance accountability
- State/regional conflict/cooperation regarding authority over governance of toll authorities
- Business community and other stakeholder support
- Local vs. thru traffic incidence of tolls
- Reluctance of state DOTs to enter into new, risking, visible arrangements

There is a least one key connection between the local and national scale, and that is the federal prohibition (in general) against tolling the Interstate. Rebuilding and expanding capacity of many congested Interstate facilities would likely be relatively easy revenue-based projects. However, there are other toll-viable non-Interstate facilities that are not addressed as toll projects.

Bottom line: National political positions—and current congressional gridlock—do not translate significantly to the difficulties in funding transportation at the state local level. But there is a feedback between the local inability to face up to funding shortfalls and a parallel lack of appetite at national level.
In last issue’s column, I warned about growing attacks on tolling and P3s from grass-roots, mostly right-wing populist groups. But now comes what may be a more serious threat—attacks from within the transportation industry itself.

One of those leading the charge is Tom Jackson, executive editor of *Equipment World*. His August 1 column carried the headline “Toll Roads, P3s, and Creative Financing Will Bring Short-Term Gain, Long-Term Disaster for the Road Building Industry.” His anti-toll point was the tired old saw about tolls continuing after the construction bonds are paid off—as if ongoing maintenance and future expansions didn’t need a revenue source. His follow-up column, September 1st, escalated the attack, characterizing P3 concessions as “a giant money grab by the big banks and politically connected mega-construction companies.”

But the real shocker was a five-page cover story in the glossy magazine *Thinking Highways* (which focuses mostly on ITS and tolling). Titled “A ‘Model’ Scheme?” this “investigative” piece by associate editor Randy Salzman presents P3 concessions as a scam perpetrated on unsuspecting taxpayers and legislators. What’s amazing are the many parallels between Salzman’s arguments and those being offered by grass-roots populists. But you would think Salzman would know more about transportation than they do, and not make so many egregious errors.

To begin with, he attacks design-build as being “in effect, ‘cost plus,’ tailor-made for expensive change orders once construction is under way, when no politician can dare pull the plug on runaway spending.” That’s exactly backwards: traditional design-bid-build contracting does lend itself to that, which is why it’s nearly impossible to finance a toll project (whether P3 or otherwise) unless construction costs are limited by a design-build contract. Salzman repeats this ridiculous claim later on in the piece as part of his attack on P3 concessions, so he clearly believes it.

He very misleadingly cites a Congressional Budget Office study on P3 concessions as “finding little, if any, long-term savings for citizens.” What CBO actually found was a positive: the financing costs of P3 concessions end up being no higher than those of a government toll road, after taking into account the value of risk transfer, etc. That refutes numerous assertions by critics that government can always finance such projects at lower cost than the private sector. And as CBO also points out, this claim of no long-term savings ignores the incentives in a long-term concession to design the project so as to minimize life-cycle costs, something that does not happen in traditional lowest-first-cost procurement.

Salzman repeats the populists’ fallacious description of P3 project financing as being nearly all “government money.” In his view, the only private money in a concession is the “tiny” amount of equity, with all the debt viewed as government money, despite the fact that the company is responsible for 100% of the debt service on both private activity bonds (PABs) and the TIFIA loan. He and other critics equate the fact that Congress enabled PABs to be exempt from federal taxes—just as the bonds of government toll roads are—as making this “government money.” He also repeats another populist claim: that PABs are guaranteed by the federal government, so that if the P3 project goes bankrupt, federal taxpayers would pay off the bonds. Neither PABs nor TIFIA loans are “guaranteed” by the government, and both are subject to the normal workout procedures in the event of bankruptcy. Salzman cites left-wing law professor Ellen Dannin as his source for the government-guarantee claim. (Dannin’s law journal articles on P3s also claim that compensation provisions in a typical P3
concessions grant the company a monopoly.)

But the real payoff in Salzman’s article comes in its last two pages, in which he presents his P3-concessions-as-a-scam-against-the-public argument. It goes like this:

• An international financier and construction company form a “shell company” that wins the bid.

• They use 95% government money to finance this allegedly private finance deal.

• They concoct a 700-page contract that nobody but they can understand.

• They use a design-build construction contract “tailor-made for forcing the state to accept expensive change orders after construction is under way.”

• Due to the deal’s very long term, they “enjoy a hefty depreciation allowance, like homeowners take on a house.”

• After 15 years, with depreciation used up, they declare bankruptcy.

• The bondholders are made whole, due to the federal guarantee.

• Taxpayers have to rebuild a deteriorated road [after 15 years?] “when all the toll income has gone to the shell company backers, now protected by bankruptcy laws.”

• Bankruptcies mean future P3s need junk bond interest rates “due to a ‘risk’ that is primarily accruing to taxpayers.”

You could not make this stuff up! And after presenting that bizarre scenario, Salzman follows up with a vicious attack on the 495 Capital Beltway express lanes project. We all know the Beltway is experiencing a slower than projected ramp-up period, but Transurban seems fully committed to it for the long term, having recently injected $280 million in additional private equity. But Salzman caricatures this as a token “restructuring,” while immediately reminding readers that the company was unable to make a go of its rescue of the failed Pocahontas Parkway, a first-generation P3 done by a nonprofit corporation.

Where do these cockamamie ideas come from, in a sophisticated transportation industry magazine? Besides quoting the misinformed Prof. Dannin, Salzman also quotes an anti-P3 candidate for Congress from Virginia and liberal Democrat Rep. Eleanor Holmes Norton (D, DC) as raising questions related to some of the arguments that he makes in the article.

It’s ironic that just a month after Salzman’s article appeared, the House Transportation & Infrastructure Committee released a thoughtful report on Public Private Partnerships, from the special panel that it created six months ago to make findings and recommendations. This generally positive report was signed by all 11 members of the Panel on Public-Private Partnerships, six Republicans and five Democrats, with the latter including former P3 critic Rep. Peter Fazio (D, OR) and Rep. Norton herself.

My bottom-line conclusion is that the P3 community has a lot more educational work to do, if at least two transportation industry periodicals are spreading serious misinformation about P3 concessions.

Robert W. Poole, Jr. is the director of transportation studies at the Reason Foundation.
Three Listed On Regina Bypass

Three groups have been shortlisted to bid on the Regina Bypass, an estimated Cdn $800-million capital cost DBFOM to be built around Saskatchewan’s capital.

The bidders include:

- Queen City Infrastructure Group, headed by Hochtief, with Aecon, InfraRed, Flatiron, AECOM and CIBC;
- SaskLink Global Transportation Partners, headed by Vinci with GraCorp Capital, Graham, Parsons and National Bank;
- Wascana Development Partners, with SNC-Lavalin, Kiewit and Scotiabank,

Construction, including about 58km of four-lane highway, of which 40 km is new, with the rest to be upgraded; service roads; and at least four bridges, is expected to begin in 2015.

Saskbuilds, the provincial P3 agency, is managing the procurement, the largest infrastructure project in the province’s history.

BC Hydro Looks For Housing P3

British Columbia’s government-owned hydro company has launched an RFP for a small town, looking for a company to design, build, partly finance, operate and maintain a temporary community that will house workers building a massive generation project.

The hydro project, Site C on the Peace River, has not received all approvals but BC Hydro is hoping to have the Cdn $7.9-billion project (including inflation and interest during construction totaling Cdn $2.3 billion) operating by 2022.

It has opted to use a P3 to build and run a self-sufficient camp that will house up to 1,600 construction workers at a time. The construction cost of the camp will run to hundreds of millions of dollars. The winning proponent will provide everything – from buildings, food, recreation facilities, laundry, water and sanitation to building and grounds maintenance, security and a help desk - in the eight to 10 year contract, expected to begin in May 2015. Hydro has guaranteed payments for a minimum of 250 rooms a day.

The camp will be built in three phases, with 500 rooms and proportional services to be ready by October 2015, another 700 in February 2016 and the rest by April 2016. BC Hydro will make construction payments when each of the groups of rooms are completed, and monthly service payments. There will be an affordability threshold, set in discussions with proponents. B.C. often uses affordability limits, but usually the government sets them.

Hydro will hold back at least Cdn $30 million as performance security from the first construction payment.

Three teams have been shortlisted, with Hydro expecting to name a winner in February.

- Peace River Housing Partners includes Forum Equity, Aecon, Sodexo, Brookfield Financial, and Champion Canada.
- Plenary Living has Plenary Group, Aramark Remote Workplace Services, and Britco.
- Two Rivers Lodging Group is led by Atco Structures, with Bird Capital.

The worker accommodation is the only part of Site C that will be a P3.

Chile’s Socialists Cancel Social P3s

As Chile’s economy slows and demands for social services increase, a heated debate is taking place within the new Socialist government over P3 hospital concessions. With thoughts that public hospitals should be built with public money and questions about the efficiency of P3 hospitals, the Audit Office has cancelled three P3 hospital deals that were up for final government approval, including a US$390-million 710-bed deal for the Sotero del Río health complex, won last spring by a Ferrovial/Meridiam team.

At the same time, the government Health department cancelled plans for three new hospital P3s as it redid a four-year, US$4-billion healthcare plan. The new plan calls for six publicly funded hospitals and the improvement of 54 existing facilities. As a result, of the eight possible P3 hospitals inherited from ex-President Piñera’s center-right government, only two will become concessions. They are Salvador-Geriátrico and Santiago Occidente, both in...
Santiago. The cancellation of these two would require indemnity payments because the administrative process was past the point of no return.

Adding fuel to the fire, Chile’s P3 hospital concessions for Maipu and La Florida in Santiago, have been troubled by supplier payment claims, the news of which has spilled out to the local press. The 18-year DBFOM concessions were built, equipped and are operated by financially troubled, mid-size Spanish firm Grupo San Jose. It invested US$230 million in the two facilities. Spain’s Sacyr is currently building Chile’s single largest P3 hospital in Antofagasta under a US$250-million concession.

The Chilean government is now also reconsidering its prison P3s, and has indicated that it might require that future prisons be built only with public funds.

Alarmed at the turn of events, a private think tank dedicated to public affairs, Libertad y Desarrollo, has decried that Chile’s highly successful P3 program could be jeopardized if international investors get spooked by these cancellations. “The sad outcome of these advanced hospital tenders is a step backwards,” Libertad y Desarrollo says.

**Social P3s Grow In Lat Am**

In spite of what is happening in Chile (see story above), social P3 deals are advancing in other Latin American countries. Brazil is taking on hospitals and prison centers, Peru is making ready a tender for a 1,100-Mw hydropower plant, Panama plans to revive a tender for the procurement of government buildings, and Honduras is inviting interest...
in a government civic center.

Brazil is of particular interest because left-wing president Dilma Rousseff has approached social P3s pragmatically. Brazil is a federal republic that, under its constitution, allows states a degree of freedom to go their own way. Chile’s more centralized government does not allow its regions the freedom enjoyed by the Brazilian states.

Sao Paulo state recently awarded a US$346-million packaged deal for three new hospitals to engineering firm Construcap CCPS Engenheria e Commercio. Goiás state’s justice department took bids, in September, for a second P3 prison. That deal follows the recent opening of the state’s Riberão das Neves penitentiary, the nation’s first P3 prison complex. Another P3 prison is being built in Pernambuco state.

The winning bidder of Goiás state’s new Odenir Guimarães prison complex will operate and manage it for 27 years. The concession winner will be selected for proposing the lowest fee below Reais 128,800 (US$54,000) per day, equating to Reais 78 (US$32.60) per prison cell. There will be capacity for 3,040 inmates. Four teams have registered to bid, after prequalifying, including a local engineering unit of Spain’s Abengoa.

Peru appears set to make inroads into P3 energy infrastructure. Private investment promotion agency ProInversión plans a build & operate 30-year concession for a 1,100-Mw hydroelectric plant early in 2015. At an estimated US$2.5 billion, the price of power generated by the hydroplant will be state guaranteed in a forthcoming tender. The Scandinavian-Peruvian Chamber of Commerce is providing Peru with the know-how. Brazil’s Odebrecht is building Peru’s first P3 energy project, the Chaglia 456-Mw hydroplant. Three power-line concessions to Spanish and Brazil operators have been granted this month.

Odebrecht Wins Minas Gerais Road
Brazil’s Minas Gerais state has awarded its first availability-pay contract to a three-firm consortium led by Odebrecht. The consortium proposed the lowest monthly availability payment. Under the 30-year DBFOM contract the consortium will upgrade the 66-km Northern stretch of a 124.6-km-long tolled beltway serving Belo Horizonte, capital city of Minas Gerais. The contract is worth Reais 4 billion (US$1.7 billion).

The state is using public funds to improve the 58-km-long Eastern and Southern sections of the beltway, but chose a P3 for this Northern section.

Trucks will be heavy users of the new Northern section, which will connect with freeway BR-381 to São Paulo and with freeway BR-040 to Brasilia. It will also link up with an inner road ring around Belo Horizonte, helping to alleviate local traffic congestion. There will be eight toll stations; the maximum toll charge will be Reais 7.50 (US$3.15).

The three members of the consortium, Rota Metropolitano Norte, are Odebrecht Transport Participações, S.A., EcoRodovias Infraestrutura e Logistica, S.A., a leading toll road operator, and Barbosa Mello Participações e Investimentos.

Minas Gerais will contribute Reais 800 million (US$335 million) to buy the right of way for the improved road. The consortium will contribute the remaining Reais 3.2 billion (US$1.3 billion) for construction. Equity is a reported 18% (some Reais 576 million (US$241 million)), and the remaining Reais 2.6 billion (US$1.0 billion) will be provided by bank debt.

Acciona Wins East-West Link Tube
Australia’s Victoria State has chosen a Franco-Spanish-Australian consortium as preferred bidder to DBFOM a 6-km-long tunnel that will be the first stage of Melbourne’s planned 18-km cross-city tolled corridor, East West Link. Lend Lease Australian Property Fund heads the consortium East West Connect, in which France’s Bouygues and Spain’s Acciona...
concession units hold undisclosed shares.

The Victoria government is expected to move swiftly into negotiations with the consortium over the final terms of the deal, with the aim of signing a concession contract prior to state elections on November 29. The consortium has declined to comment until the contract is signed. A$8-billion (US$7.098 billion)

East West Connect beat a rival team of Spain’s Ferrovial unit Cintra, Italian tunnel specialist Ghella and Korea’s Samsung. Another team led by Spanish ACS, with Leighton group contractor John Holland and Bank of Tokyo, dropped out in June claiming the risks associated with the freeway tunnel “were not acceptable.”

The East West Link project will provide an alternative to the West Gate Bridge, where use is expected to rise from 165,000 vehicles a day to 235,000 by 2031, and travel times double, according to a Victoria state assessment report.

The Labor party is threatening to cancel the project if it wins in November, even if the contracts have been signed. The consortium is now reportedly negotiating for a contractual $500-million “kill fee”, in case Labor wins and makes good on its threat.

**Ferrovial In, Abertis Out of Airports**

Ferrovial, eager to strengthen its hand again in airports, has submitted an offer to buy out its partners in Aberdeen, Glasgow and Southampton airports. With a 25% share, Ferrovial is currently the single biggest stakeholder in Heathrow Airports Holdings (HAH), the U.K.-based operator of the three unregulated British airports.

The Spanish infrastructure company declined to comment. But it is believed the bid was submitted in an equal 50%-50% partnership with Australian infrastructure investors Macquarie and Industry Funds Management for £800 million (US$1.308 billion).

Over recent months, HAH shareholders have discussed the packaged sale of the three U.K. airports to permit focusing on London’s Heathrow Airport, the biggest driver of profits of the group and the largest UK airport.

Ferrovial’s partners in HAH are Qatar Holding, 20%; Caisse de Dépôt et Placement de Quebec, 13.29%; Singapore Investment Corporation, 11.88%; Alinda Capital Partners, 11.18, China Investment Corporation, 10% and Universities Superannuation Scheme, 8.65%.

Abertis meantime has agreed to sell its stake in Aeropuertos Mexicanos del Pacifico, operator of Mexican airports, to local group Promotora Aeronáutica del Pacifico for US$222 million in yet another step to pull out of the airport sector. Its only remaining assets are MBJ, the concession vehicle of Montego Bay Airport, Jamaica, which it reportedly has recently put up for sale. It is reportedly not bidding on the new concession for Santiago’s airport Arturo Merino Benitez. It had a share of the old concession, which runs out in mid-2015.

**Spain’s AENA Loses CEO**

The launch of Spain’s invitations to bid on a long-planned partial privatization of state airport operator AENA has been jostled by a Spanish government cabinet reshuffle that moved the incoming head of AENA, Rafael Catalá, to Justice Minister, a cabinet position.

Catalá, who designed the structure under which the new AENA will operate, also departs as Head of Infrastructure at Spain’s Fomento (Development) ministry, where he leaves unfinished a settlement with banks over their defaulted loans to Spain’s crumpled toll highways.

Prior to assuming his new job as Justice Minister, Catalá helped reform the Spanish version of Chapter 11 to permit consolidating the highway suits into a single court.
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For more information please contact: José María López de Fuentes (USA) or Ignacio García (Spain) through info@ohlconcesiones.com, or visit www.ohlconcesiones.com

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- California DOT $1.1B Presidio Parkway Project – Availability Payment Contract – Financial Close, June 2012
- Virginia DOT $2.1B Midtown Tunnel Project – Toll Concession – Financial Close, April 2012

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A U.S.-based institution with a deeply rooted U.S. regional presence, **KeyBanc Capital Markets** excels at understanding the needs and sensitivities of local constituencies and public officials to facilitate communication and deliver reliable and innovative infrastructure solutions. With our comprehensive Public Private Partnership platform, and our willingness to deploy bank balance sheet and capital markets products providing short and long term funding, our financial experts have the experience and expertise to respond to all financing needs and address all procurement issues unique to public infrastructure projects.

Contact **Jose Herrera** at 917-368-2390 / jose.herrera@key.com, or **Jake Wozniak** at 614-460-3463 / jake.wozniak@key.com, or visit key.com/government.

**KeyBanc Capital Markets** is a trade name under which corporate and investment banking products and services of KeyCorp and its subsidiaries, KeyBanc Capital Markets Inc., Member NYSE/FINRA/SIPC, and KeyBank National Association (“KeyBank N.A.”), are marketed.

### Mayer Brown

**Mayer Brown** has one of the leading public-private partnership practices in the United States. A perennial Chambers Band 1-ranked practice for P3 Projects, what distinguishes us from other law firms is our experience advising clients on transactions that have successfully closed from every side of a project. We have represented public agencies, sponsors and lenders alike on P3 transactions around the country and across all asset types, including roads, bridges, ports, parking, mass transit and social infrastructure.

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### Lochner MMM Group

In 2007, U.S.-based H.W. Lochner, Inc., and Canada-based MMM Group Limited formed an equal partnership, Lochner MMM Group, to integrate internationally-gained design-build and P3 experience with an in-depth understanding of U.S. transportation infrastructure. Together, we combine local knowledge with international best practices to provide owners, contractors, concessionaires, and design partners throughout the U.S. solutions that are innovative, practical and constructible. With coast-to-coast offices throughout the U.S. and Canada, Lochner MMM Group offers:
- A deep pool of staff resources to deliver large scale projects within fast-track schedules.
- Proven capability in advisory, design, and program management roles.
- Experienced teams that understand and thrive in the alternative delivery environment.
- Ability to leverage a strong local presence with international expertise.

Contact: **Phil Russell, President & CEO**, Lochner MMM Group
1 512.828.0076
phil.russell@lochnermmmgroup.com

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contact William Reinhardt at (908) 654-6572 or www.pwfinance.net or email: pwfinance@aol.com
**Kiewit**

Established in 1884, Kiewit is one of the largest construction organizations in North America leveraging a network of more than 50 offices to develop a respected multifaceted business presence across North America. With a staff of management, technical, financial, commercial and legal experts dedicated to successfully delivering P3 projects, our success is based on the trust that we have built with government officials, stakeholders and the financial community. As a recognized leader in design-build and P3 project development, Kiewit combines extraordinary financial credibility and extensive resources with a creative, solution-oriented approach to ensure a predictable outcome of success for our clients.

Contact: Joe Wingerter, Director of P3 Project Development, Kiewit Corp. (402) 943-1329, Joe.Wingerter@Kiewit.com or James Bennett, Director Project Development, Kiewit Canada Development Co., (647) 453-5719, james.bennett@kiewit.com

**KPMG’s Global Infrastructure** professionals in the US and Canada provide specialist Advisory, Tax, Audit, Accounting and Compliance related assistance throughout the life cycle of infrastructure projects and programs. Our teams have extensive local and global experience advising government organizations, infrastructure contractors, operators and investors. We help clients ask the right questions and find strategies tailored to meet the specific objectives set for their businesses. KPMG can help set a solid foundation at the outset and combine the various aspects of infrastructure projects or programs – from strategy, to execution, to end-of-life or hand-back.

Contact Andy Garbutt, Practice leader for KPMG’s US team, at +1-5(12) 501-5329 and Brad Watson, Practice leader for KPMG’s Canadian team, at +1-4(16) 777-8142, or e-mail: infrastructure@kpmg.com or www.kpmg.com/infrastructure.com

**Meridiam** is a leading developer, equity investor and asset manager of primary Public Private Partnership (P3) infrastructure projects with deep expertise in North America and Europe. With US$3.8bn of assets under management across three long-term infrastructure funds, and a focus on transport, social infrastructure and environmental P3 assets, Meridiam strives to establish a long-term contractual relationship between the public and private sectors. Meridiam currently manages 32 projects worldwide, including 9 projects across North America, among which are the Port of Miami Tunnel in Florida, the Long Beach Courthouse in California, and the Waterloo Light Rail Transit in Ontario.

For further information, please contact Joe Aiello (j.aiello@meridiam.com) or Thilo Tecklenburg (t.tecklenburg@meridiam.com).

**Meridiam North America** – 605 Third Avenue, 28th Floor NY, NY 10158 – Tel (212) 798-8686 or Meridiam Canada – 357 Bay Street Suite 501 Toronto, Ontario, Canada, M5H 2T7 – Tel (647) 345-3529, or e-mail: infrastructure@kpmg.com or www.kpmg.com/infrastructure.com

Successful project finance requires the development and integration of marketing, engineering and environmental strategies into the overall financial framework. The Louis Berger Group, Inc. has a proven track record and an established practice in all three areas and has developed innovative tools creating a seamless web between the technical and the financial design of projects. This has resulted in the successful financing and execution of projects in the United States, Europe and the World. With offices in over 90 countries, the Group brings in-depth local understanding and an unequaled ability to respond rapidly to clients’ needs.

Contact: Nicholas Masucci (973) 407-1000, nmasucci@louisberger.com

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Jacobs is one of the world’s largest and most diverse providers of professional technical consulting services. As a full-spectrum lifecycle solutions provider we focus on developing close strategic partnerships with our clients over the life cycle of their projects. Jacobs provides a distinctive range of comprehensive planning, design and management expertise in almost every industry—public and private. We are often called upon by government agencies to provide program advisory services related to public-private partnerships (P3) including financial and economic feasibility, procurement and other related services. As project funding decreases, public-sector clients are partnering with Jacobs to identify and implement P3 programs tailored to meet their project delivery and financing challenges.

For more information, please contact Pamela Bailey-Campbell at (214) 920-8158.
Hawkins Delafield & Wood provides legal advisory services to governmental owners on P3 and alternative delivery infrastructure projects in the United States and Canada. The firm also represents P3 project investment bankers and lenders.

Our infrastructure legal practice is widely recognized for its quality and depth. Over a 20 year span, Hawkins has negotiated and closed more than 200 design-build, design-build-operate, design-build-finance-operate, construction-manager-at-risk, concession, asset management, operating services and franchise agreements for public sector clients in 25 states and 3 provinces. Award-winning projects on which Hawkins has served as owner’s lead counsel include:

- Carlsbad Seawater Desalination Project (San Diego County Water Authority), a Project Finance International water infrastructure P3 deal of the year.
- New Long Beach Court Building (State of California), a Bond Buyer social infrastructure P3 deal of the year.
- Spokane Regional Water Reclamation Facility (Spokane County), a Design-Build Institute of America wastewater infrastructure DBO deal of the year.
- Buckman Direct Division Project (City of Santa Fe), a Design-Build Institute of America water infrastructure DB deal of the year.

We practice in the transportation, water, wastewater, solid waste, renewable energy and social infrastructure sectors, and our experience encompasses all forms of competitive procurement and public works project delivery.

Contact: Eric Petersen at (212) 820-9401 (epetersen@hawkins.com) or Ron Grosser (212) 820-9423 (rgrosser@hawkins.com) or Joe Sullivan (212) 820-9513 (jsullivan@hawkins.com) or Rick Sapir at (973) 642-1188 (rsapir@hawkins.com), or through our website at www.hawkins.com.

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Granite Construction Incorporated is today one of the largest heavy civil contractors in the United States. It is positioned in all the major U.S. markets with offices located throughout the country serving over private and public clients. Over the past 88 years, Granite has earned a nationwide reputation as the preeminent builder of quality projects in a timely manner. Always progressive, Granite has developed into one of the top Design-Build contractors in the U.S. and has recently enacted an Environmental Affairs Policy to take a leading role in the construction industry in protecting the environment and our natural resources. Through our corporate Sustainability Plan, we actively engage in industry, and direct efforts at the local, state, and federal levels to advocate for adequate and sustainable public infrastructure funding to maintain and improve America’s transportation system. Granite is nationally recognized for its expertise in the majority of construction sectors including tunnels, highways and roadways, dams, bridges, railroads marine, airports, heavy and light mass transit, and have become renowned design-build and mega project constructors. Granite leads the market in the design-build turn-key delivery of complex fast paced transportation projects.

Contact Robert Leonetti, 831-728-7580, or 585 West Beach St. Watsonville, CA 95077-5085 www.graniteconstruction.com

Ferrovial Agroman is a leader in the global construction market. In addition to Spain, the company has significant activity in eight other countries: Poland, USA, Greece, United Kingdom, Chile, Puerto Rico, Ireland and Portugal. Wholly owned by the same parent company as CITRRA, the world’s largest transportation developer by invested capital, Ferrovial Agroman has 80 years of construction experience in DBB, DB, and PPP projects in all types of infrastructure assets. These decades of experience result in 2,300 mi highway concessions; 9,400 mi new roads; 16,700 mi rehab of roads; 250 mi tunnels; 2,500 mi canals; 3,800 mi water pipelines; 2,200 mi gas and oil pipelines; 25 hydroelectric power stations; 145 dams; 215 water treatment plants; 17 mi wharfs and ports; 35 airports; 20 stadiums; and 2,550 mi railways including 440 mi HSR.

Contact Daniel Filer, VP of Business Development for North America at +1-512-637-8587.

Globalvia was founded in 2007, being its shareholders (50:50) the construction and environmental services company Fomento de Construcciones y Contratas S.A. and Spanish savings bank Bankía. Globalvia, the world’s second largest transport infrastructure developer by number of concessions, is specialized in DBFOM and DBFM projects. Globalvia has the financial capability to accelerate delivery of projects, as well as the construction and operational expertise to meet the highest standards for the life of a project. We take pride in working with local contractors, employing area business and individuals during operation and incorporating community feedback to deliver the best possible public service. Currently, the company manages more than 41 PPP projects world wide including roads, railways, ports, airports and hospitals although its objective for the near future is focused on road and railway concessions (78% of its portfolio).

Contact Michael Lapolla at (212) 618-6310 or mlapolla@globalvia.com. www.globalvia.com

Elias Group LLP provides legal and consulting services to government and industry. We are a boutique law firm internationally recognized for our expertise in project finance, public/private partnerships, industrial outsourcing, joint ventures and strategic alliances, and M&A of regulated and non-regulated entities. The firm’s unique accomplishments include the first 20-year concession agreement executed in the U.S. for the rehabilitation and operation of a municipal wastewater treatment facility. Our skills and practical experience are evident in the multitude of transactions successfully completed.

Contact: Dan Elias or Michael Siegel at 411 Theodore Fremd Avenue, Rye, NY 10580; tel: (914) 925-0000; fax: (914) 925-9344; or visit our web site: www.eliagroup.com
PUBLIC-PRIVATE SERVICES DIRECTORY

Engineering and Environmental Solutions

**TYPSA-AZTEC** is an international consulting engineering firm with nearly 50 years of experience successfully executing major infrastructure projects. Our 2000 professionals work in multidisciplinary teams to improve and sustain enhanced living conditions around the world. Our major services include: Transportation / Architecture / Building Technology / Energy / Environmental Services. We are internationally recognized with top industry rankings and awards. In all we do, we seek balanced solutions for our clients, the public and the environment.

For more information, please contact **Miguel Bardalet:** (602) 625-4028 / mbardalet@typsa.com or **Robert L. Lemke, Jr.:** (602) 402-8683 / rlemke@aztec.us

www.typsa.com  www.aztec.us

**Abertis** is the world leader group in motorway management and one of the first international infrastructure operators. Through its two business areas (motorways and telecommunications infrastructures), the company has presence in 12 countries across Europe and America, as a result of an internationalization process which has intensified over the past three financial years. The infrastructure Group employs more than 16,000 people around the world and 62% of its revenues are generated outside Spain. The evolution of the company is marked by the integration in 2012 of more than 3,500 kilometers of motorways in Brazil and Chile. This operation lead Abertis to achieve the world leadership in the motorway concession sector, both in terms of kilometers managed (more than 7,300) and for income (exceeds 4,600 MEUR). Abertis is listed on the Spanish Stock Exchange and is a constituent of the IBEX 35. It is present also in the main international indexes such as FTS Eurofirst 300 and Standard & Poor’s Europe 350.

**Contact:** Corporate Communications Direction  (34) 93 230 5039

**China Construction America (CCA)** is a wholly-owned subsidiary of China State Construction Engineering Corporation Limited, a Fortune Global 500 company publicly listed in China, with core businesses in construction, real estate and infrastructure development. CCA has undergone a long process of success in local construction and real estate markets in America. CCA has at present more than $2.5b building and infrastructure work including bridge and underground structures, and is looking for PPP opportunities. We have the financial capability to accelerate the delivery of infrastructure projects. Our team has the local and international expertise for any size project. We will continue to work with local authorities and professionals to ensure achieving the highest possible standard for the projects.

**Contact** Jietai Huang at (201) 876 2788 or huang_jietai@chinaconstruction.us

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**Egis Projects** has unrivaled experience in most types of infrastructure P3 and concessions: motorways, bridges, tunnels, urban infrastructures, and, more recently, airports. We are experienced with all types of remuneration (real toll, shadow toll or availability schemes). Egis Projects relies on the specialized skills of its shareholders: Groupe Egis, a leader in infrastructure engineering, and Caisse des Dépôts, a AAA financial institution. Egis Projects acts as promoter, developer and investor in concession/P3 projects, as turnkey equipment integrator, as operator and manager of airports, and, via its wholly owned subsidiary Egis Road Operation, as operator of roads and motorways. Egis Projects has also extended its activities to electronic toll collection, toll network interoperability, and safety enforcement, as well as associated services for road users under the Easytrip brand.

Egis Projects has financially closed 22 infrastructure projects for a total value of Euro 12 bn. Egis Road Operation is operating 27 motorways totalling 1,840 km in 15 countries.

Contact: **Alain Poliakoff** in Paris, France at (33) 1 30 48 48 09, fax (33) 1 30 48 48 91 or alain.poliakoff@egis.fr or visit http://wwwegis-projects.com

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**Engineering and Environmental Solutions**

**TYPSA-AZTEC** is an international consulting engineering firm with nearly 50 years of experience successfully executing major infrastructure projects. Our 2000 professionals work in multidisciplinary teams to improve and sustain enhanced living conditions around the world. Our major services include: Transportation / Architecture / Building Technology / Energy / Environmental Services. We are internationally recognized with top industry rankings and awards. In all we do, we seek balanced solutions for our clients, the public and the environment.

For more information, please contact **Miguel Bardalet:** (602) 625-4028 / mbardalet@typsa.com or **Robert L. Lemke, Jr.:** (602) 402-8683 / rlemke@aztec.us

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CDM Smith provides lasting and integrated solutions in water, environment, transportation, energy and facilities to public and private clients worldwide. As a full-service consulting, engineering, construction, and operations firm, we deliver exceptional client service, quality results and enduring value across the entire project life cycle.

CDM Smith is internationally recognized for utility, toll road and public-private partnership expertise, serving public and private sector clients on hundreds of infrastructure projects worldwide. For more than 60 years, CDM Smith has worked to place $85 billion of revenue-based financings and provide unparalleled credibility in today’s financial markets.

Visit us at cdmsmith.com, or contact Ed Regan (803 251-2072), Kamran Khan (630 874-7902), Grant Holland (404 720-1283) or Joe Ridge (603 222-8320).

Cintra plays a leading role in transport infrastructure development throughout the world, with nearly 1,300 miles of managed highways worldwide. This represents a total global investment in traffic congestion improvements of more than US$28.7 billion. Cintra has a portfolio of 25 concessions in six countries distributed among Canada, United States, Spain, Portugal, Ireland, and Greece, and offices in Colombia and Australia. At the close of 2012, 57% of its turnover and 60% of its EBITDA came from projects outside Spain. Cintra’s staff is formed by more than 2,000 professionals, of which around 80% work outside Spain. The Cintra-Ferrovial merger in 2009 created one of the World’s largest private operators of transportation infrastructure and a leading services provider with net revenues of more than $7.5 billion a year and operations in more than 25 countries. Ferrovial’s business model is focused on end-to-end infrastructure management, design, construction, financing operation and maintenance, as well as services.

Contact: Ricardo Bosch, Director North America Business Development, rbosch@cintra.us, or Carlos Ugarte, Corporate Development and Business Direction +34 91 418 5606. More information: www.cintra.es

AIAI is a non-profit organization formed in the District of Columbia to help shape the direction of the national Public Private Partnership marketplace. AIAI serves as a national proponent to facilitate education and legislation through targeted advocacy. AIAI’s Board is comprised of leaders of the construction and development industry. Their extensive national and international experience and industry knowledge provides AIAI with a clear direction for developing and advocating policy and legislative solutions, allowing more equitable and effective partnerships across diverse market sectors from transportation and energy to educational, health and public service institutions.

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