

Harnessing the Value of Public Private Partnerships

June 27, 2012

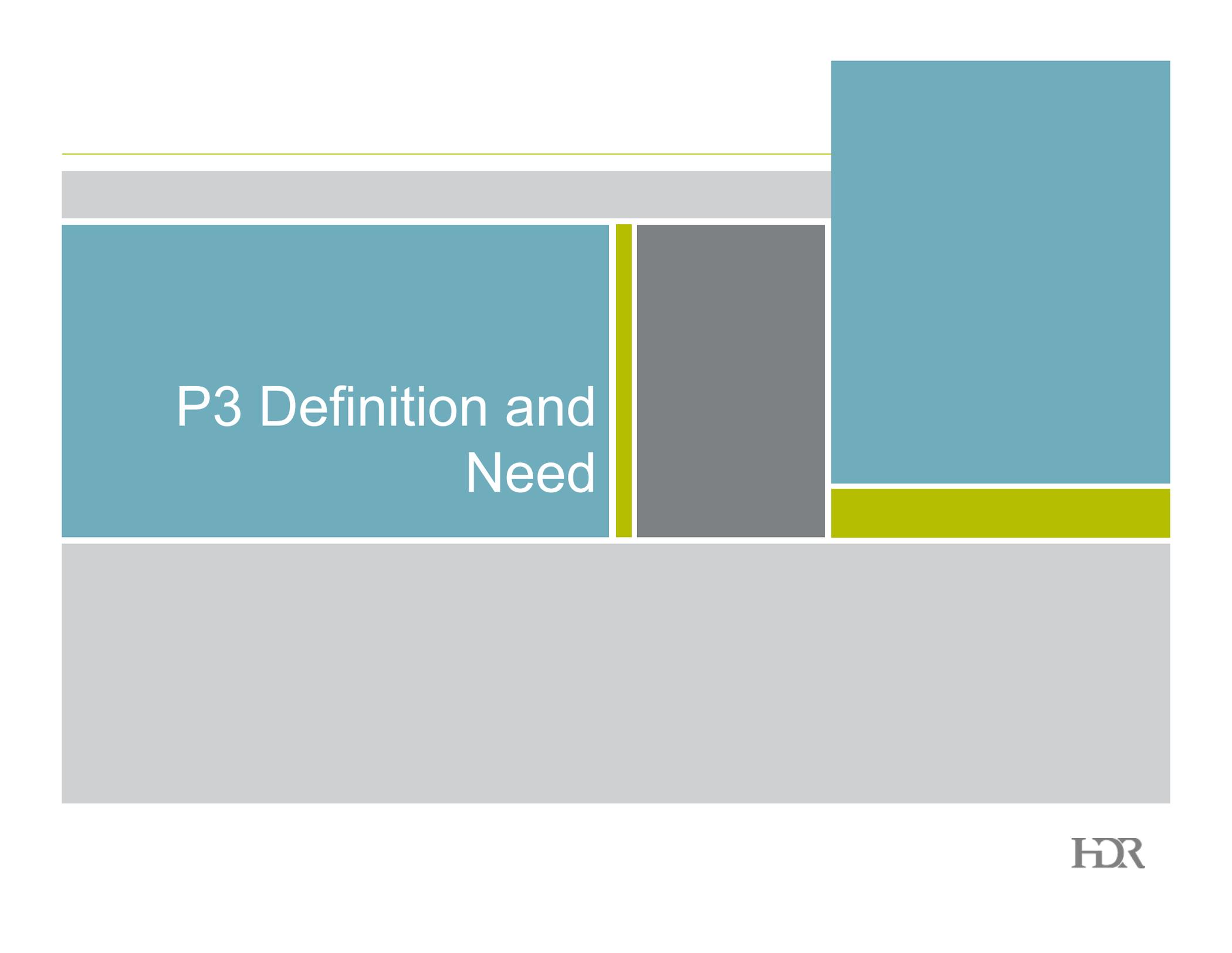


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Agenda

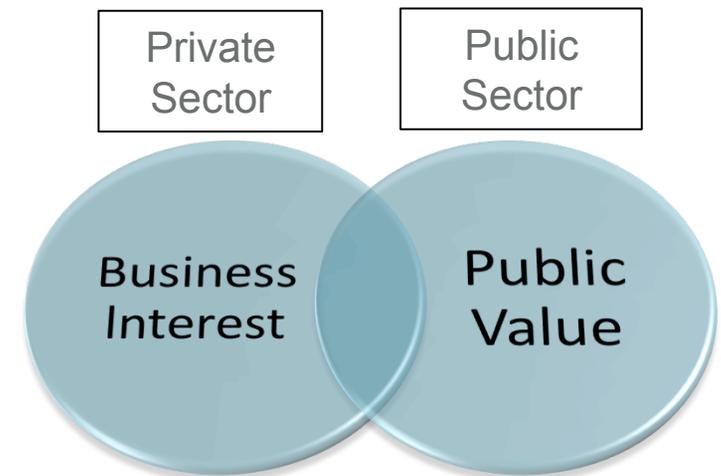
- P3 Definition and Forms
- Typical Dimensions
- Benefits, Drawbacks, and Success Factors
- Due Diligence Process to Increase Likelihood of Success
- Open Discussion



P3 Definition and
Need

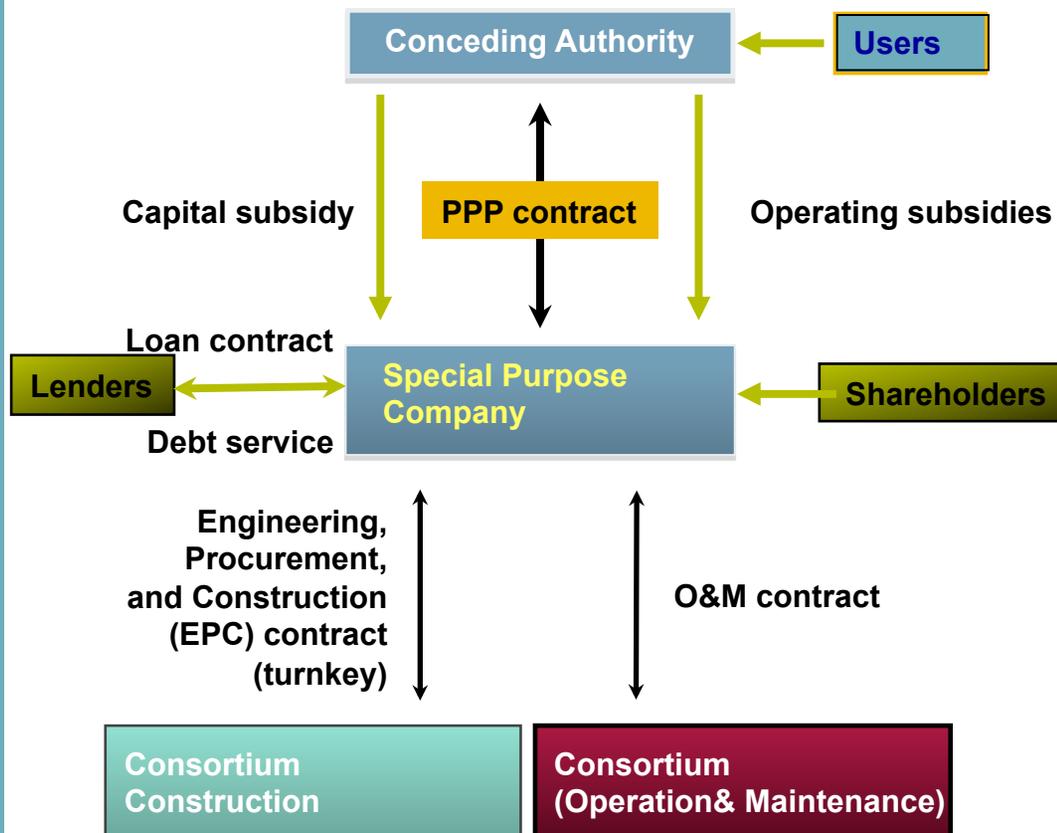
Defining Public-Private Partnerships

- P3 is a mechanism under which a government agency and a private enterprise collaborate to deliver a project that realizes benefits to the region and the enterprise.
- U.S. DOT provides a broader P3 definition as contractual agreements which allow more private sector participation than is traditional.
- P3s are used regularly in the U.K., Canada, and Australia, as an alternative delivery and funding mechanism



P3 General Structure & Desired Features

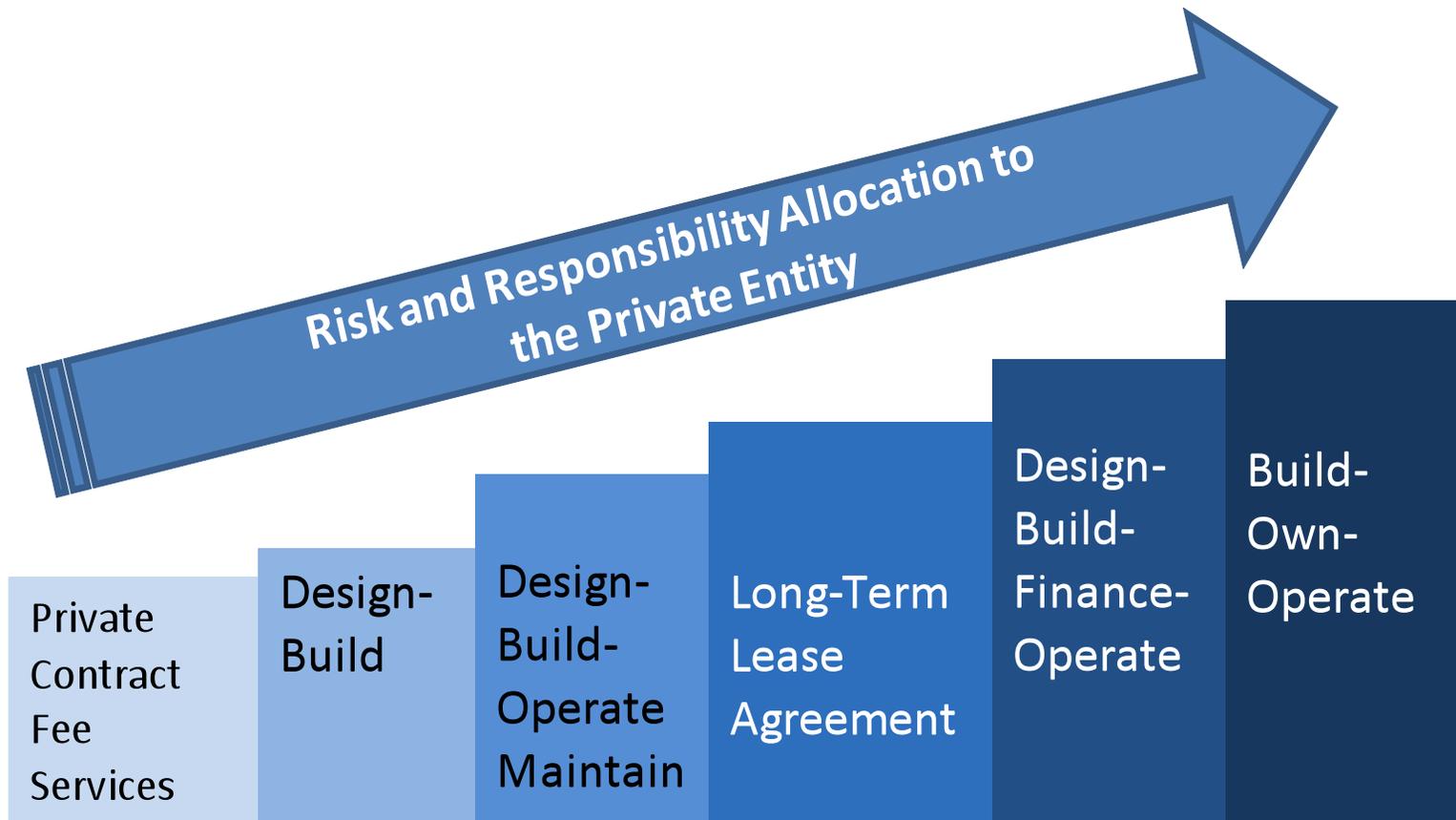
PPP contractual scheme



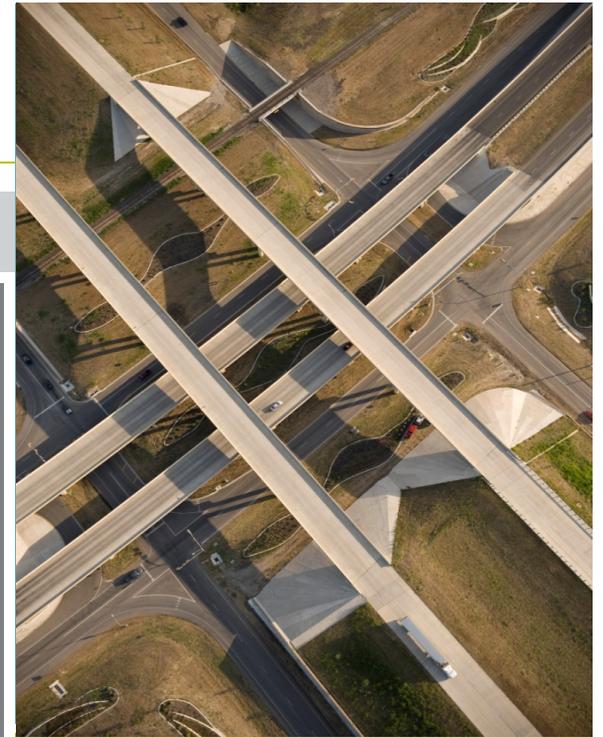
Desired Features

- Transfer Prudent Risk
- Budget Control
- Accelerate Delivery
- Create Competition
- Spur Economic Growth
- Capture Innovation
- Life Cycle Efficiencies/ Performance

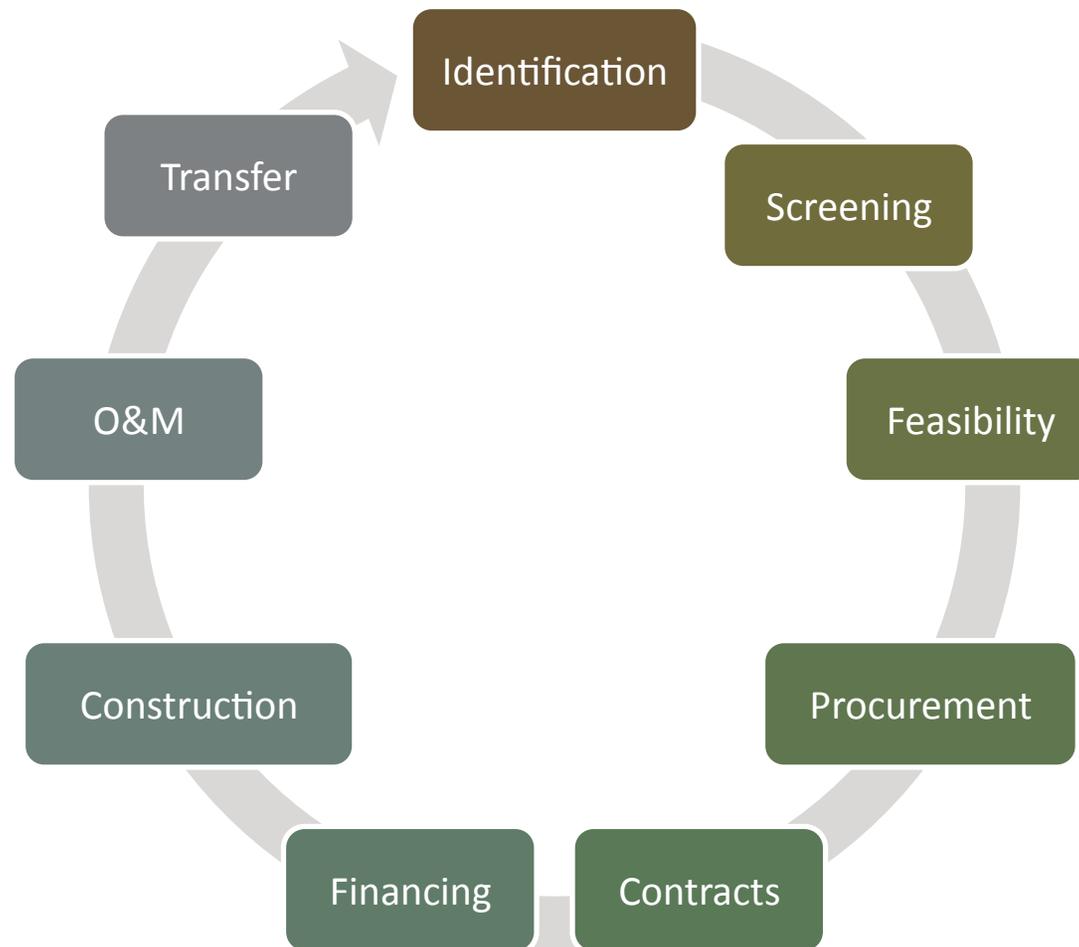
Forms of Public Private Partnerships for transportation investments



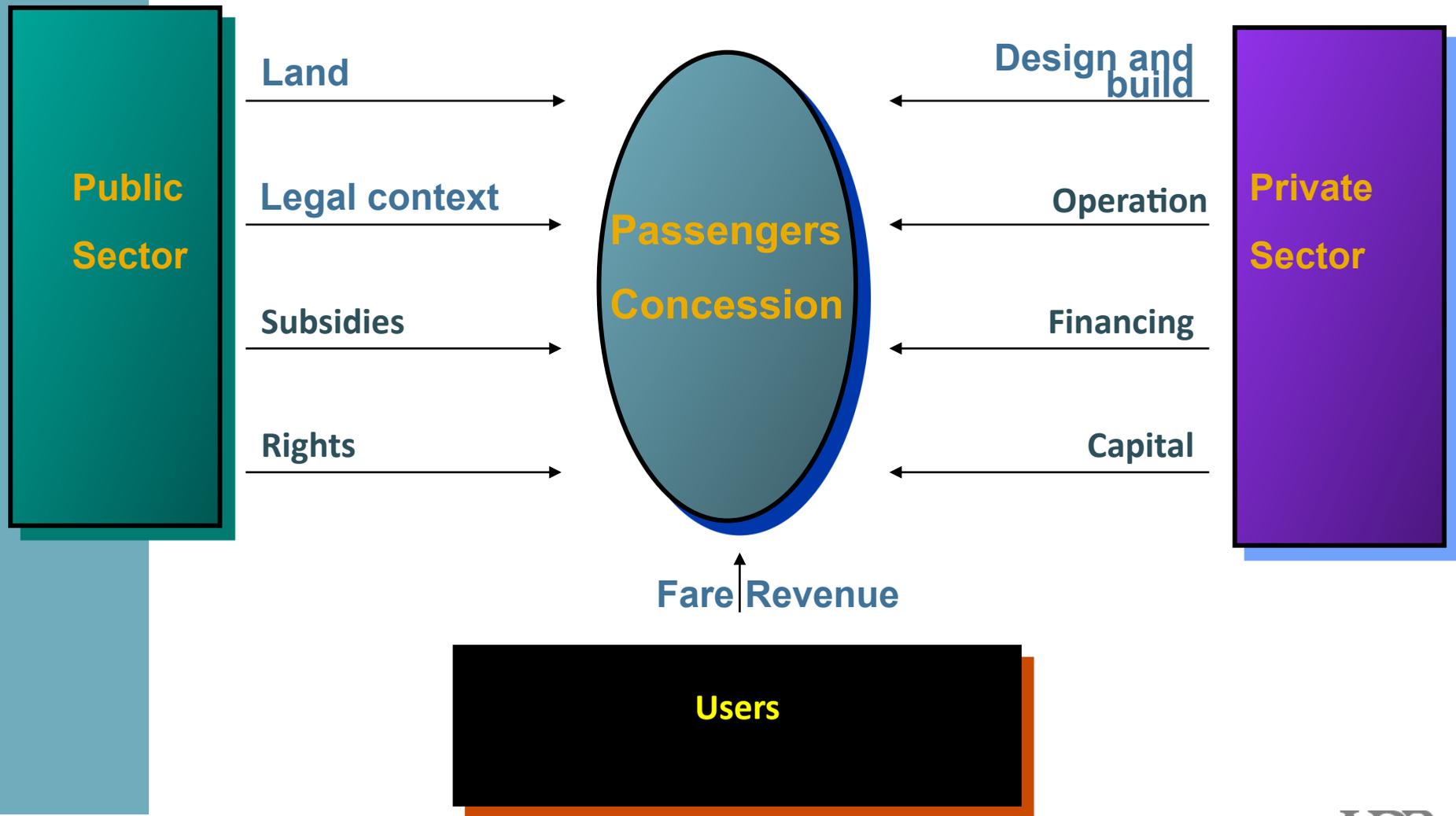
P3 Typical Dimensions



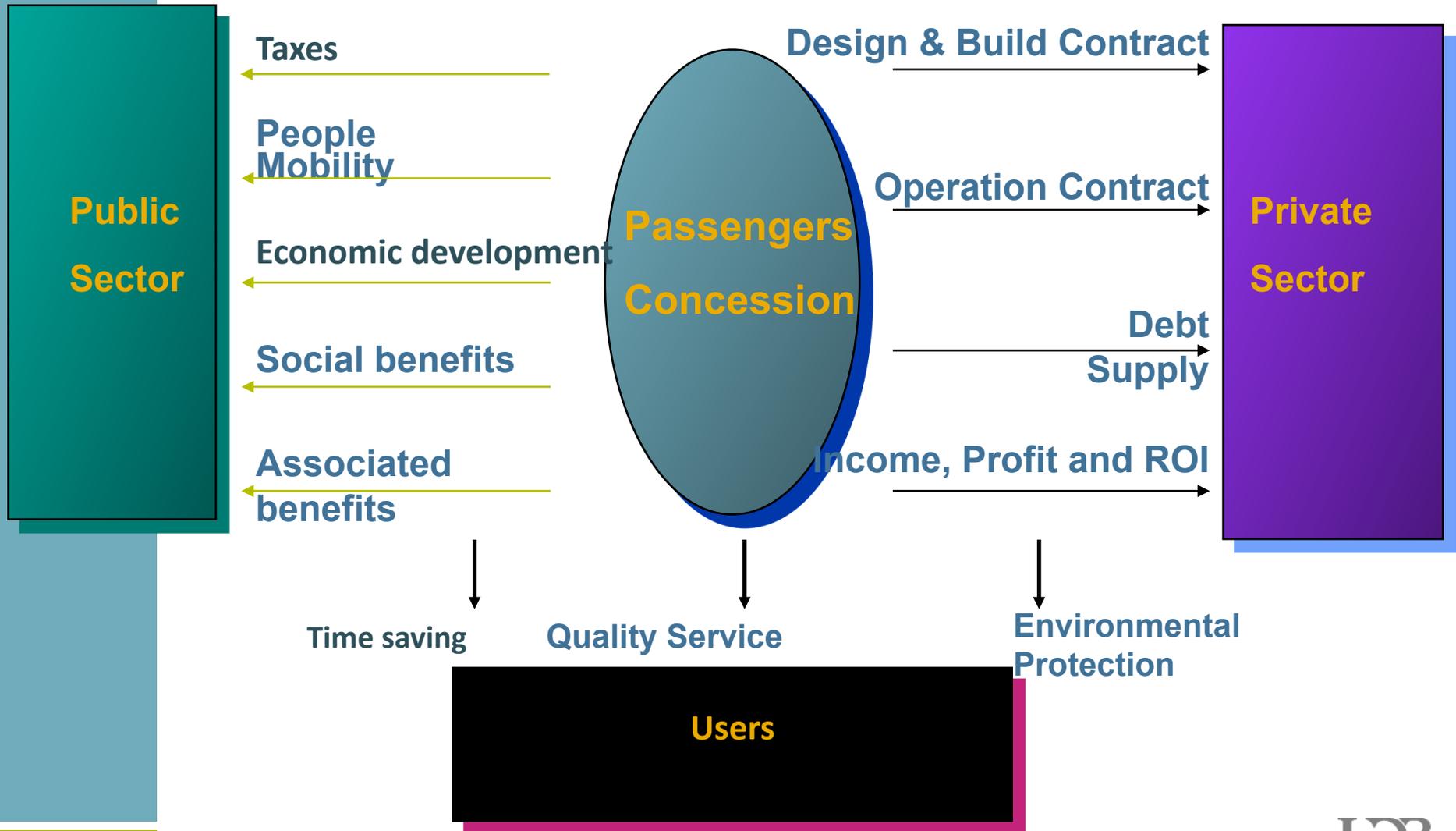
P3 Project Cycle



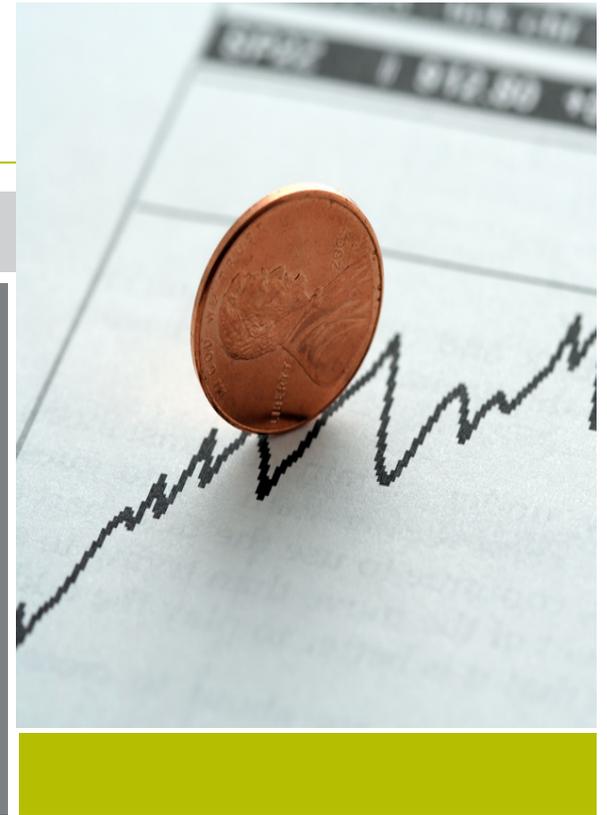
Partnership Basis – What They Bring



Partnership Basis – What they Get



Benefits, Drawbacks, and Success Factors



Benefits and Drawbacks of P3s

Benefits

- Cost Savings
- Project Acceleration
- Better Risk Allocation
- Innovation
- Adequate Facility Pricing

Drawbacks

- Revenue Neutrality
- Uneven Gains by the Private Sector
- Toll Rates Setting
- Inadequate Risk Sharing
- Loss of Control Over the Facility and the Regional System

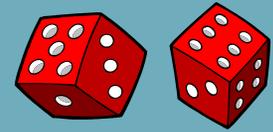
Transportation P3 Projects in the U.S.

Project	State	Investment (in \$millions)	Year of Financial Closure	Renegotiation or Change in Terms?
IH 635 Managed Lanes	TX	2800	2010	No
Eagle Commuter Rail	CO	2100	2009	No
Port of Miami	FL	914	2009	Yes
North Tarrant Express	TX	2047	2009	No
I-595 Corridor	FL	1814	2009	No
I-495 Beltway HOT Lanes	VA	1998	2008	Yes
SH 130 Seg. 5-6	TX	1358	2008	No
Northwest Parkway	CO	603	2007	No
Pocahontas Parkway	VA	611	2006	Yes
Indiana Toll Road	IN	3850	2005	Yes
Chicago Skyway	IL	1830	2004	No
SR 125	CA	658	2003	Yes
Las Vegas Monorail	NV	650	2000	Yes
Rte. 3 Boston	MA	385	1999	No
Foley Beach Express	AL	44	1999	No
Greenville Southern Connector	SC	240	1998	No
JFK Terminal 4	NY/NJ	689	1997	No
Camino Columbia Toll Road	TX	85	1997	No
Dulles Greenway	VA	350	1993	Yes
Orange County SR 91 Express Lanes	CA	130	1991	Yes

Success Factors

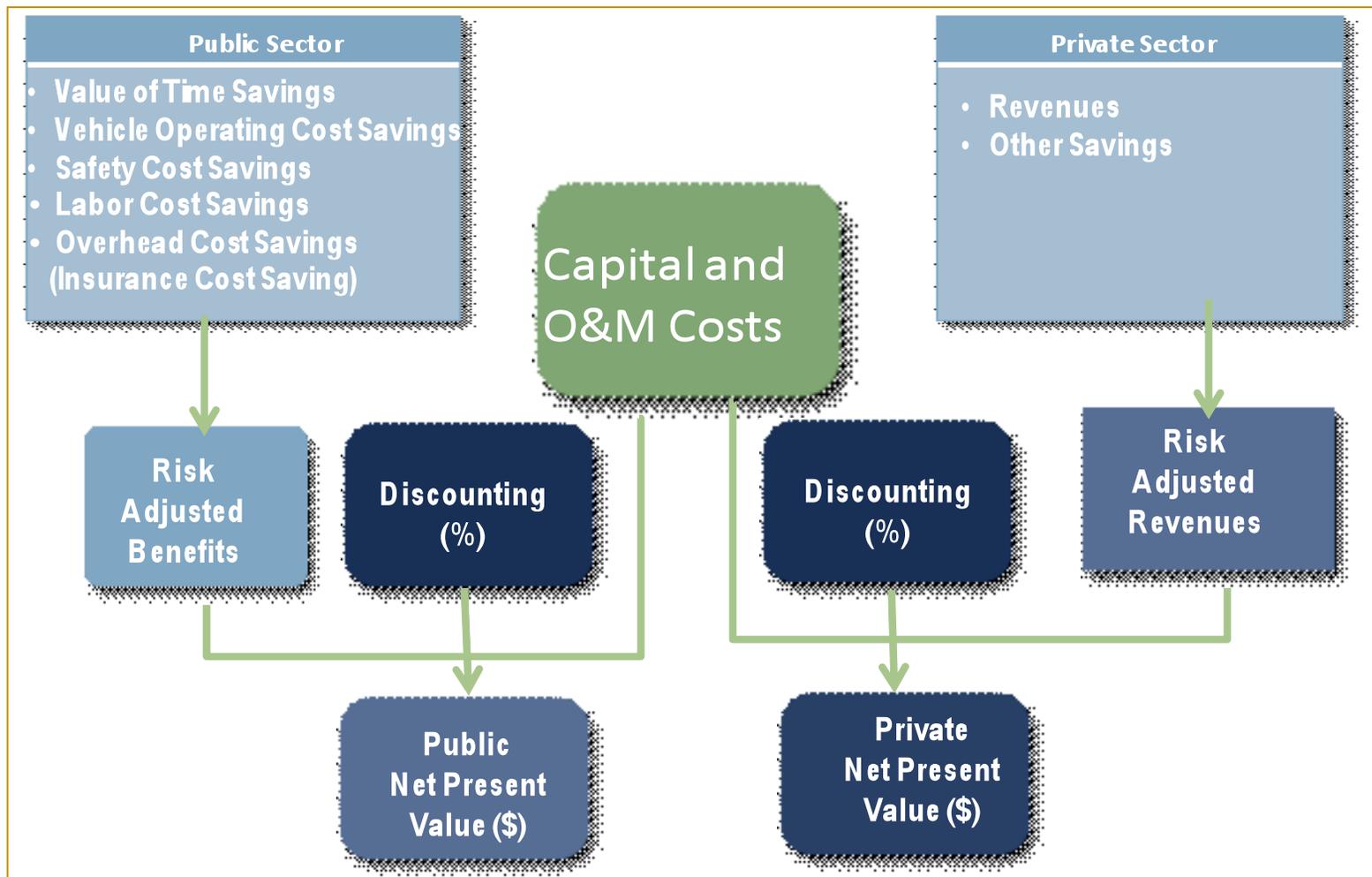
- Urgent Infrastructure Needs – proxy for higher revenues
- Large and Complex Project
- Legal Authority and A Political Champion
- Strong Public and Political Support
- Adequate Resources for an Equitable Partnership
- Show the promise of greater value – including speed of delivery – than conventional procurement; and
- Have the potential to generate revenue or enhance program capacity through better leverage or other means.

Due Diligence to
Increase Likelihood
of P3 Success



Due Diligence for a Successful Partnership

Public Benefits Analysis



P3 Risk-Reward Model Enables Partners to Procure From a Market Savvy Position

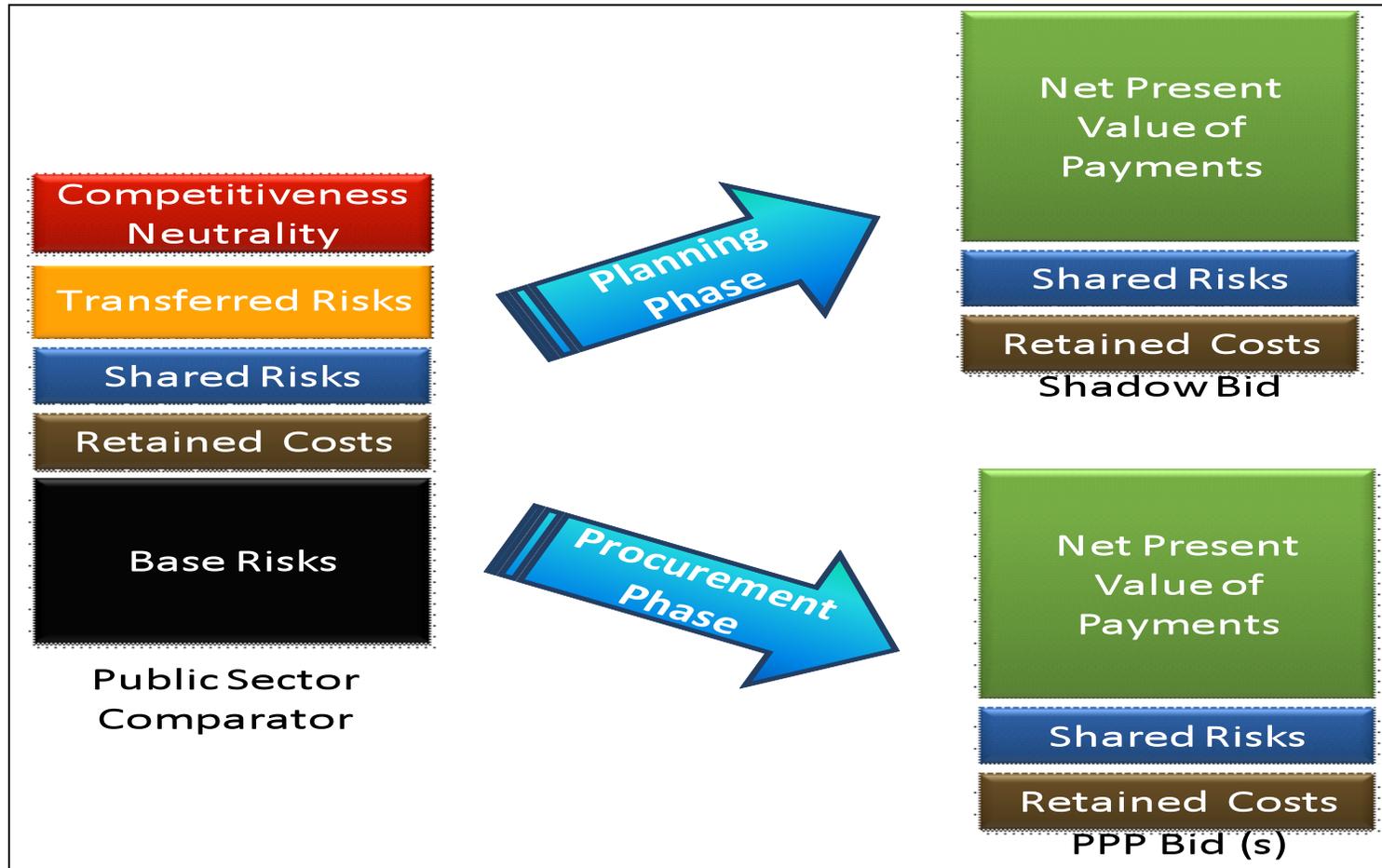
	Government Partners				Industry Partners		
	Expenditure/ Investment	Return on Investment	Value in Savings and Benefits	Risk Adj. ROI	Expenditure/ Investment	Return on Investment	Risk Adj. ROI
Option 1	0				\$300 M	20%	3%
Option 2	\$50 M	20%	\$600 M	14%	\$250 M	30%	10%
Option 3	\$100 M	30%	\$1.2 B	22%	\$200 M	50%	20%



Basis for Financial Arrangement

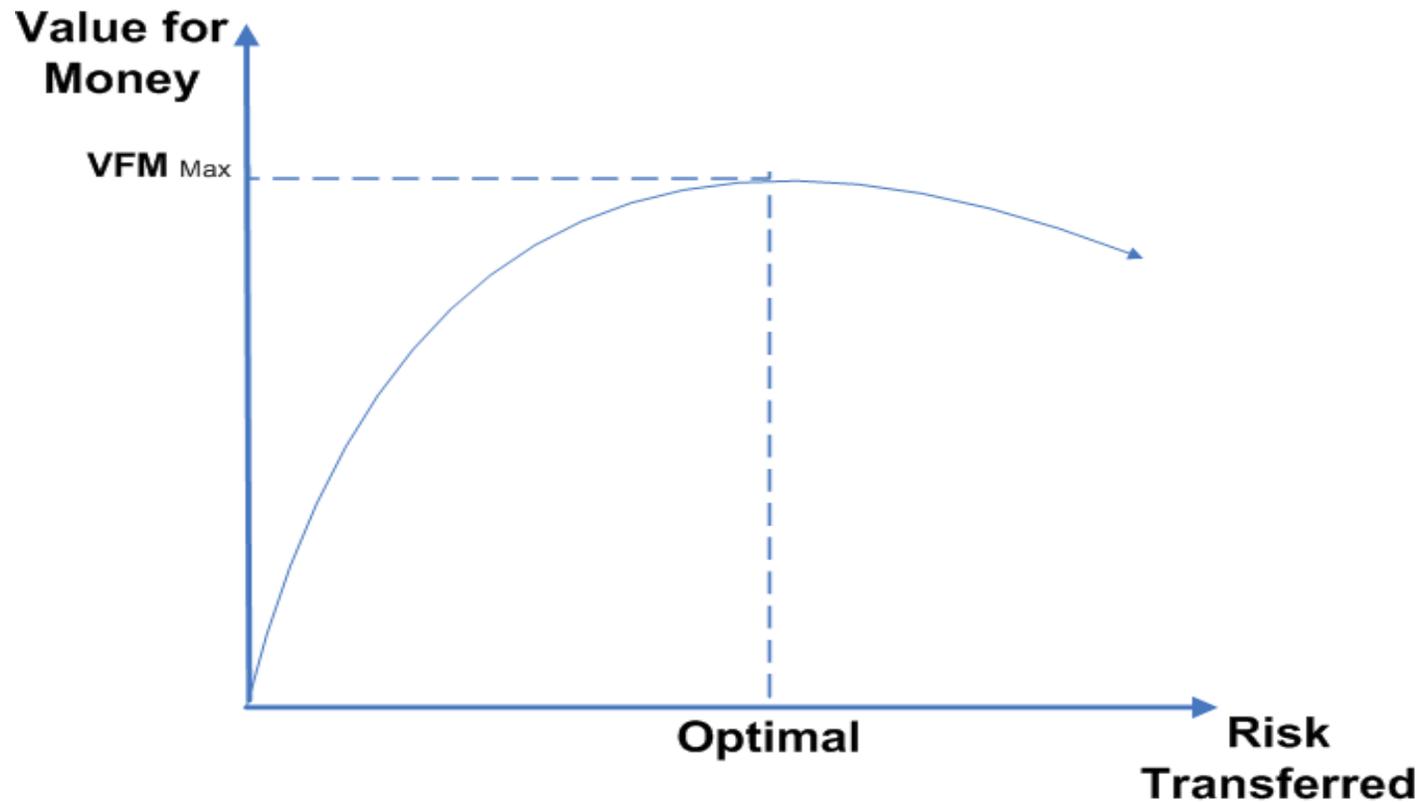
Due Diligence for a Successful Partnership

Financial Feasibility: Value for Money

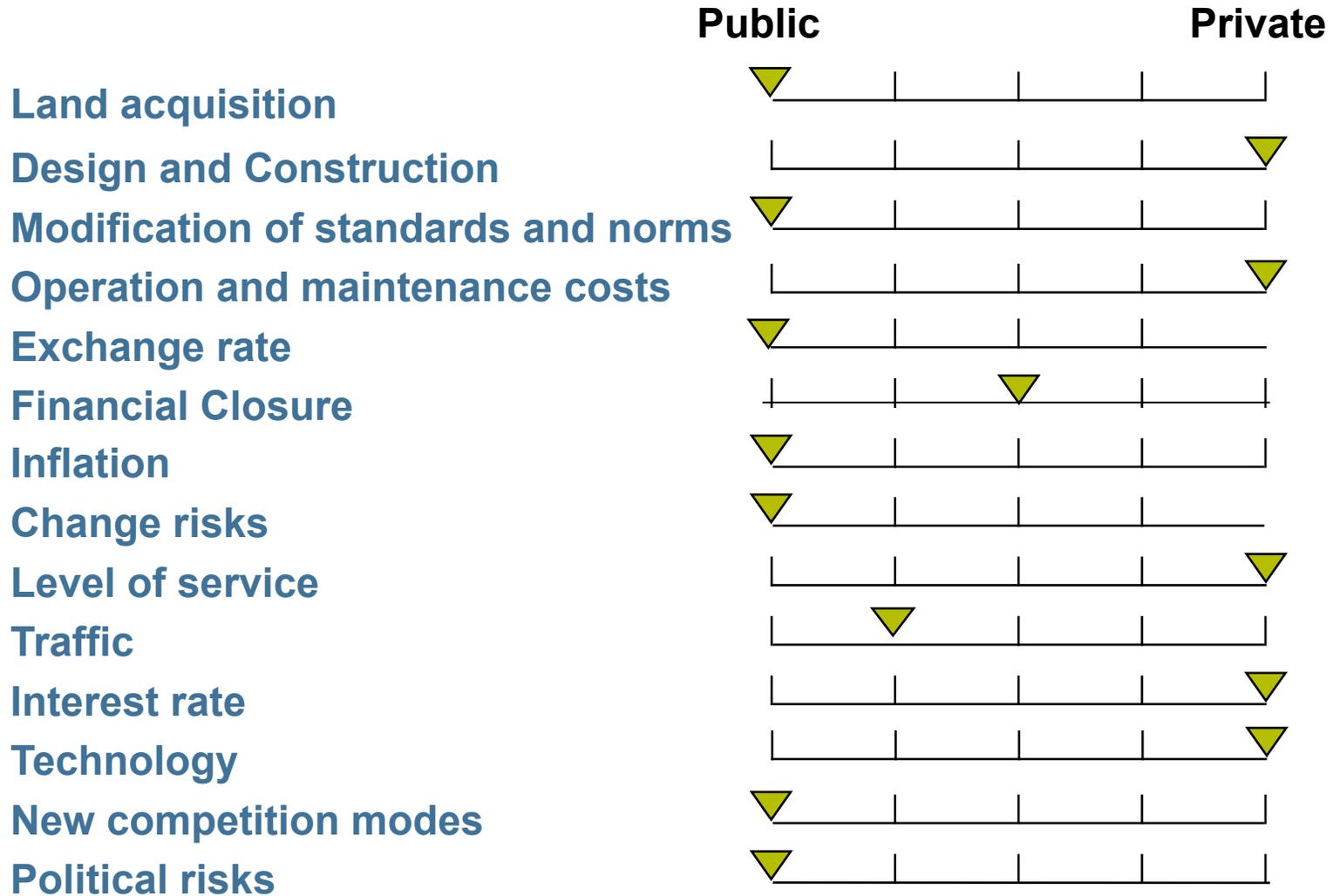


Due Diligence for a Successful Partnership

Risk Exposure Assessment

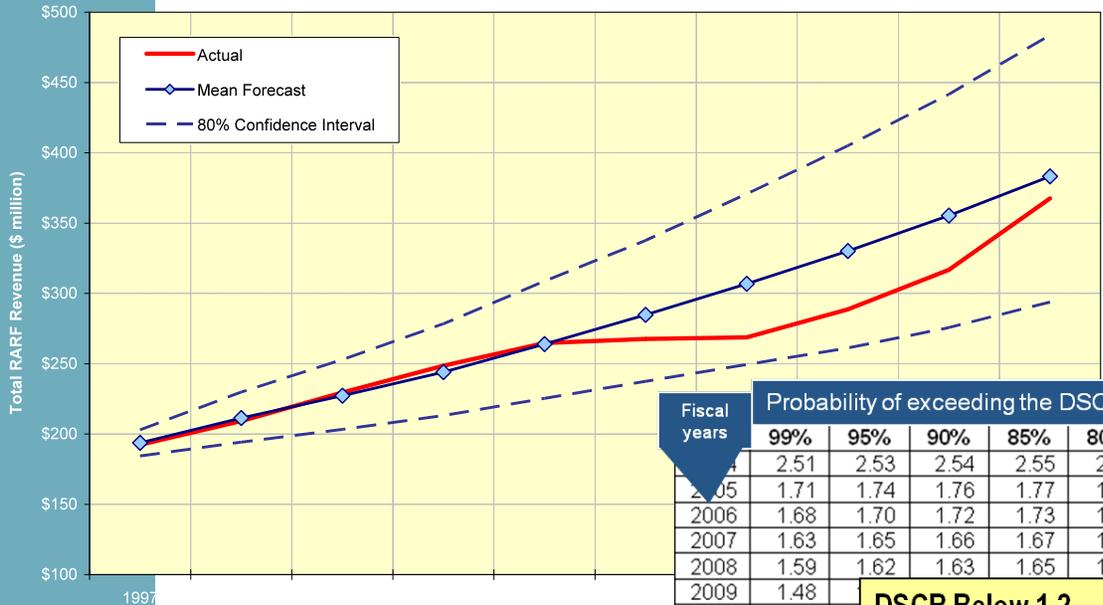


Risk Sharing - Sample



Due Diligence for a Successful Partnership

Risk-Adjusted Revenue Forecasting

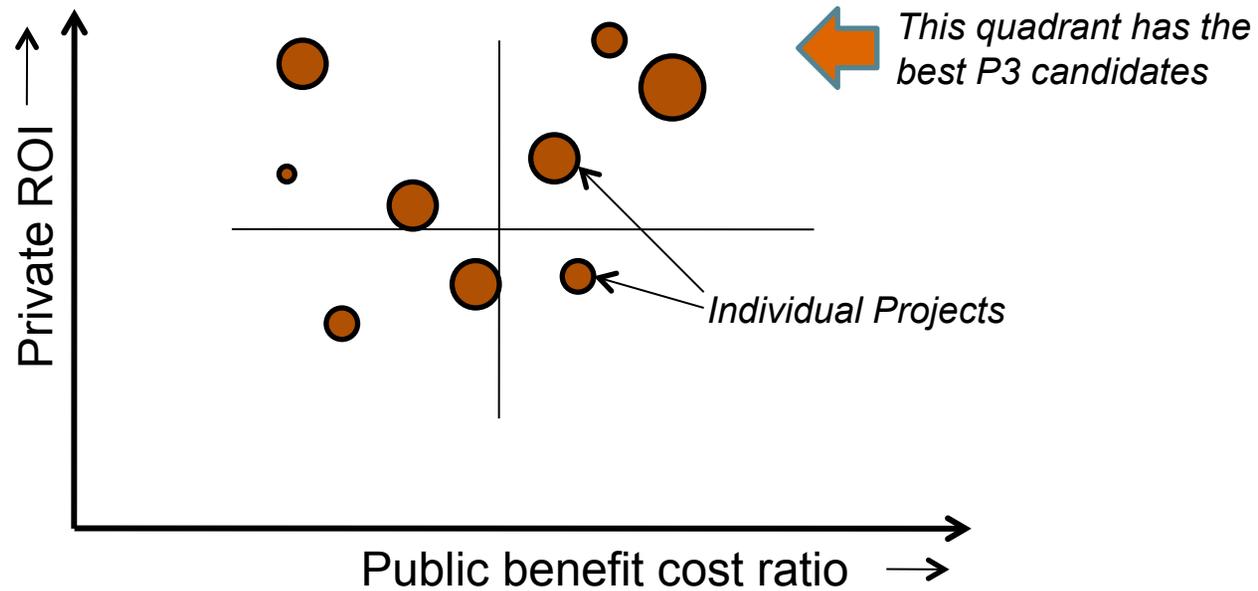


Fiscal years	Probability of exceeding the DSCR													
	99%	95%	90%	85%	80%	75%	70%	65%	60%	55%	50%	45%	40%	
2004	2.51	2.53	2.54	2.55	2.55	2.56	2.56	2.56	2.57	2.57	2.57	2.58	2.58	
2005	1.71	1.74	1.76	1.77	1.77	1.78	1.78	1.79	1.79	1.80	1.80	1.80	1.81	
2006	1.68	1.70	1.72	1.73	1.74	1.75	1.75	1.76	1.77	1.77	1.77	1.78	1.78	
2007	1.63	1.65	1.66	1.67	1.68	1.68	1.69	1.69	1.70	1.71	1.72	1.72	1.73	
2008	1.59	1.62	1.63	1.65	1.66	1.67	1.67	1.68	1.69	1.70	1.71	1.71	1.71	
2009	1.48	1.50	1.51	1.52	1.53	1.54	1.55	1.55	1.56	1.57	1.57	1.58	1.58	
2010	1.46	1.48	1.49	1.50	1.51	1.52	1.53	1.54	1.55	1.56	1.56	1.57	1.57	
2011	1.25	1.27	1.28	1.29	1.30	1.31	1.32	1.33	1.34	1.34	1.35	1.35	1.36	
2012	1.22	1.24	1.25	1.26	1.27	1.28	1.29	1.30	1.31	1.32	1.32	1.33	1.34	
2013	1.20	1.22	1.23	1.24	1.25	1.26	1.27	1.28	1.29	1.30	1.30	1.31	1.32	
2014	1.18	1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.28	1.28	1.29	1.30	
2015	1.17	1.19	1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.27	1.28	1.29	
2016	1.10	1.17	1.21	1.24	1.26	1.28	1.30	1.31	1.33	1.34	1.35	1.37	1.38	
2017	1.09	1.17	1.21	1.24	1.26	1.28	1.30	1.31	1.33	1.34	1.35	1.37	1.38	
2018	1.10	1.17	1.22	1.25	1.27	1.29	1.31	1.32	1.34	1.35	1.36	1.38	1.40	
2019	1.10	1.18	1.22	1.25	1.27	1.30	1.31	1.33	1.35	1.36	1.38	1.39	1.41	
2020	1.07	1.17	1.22	1.26	1.28	1.30	1.32	1.34	1.36	1.37	1.39	1.41	1.43	
2021	1.00	1.15	1.20	1.24	1.25	1.28	1.30	1.32	1.34	1.35	1.37	1.39	1.41	
2022	0.95	1.16	1.21	1.24	1.26	1.29	1.31	1.33	1.35	1.37	1.38	1.40	1.42	
2023	0.91	1.15	1.21	1.24	1.26	1.29	1.31	1.33	1.35	1.37	1.39	1.41	1.42	
2024	0.88	1.14	1.20	1.24	1.26	1.29	1.32	1.34	1.36	1.38	1.40	1.42	1.44	

DSCR Below 1.2 Causes Concern Bond Insurers

There is a 75% probability that DSCR in fiscal year 2008 will be at least 1.67

Ideal Projects for P3



Concluding Remarks

- Growing transportation needs and scarcity of public funding make P3s an attractive funding alternative
- Relying on the P3 model for purely financial reasons can be a mistake
- Public agencies need to find private partners that do more than bring money to the table (i.e. innovation, cost control, efficiency, operational knowledge, and operational flexibility)
- P3s are not cure all solutions and not applicable to all projects
- The burden is on the public sector to ensure that P3 model is adequate and that it brings value

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Thank You

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