KEY TOLL ROAD DRIVERS

- Transportation investment requirements growing faster than legacy source funding
- Key legacy source – petroleum fuel taxes – will decline in effectiveness over next 15 years due to ‘disruptive technologies’
- Bi-partisan consensus supporting fuel taxes to fund transportation infrastructure has collapsed
- Transformational technology – Electronic Toll Collection – provides better road pricing solution
FUTURE TRANSPORTATION FUNDING CANNOT RELY ON FUEL TAXES

TRB, NCHRP, and FHWA released a report on January 23, 2006 that proposes two possible methods for future transportation finance:

– Increased Use of Toll Roads and Toll Lanes;

and

– A switch in Taxing Procedures from Gasoline Consumed to Miles Traveled and Roads Used
PRIVATIZATION DRIVERS

• Large US & international Infrastructure Investment Funds have been formed
• SAFETEA-LU and TEA-21 authorize new financing solutions – PAB’s & TIFIA
• Private concession model provides certain structural advantages
• International PPP success provides a template for US
SOLUTIONS ADOPTED BY STATES

- Recapitalize Legacy Toll Authorities & upgrade existing toll facilities & develop new toll facilities
- Create new ‘single purpose’ toll authorities
- Create transportation capital through concessioning or transferring existing toll facilities
- Create transportation capital through concessioning new toll facility development
RECAPITALIZE LEGACY AUTHORITIES

- Florida Turnpike Enterprise
- Illinois State Highway Toll Authority
- Maryland Turnpike Authority
- Harris County Toll Authority
- Pennsylvania Turnpike (?)
CREATE NEW ‘SINGLE PURPOSE’ TOLL AUTHORITIES

• E-470 Authority
• North Carolina Turnpike Authority
• Miami-Dade Expressway Authority
CONCESSION OR TRANSFER EXISTING FACILITIES

• Chicago Skyway - $1.8 Billion; Transaction Closed
• Indiana Toll Road - $3.8 Billion; Transaction Closed
• Dulles Toll Road – Transfer to MWAA – several $ billions - in process
• Florida – concessioning of 3 toll facilities
• New Jersey Tpke / Garden State Pkway – Transfer to Public Benefit Corp (?)
CONCESSION NEW TOLL FACILITY

• Texas Major Current Projects:
  – El Paso Loop - awarded
  – SR 121 - awarded
  – I-635 - shortlisted
  – SR 161 - shortlisted
  – Loop 1604 – environmental studies underway
  – TTC – I-35 - awarded
  – TTC – I-69
CONCESSION NEW (CONT.)

- **Florida:**
  - Port of Miami Tunnel – awarded, contract not signed
  - I-595 – in procurement
  - Jacksonville Outer Beltway – in procurement

- **Virginia (PPTA Program):**
  - Pocahontas Parkway – project completed, resold
  - I-95/395 HOT Lanes - awarded
  - I-495 HOT Lanes – awarded
  - Third Hampton Roads Crossing
  - I-81 Improvements - awarded
  - Mid – Town Tunnel 2\textsuperscript{nd} Tube
  - Rt. 460 Improvements - shortlisted
LESSONS LEARNED

• Substantial Low Cost Domestic & International Capital Available for Investment in US Transportation Infrastructure
• Toll rate ‘indexing’ required to create investment capital
• Strong Executive Leadership Required to Implement DOT and Authority Change
• Front End of Projects Must be Assigned to Public Sector
• There are 2 dreaded ‘T’words – Taxes and Tolls
• Significant institutional impediments to changing the current institutional and financial structures for delivering new transportation infrastructure
LESSONS LEARNED (CONT.)

• Concerns about Long Term Concessions:
  – Length of Concession Agreement
  – Windfall Profits
  – Control of Toll Rates
  – Foreign Ownership
  – Concessionaire will not maintain asset in ‘state of good repair’
  – Changes in Ownership or Management of Concessionaire
‘AMERICANIZATION’ OF THE CONCESSION MODEL

- Recent Texas toll road concession legislation
- Representative Oberstar’s perspectives
- Governor Corzine’s emerging strategy
- Pennsylvania’s current situation
- Some sponsors may wish to manage toll rates and make availability payments
- Virginia, Florida, and Texas are each following their unique PPP paths
- Others are cautiously advancing PPP Programs – Puerto Rico, Utah