

# **ACCESSING PRIVATE CAPITAL FOR TRANSPORTATION INFRASTRUCTURE PROJECTS**

Transportation  
Infrastructure  
Finance  
Workshop  
*Chicago, Illinois*

April 29, 2008

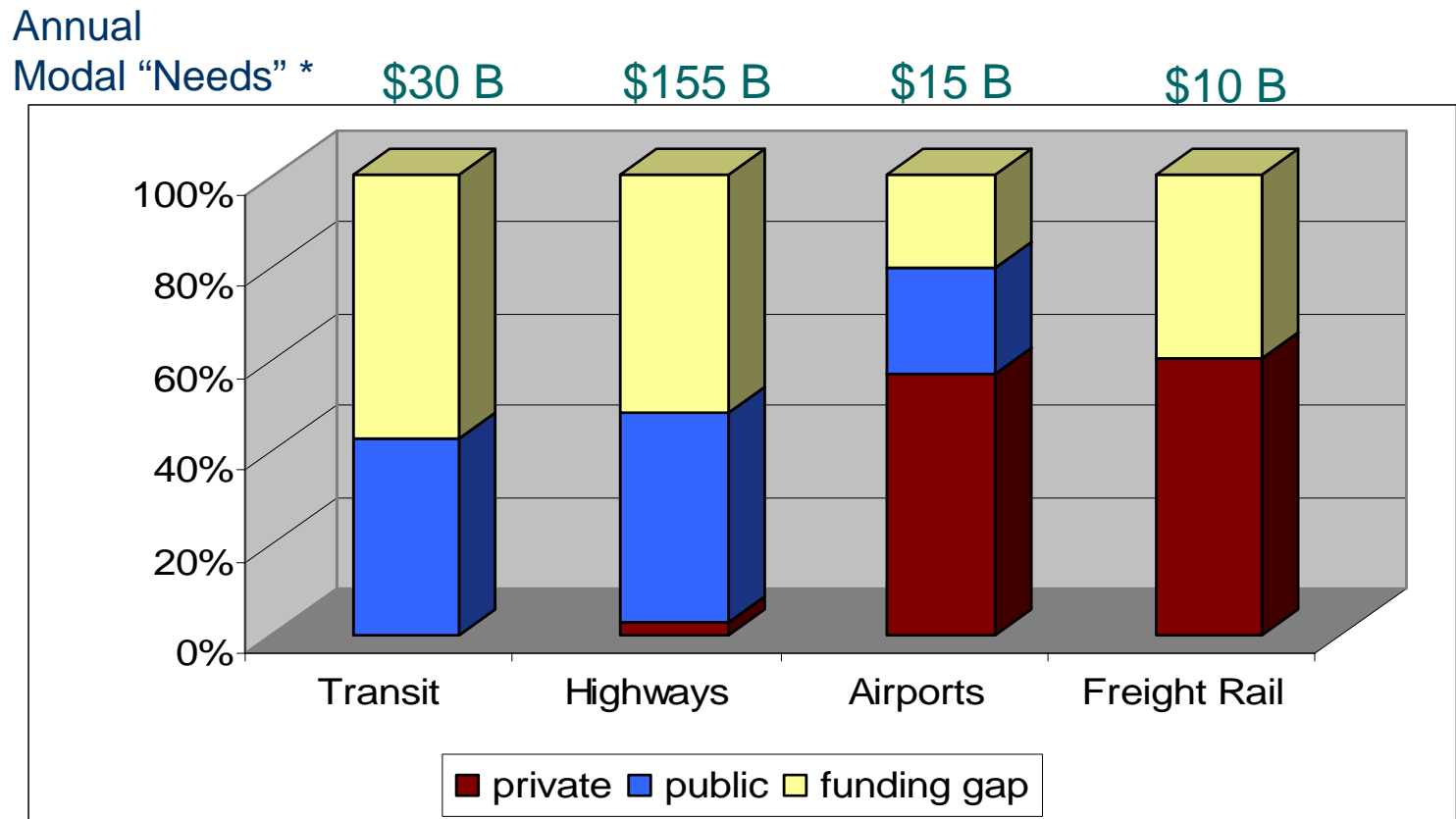
## **OVERVIEW AND KEY PLANNING FACTORS**

David Seltzer, Principal



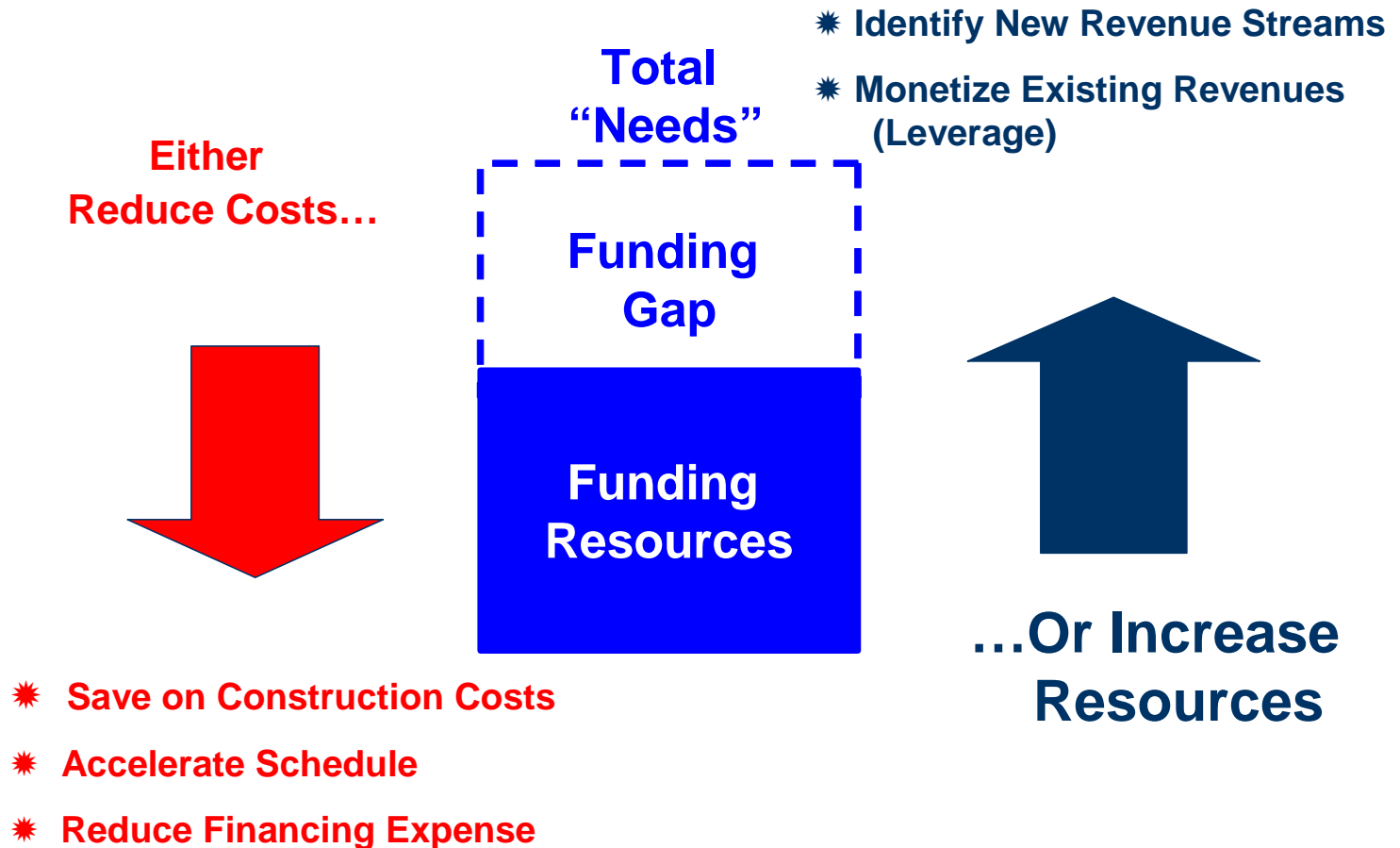
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# Capital Investment Needs and Funding Gap (by Mode)



\* Annual Capex Requirements stated in 2007 \$, as estimated by NCHRP, FHWA, ACI & AASHTO.

# How Best to Fill the Funding Gap?



# Role of Public Private Partnerships (“P3”) in Helping to Fill the Investment Gap?

To answer that question, we need to determine:

- What do we mean by “P3” and “private capital”?
- What underlying **revenue stream** pays the return to investors?
- What **institutional structure** should be used?
- What are the potential **sources of investment capital**?
- Which **financing tools** are best suited to the project?

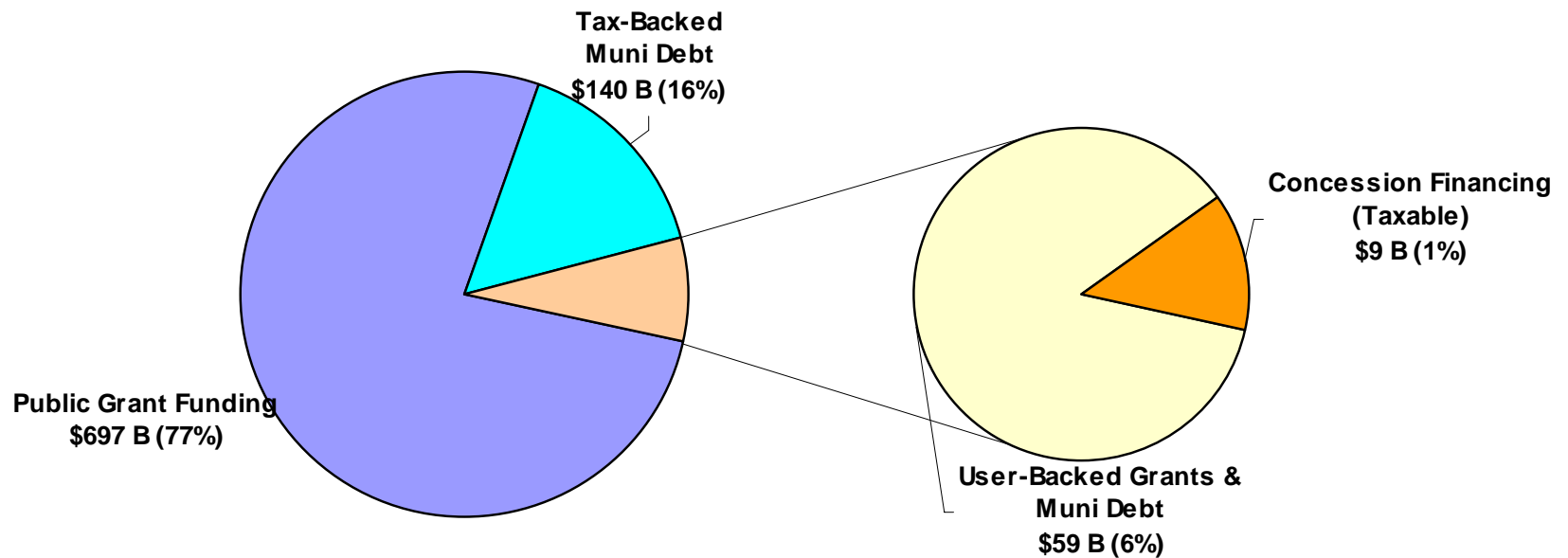
# Potential Advantages of P3

- Accelerated Project Completion
- Operating Efficiency thru Financial Incentives
- Risk Transfer to Private Sector
- Innovation/Enhanced Project Management
- Access to New Sources of Capital \*

\* (requires identifying a source of return for investors.)

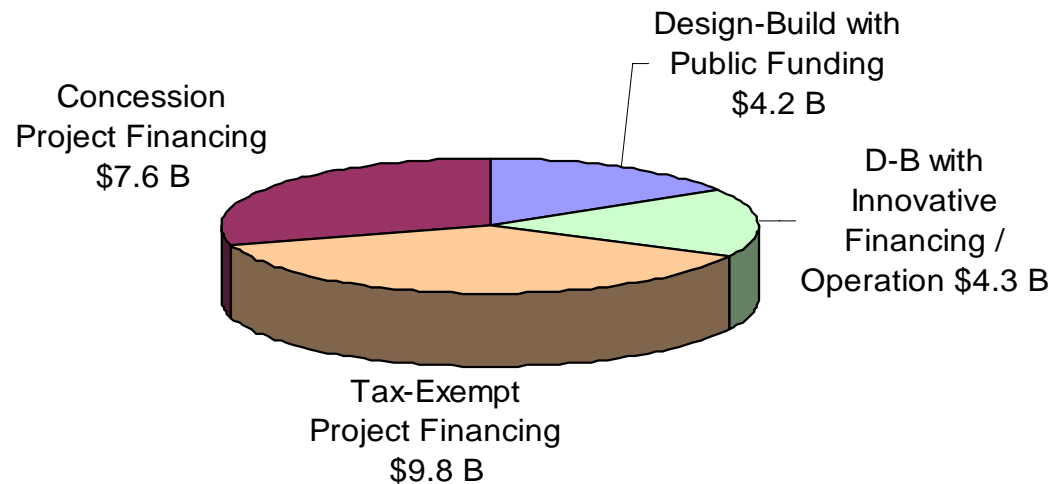
# “Private” Investment in Context

**Highway Capital Spending 1993-2007**  
(\$905 Billion Total)



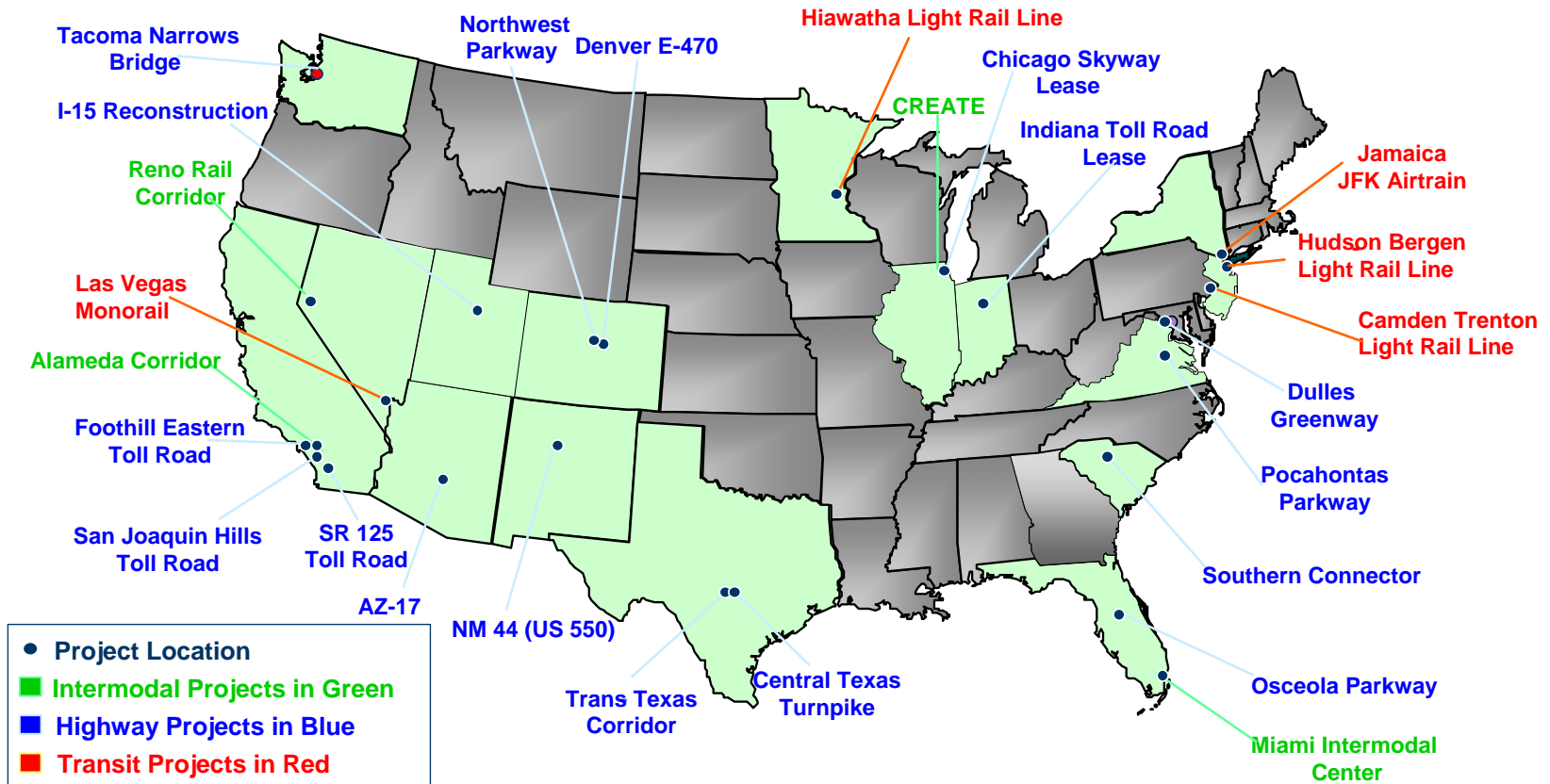
# Categorizing P3 Activity to Date

**Major Highway PPP Projects 1993-2006\***  
(\$26 Billion Total)



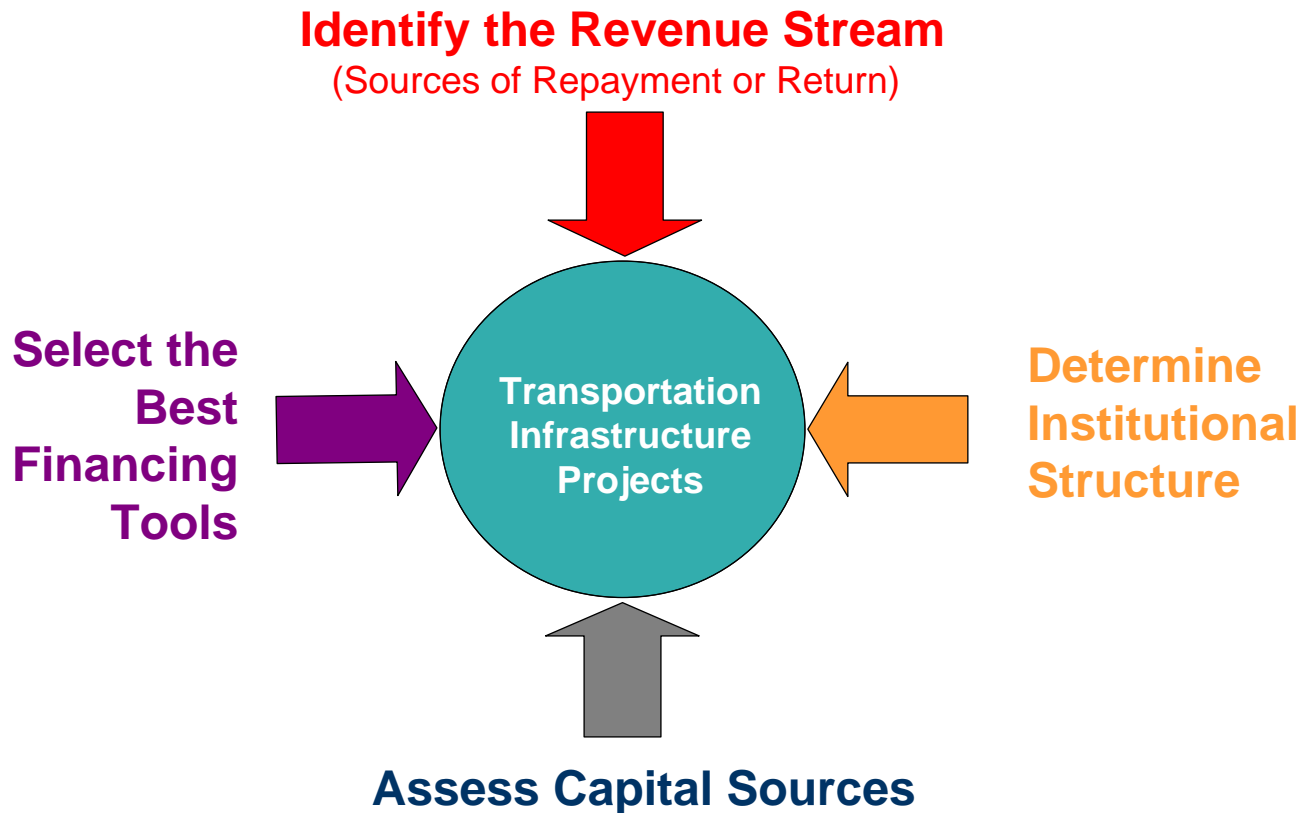
\* As of September 2006  
Source: *Public Works Financing*

# P3 approaches have been used for transportation projects nationwide



Selected transactions; Source: *Public Works Financing*

# Key Project Finance Planning Factors



# 1. Identify the Revenue Streams

## “Private” Sources— User Fees

<b>Direct Passenger Charges</b> -- Tolls -- Fares
<b>Direct Goods Charges</b> -- Throughput Charges -- Gate Fees
<b>Corporate Pledges</b>

## Public Sources— Tax & Grant Supported

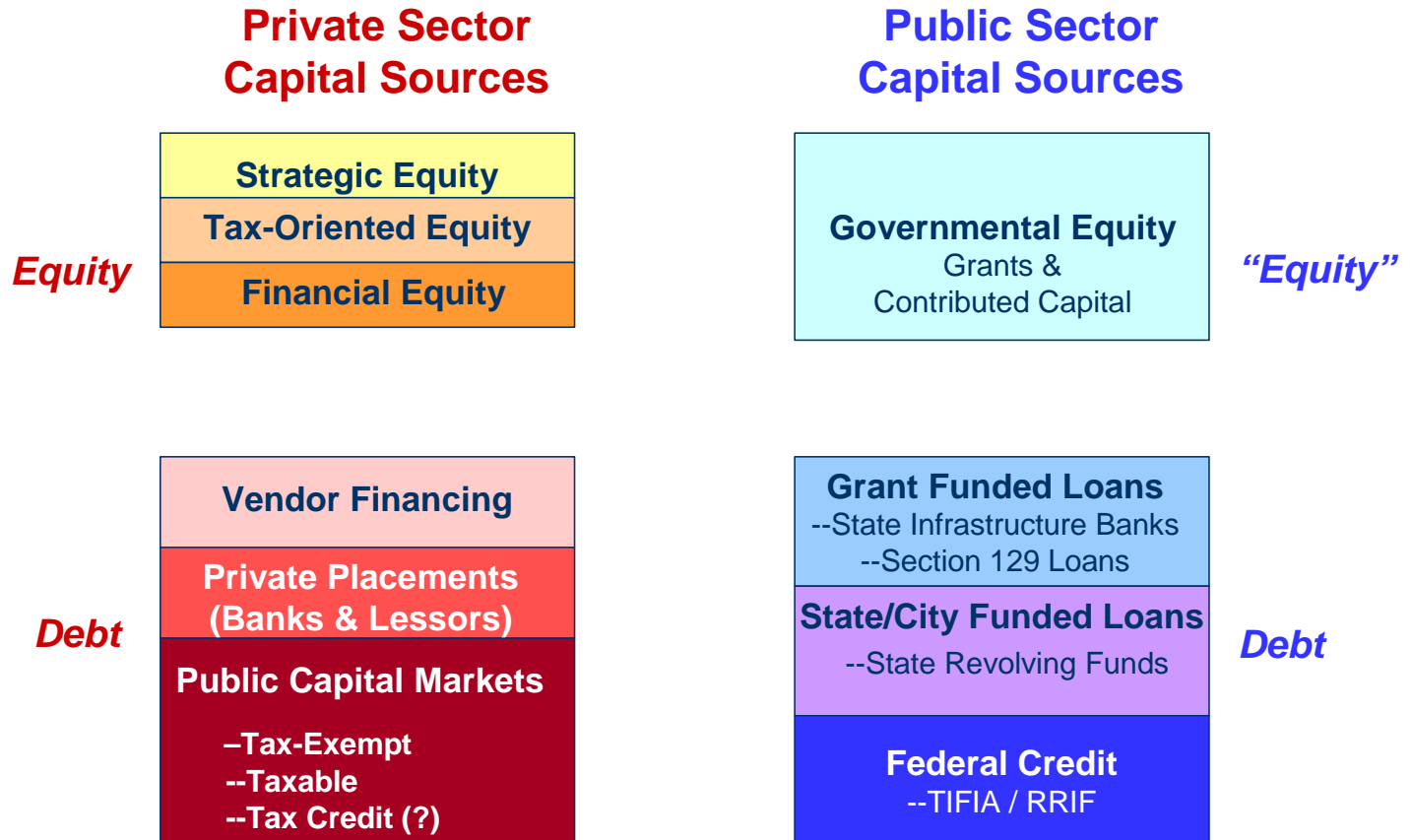
<b>Federal Funds</b> --General Appropriations --Custom Fees
<b>General State Appropriations</b>
<b>Broad-Based Taxes</b> -- Sales Taxes -- Customs Charges
<b>Broad-Based User Fees</b> -- Motor Fuels -- Motor Vehicles
<b>Indirect/ Value Capture</b> -- Special Assessments -- Development Impact Fees
<b>Tax Credits / Depreciation Benefits</b>

## 2. Determine Optimal Institutional Structure Based on the Bundle of Services to be Provided

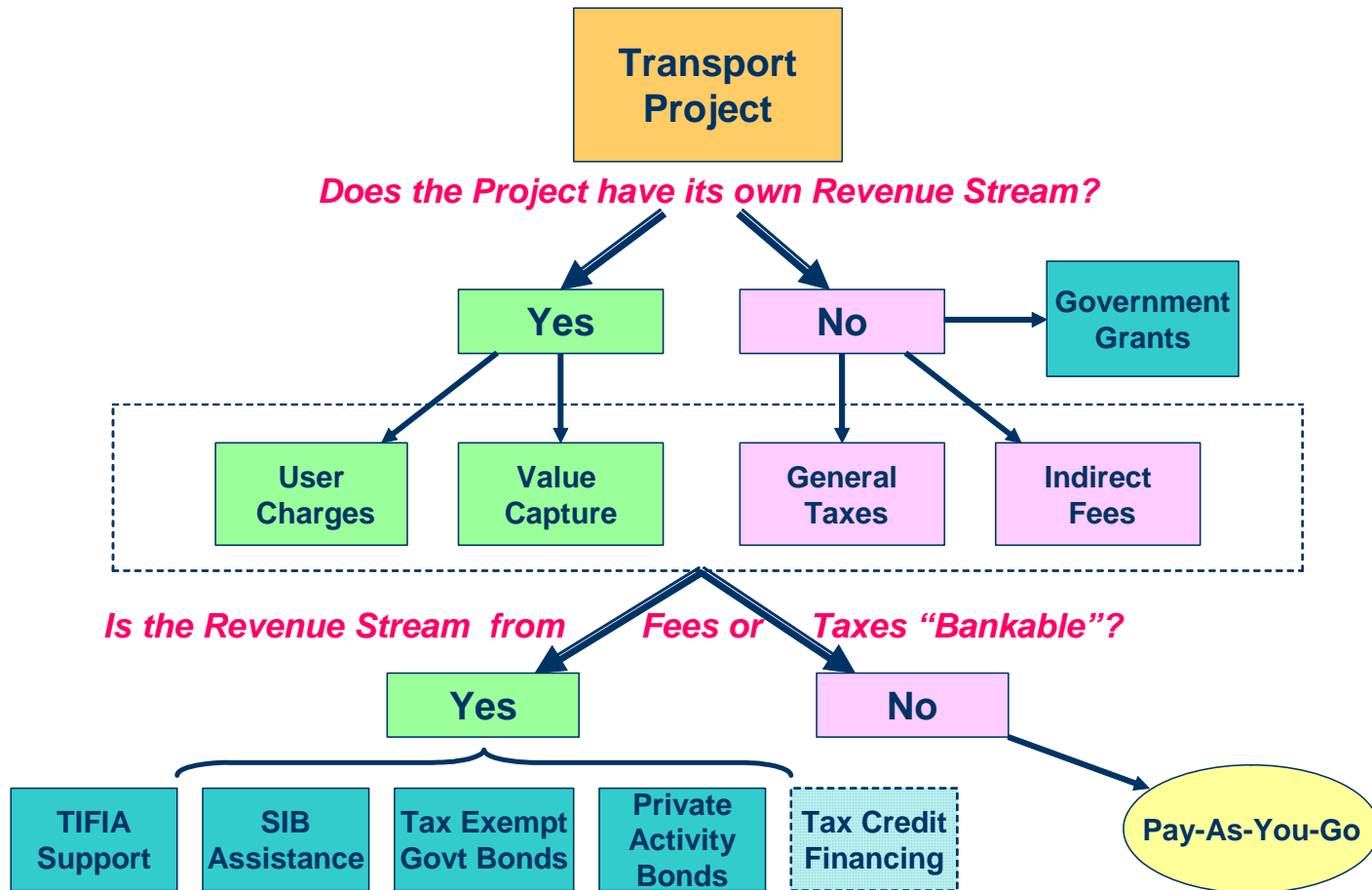
Project Activity	Traditional Governmental Delivery	D-B with Public Funding	D-B with Innovative Financing or Operation	Governmental Tax-Exempt Project Financing	Private Concession Project Financing
Delivery	Public	Private	Private	Private	Private
Operation	Public	Public	Public or Private	Public or Private	Private
Financing	Public	Public	Public	Public or Private	Private
Ownership	Public	Public	Public	Public	Private
Examples		<i>Utah I-15; Conway Bypass (SC)</i>	<i>Route 3 (MA); US 550 (NM)</i>	<i>TCA Toll Roads (CA); Denver E-470</i>	<i>Dulles Greenway (VA); Chicago Skyway</i>



# 3. Assess Potential Sources of Investment Capital



## 4. Select Appropriate Financing Mechanism



## Issues to Consider During the Workshop

- ❑ P3 encompasses a wide range of private participation in project delivery, operation, ownership and financing.
- ❑ P3 does *not* generate resources in and of itself; it requires an underlying revenue stream of some sort – user charges, federal grants, state/local taxes.
- ❑ P3 can help shift risks, accelerate projects, introduce innovations and bring efficiencies.
- ❑ P3 can also help leverage revenues to generate upfront cash for certain projects--but so can municipal bonds.
- ❑ The Challenge: Matching the Project Sponsor's objectives with the best-suited Approach, on both financial *and* transportation policy grounds.

# “Private Capital Investment” vs. “Investment of Private Capital”

