US TOLL ROAD REDUX

RAYMOND H. ELLIS, MANAGING DIRECTOR DMJM HARRIS, AECOM TECHNOLOGY CORP.

NORTHWESTERN UNIVERSITY TRANSPORTATION CENTER BUSINESS ADVISORY COUNCIL OCTOBER 3, 2007

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 2nd 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 repari'
 - 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