

# PPP Case Study: Capital Beltway HOT Lanes

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# About Transurban

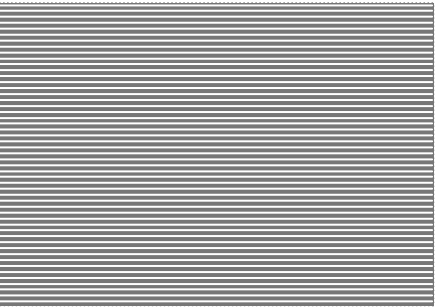
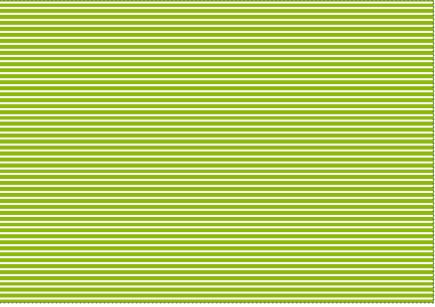
## *Long term developer, investor, manager of toll roads*

- More than 5 million customers worldwide
- Market cap: around \$6 billion
- More than 750 staff in offices in Australia and North America
- Interests in 6 Australian toll roads including some of the world's most advanced and successful toll roads
- Long term concession to manage and maintain Pocahontas Parkway in Richmond Virginia
- Developing two major HOT lanes projects in Virginia
- Unique mix of in-house capabilities
- One of the world's most sustainable companies as recognized by the Dow
- Jones Sustainability Index (DJSI) 2006 & 2007

# US Transportation Environment

*The sheer size of the infrastructure challenge in the US dictates the need for innovative thinking and a range of solutions – including PPPs*

- Revenue bases such as gas taxes have reduced in real terms
- Increased use of standard fees (vehicle registration etc) unlikely to provide a long term solution
- Significant population growth in the major cities combined with aging infrastructure across the country is creating a 'perfect storm' with respect to funding requirements
- The US Chamber of Commerce recently reported that the transportation infrastructure funding shortfall will reach \$1 trillion by 1015.
- 2.9 billion gallons of fuel is wasted annually while drivers sit idle in traffic in the US



# Midwest Transportation Environment

## *Minnesota*

- Growing congestion

## *Michigan*

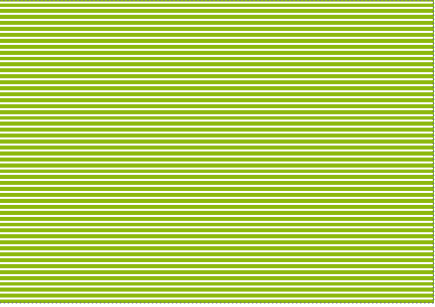
- Significant delays

## *Illinois*

- Funding shortages

## *Wisconsin*

- Infrastructure in need of repair



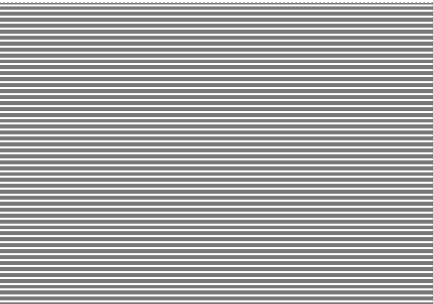
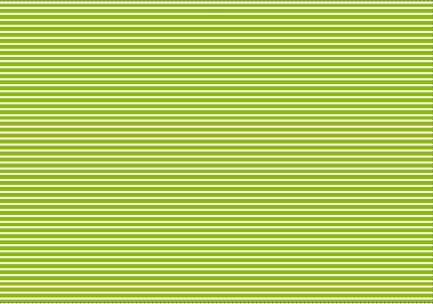
# Critical Success Factors for PPPs

From Transurban's perspective as a long term toll road manager, there is really only one critical success factor:

*Long term community support.*

This can only be achieved through true partnerships with DOTs, ongoing community engagement and demonstrated community benefits.

- Safe, efficient roads.
- Delivered sooner.
- With minimum negative impact on the environment.
- And maximum positive impact on local communities and economies.

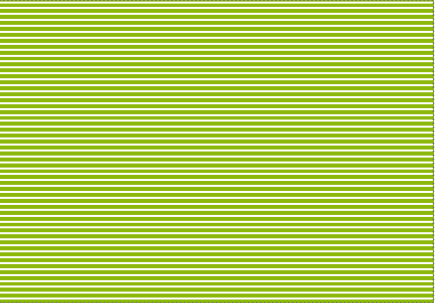


# Transurban Approach

*Transurban takes a long term approach to managing roads.*

We focus on:

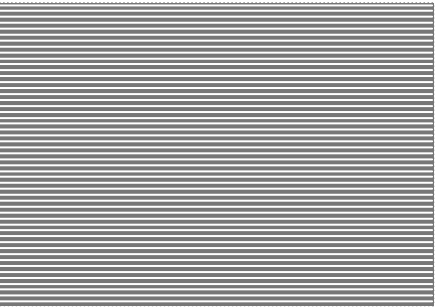
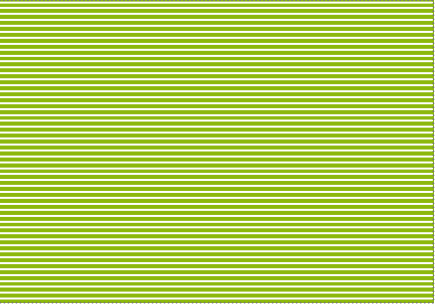
- **Active partnership** – responding to changing community needs through decades of operations
- **Innovation and continuous improvement** – in everything from tolling technology to financing methods to complex congestion pricing solutions
- **Road safety and performance** – investing in world leading safety features and publicly reporting on performance
- **Sustainability** – working with governments, transit authorities, environment and community groups to minimize negative impacts and maximize positive impacts



# Case study: Capital Beltway HOT Lanes



# The situation



- The Capital Beltway currently experiences 6 to 8 hours of congestion per day
- Texas Transportation Institute ranks the metro Washington region second-worst among the 14 largest urban regions in annual hours of delay per peak hour traveler
- Costs Virginians \$1.7 billion annually in delays and wasted fuel
- Limited ability to build out corridor due to physical constraints and social impacts
- Four-in-10 outer suburbs have average commutes of more than 45 minutes
- More than 80 percent of area commuters drive to work alone
- Travel will 50% by 2025
- Many transportation priorities competing for limited state funds.
- Bi-partisan support for HOT lanes, public-private partnerships
- Seven-in-10 Northern Virginians support highway tolls for improvements
- Two-out-of-three Northern Virginian's favor HOT lanes
- Fluor-Transurban willing to contribute 'at risk' funding to develop the project

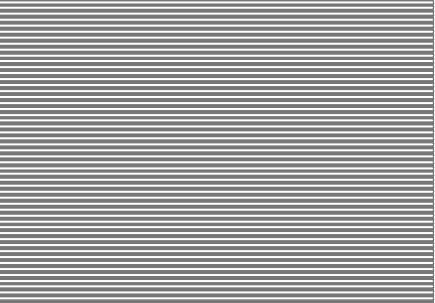
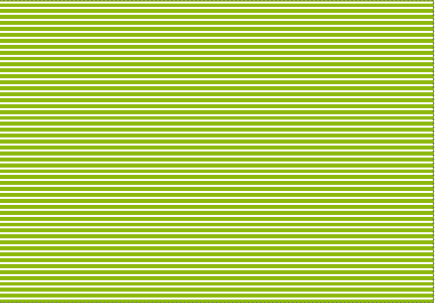


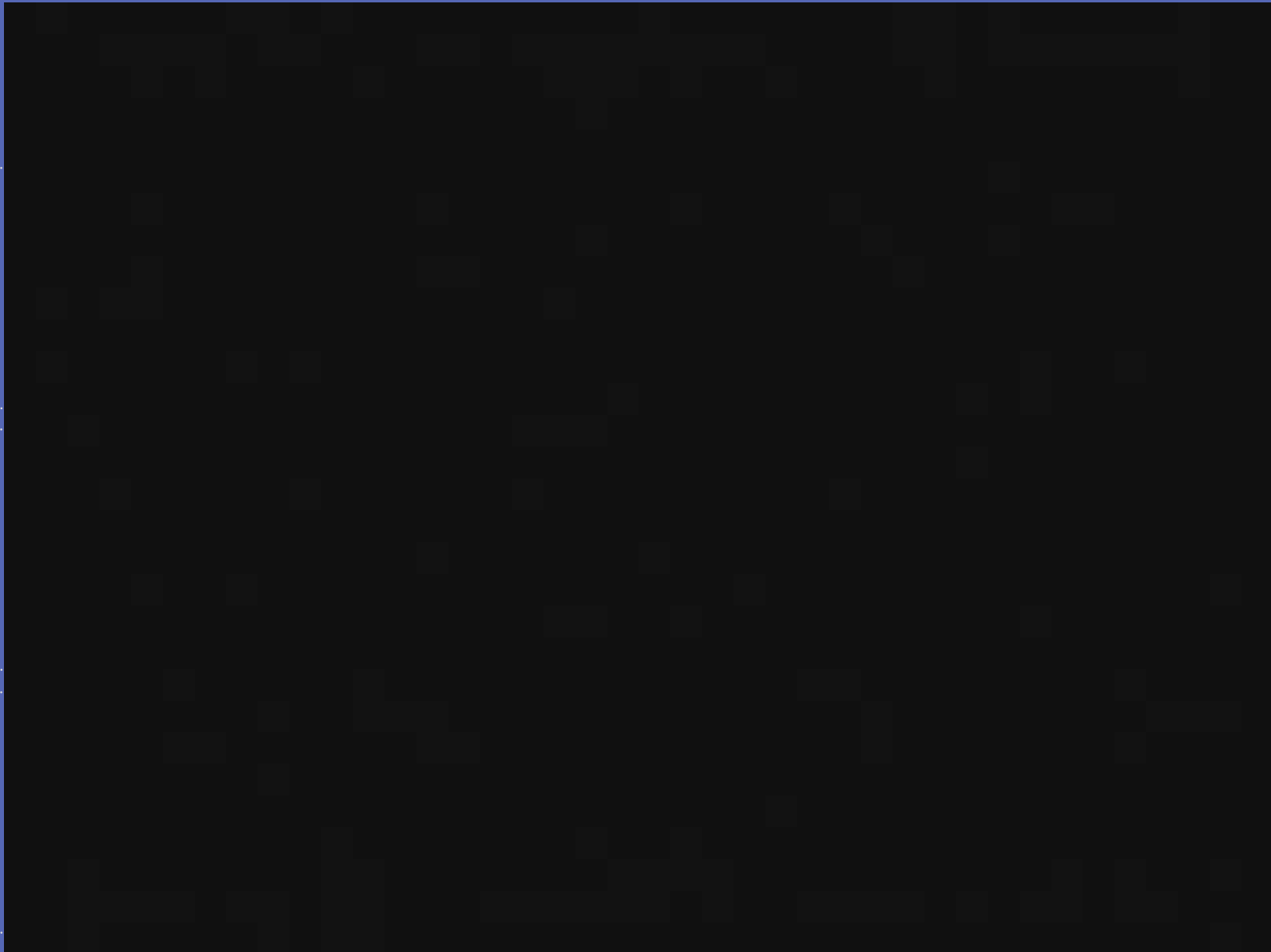
# Project overview

*The most significant package of improvements to the Capital Beltway in more than 30 years.*

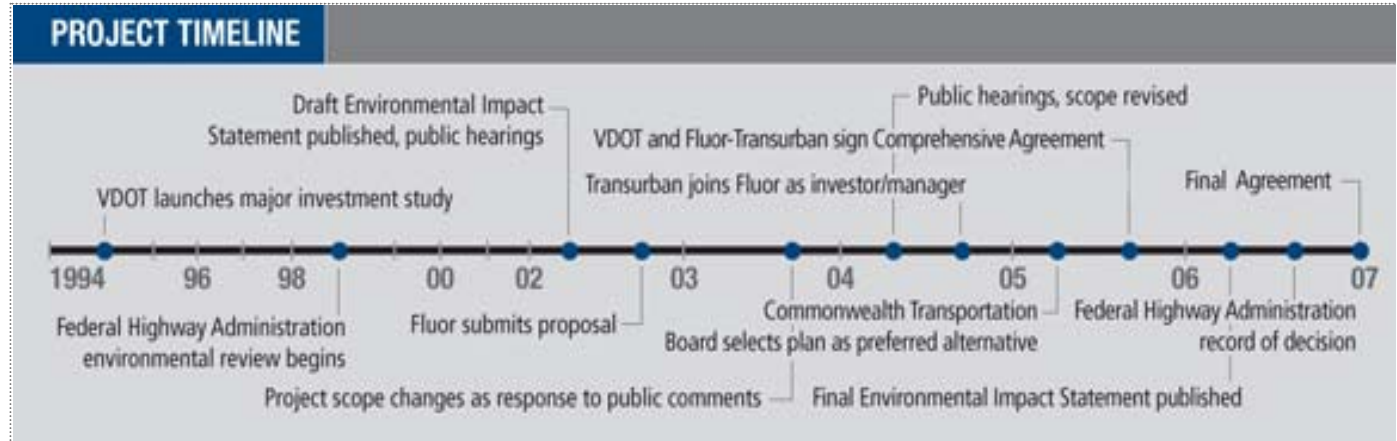
Improvements include:

- Two new High Occupancy Toll (HOT) lanes in each direction from Springfield Interchange to just north of Dulles Toll Road (14 miles)
- First-time introduction of HOV and reliable transit options to the Beltway and a busy commercial center – Tysons Corner
- Replacement of ↑ \$250m of aging infrastructure, including ↑ 50 bridges and overpasses
- Replacement of existing soundwalls and construction of new soundwalls to double existing
- Noise reduction tools for surrounding neighborhoods
- Construction of carpool ramps connecting I-95 with the Beltway - seamless HOV network
- Upgrades to 12 key interchanges and new access points





# Project history



The Capital Beltway HOT lanes project has been shaped by more than a decade of studies, environmental review and public input. The private proposal to develop HOT lanes was evaluated by an independent review panel and tested for its competitiveness through a formal appeal for competing proposals. The result is a project that has evolved over a decade to best meet the needs of the region.

# Innovative finance

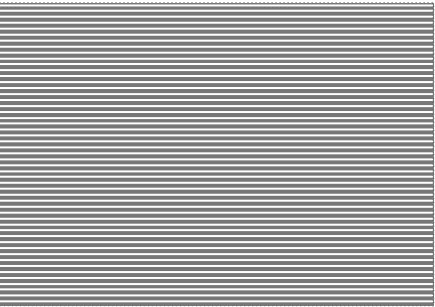
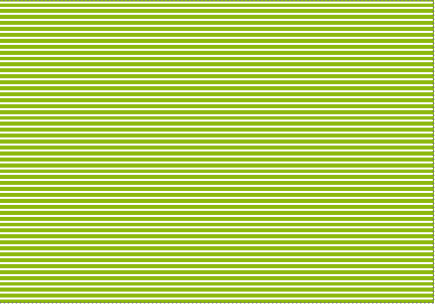
Project funded through 4 sources:

- Private equity
- Commonwealth funding
- Senior debt: Private Activity Bonds
- Subordinated debt: TIFIA

Fair and equitable risk allocation between consortium and Commonwealth allows for reasonable financing terms

- Open, transparent process: Commonwealth, Federal Government, Consortium
- All parties working together to achieve aggressive deadlines

# Sustainability



## *Reducing right of way impacts*

- HOT lanes solution rather than original capacity expansion means right-of-way needs reduced from 170 acres to only 10 acres, reducing anticipated displacements from 300 homes to a handful.

## *Promoting free-flow*

- Congestion pricing, lane management, improved incident response promote free-flowing traffic on the HOT lanes and regular lanes. Less congestion means less emissions.

## *Supporting communities*

- Project team is working with community and environmental groups to build sustainability programs into the project from construction and throughout operations.



# Safety



- 24-hour safety monitoring
- Automatic incident detection
- Rapid incident response by dedicated private crews working seamlessly with law enforcement, VDOT and emergency services
- Real-time traffic information
- Emergency services coordination
- Improved access for emergency vehicles
- Enhanced evacuation routes

# Community Engagement

*"They have been a true partner to the DOT, a true partner to the State – talking with the legislators, meeting with the local communities, all along the project.*

*They will provide a person at any meeting, anywhere, anytime.*

*And you have to do that in today's environment and you'll always have to do that to a large extent."*

*- Member of a think tank consulted in independent research project September 2007*

Extensive community consultation is a key to the development process and has led to changes to the project scope and concept of operations

Community consultation will continue to shape the way the project develops.

Current examples include:

- Slugger focus groups to understand how HOT lanes can best meet needs
- Collaboration with environmental groups to build in environmental initiatives

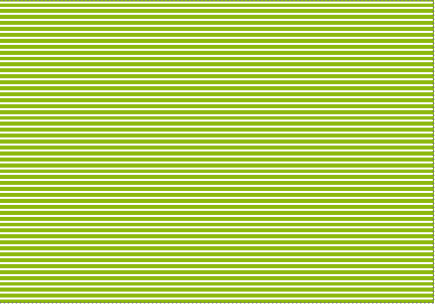
# Community benefits

Capital Beltway HOT Lanes PPP project will

- Provide congestion relief with minimum impact on the surrounding environment
- Cut commuting time in half for some commuters during rush hour
- Allow travelers in the HOT lanes to travel twice as fast as those in the regular lanes during rush hour
- Improve vital links between key employment, commercial and residential centers
- Ensure the interstate continues to support the economic vitality of the region
- Create new public transportation and carpooling opportunities
- Enhance on-road safety and improve emergency services access

# True Partnership: The key to success

- A 'champion' to communicate the vision to all levels of Government
- Strong working relationship between public and private partners
- Transparency throughout all phases of the project
- Avoid temptation to 'over scope' the project
- Fair and equitable risk allocation between public and private partners
- Seeking, listening and responding to community feedback
- Working closely with stakeholders to meet shared goals including integration with the surrounding road network and public transit services



***transurban***

