



# Beyond the Chicago Skyway

AASHTO

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# Can private sector delivery of new projects make room in a State DOT's program



## **Private Sector Investment**

- Discrete projects can be completed inside a network
- Infusion of private capital may make a fixed amount of public transit funding stretch further
- Private equity can more fully value long term project cashflows
- Design-Build Private sector construction approach can transfer risk from State DOT's to the private sector (potentially avoiding cost blowouts)



# Concessions – a Capital Redeployment Tool



- Road projects are capital intensive – They require upfront capital
- Tolled road projects generate cash over a long period of time (often the cash flows are heavily backended)
- State DOT's currently have capital tied up in assets
- The sale / lease of existing roads can deliver substantial amounts of capital to the state
- Leveraging existing assets can enable State DOT's to invest more heavily in new infrastructure that may further enhance the existing system



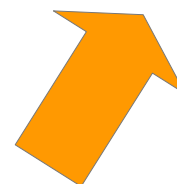
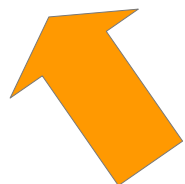
- Ultimately road infrastructure has to be paid for:

## Non-tolled sources

- Federal / State Grant Money
- Gas taxes
- Etc.

## Tolls

- Bond issuance ← Traditionally used
- Concession ← Innovative Finance



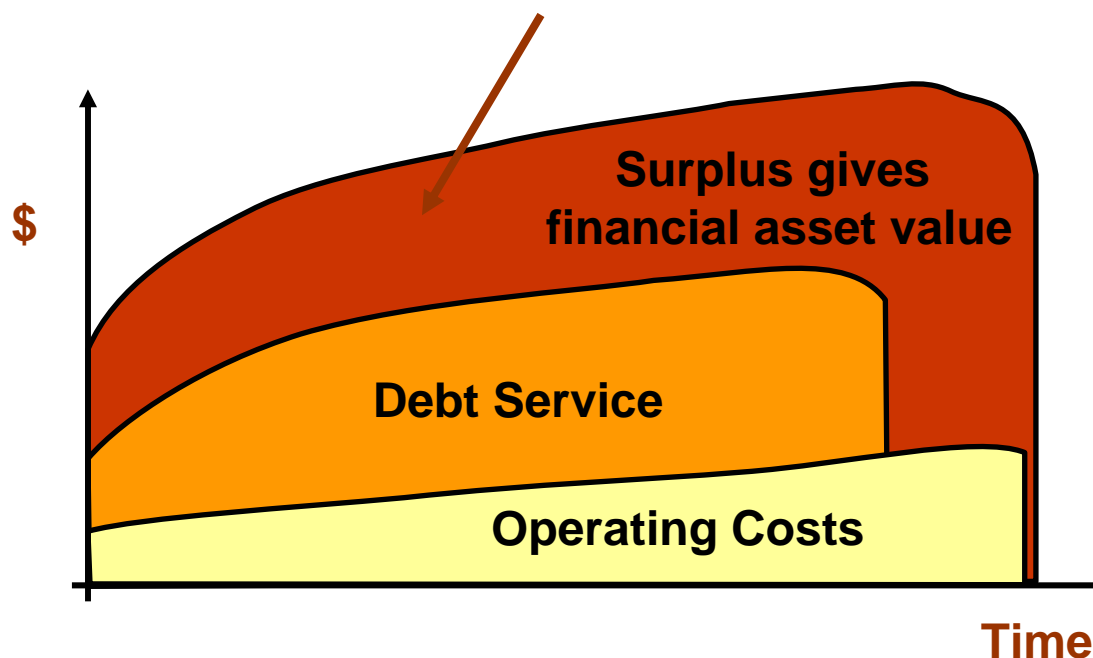
If the funding available here is limited . . . Then use this



# Concession versus Traditional Bond Issuance



What equity values (that tax-exempt financing doesn't)



**The playing field has been levelled**

**Tax-exempt debt is “available” for the private sector**



# What conditions make a concession attractive to an investor



**There are a number of factors,**  
**but fundamentally an economic project is the key**

- The Project
  - Growth expected
  - Predictable traffic
  - Diversity of uses
- Concession agreement
  - Equitable risk allocation
  - Term
  - Toll schedule



# Benefits the Investor is selling to Project Sponsors



- A source of financing
- Ability to deliver projects
- Focus on delivering first class experience to Road Users
- Ability to assume risk
  - Operations Risk
  - Construction Risk
  - Traffic Risk



# What Investors are looking for in return



- A collaborative / co-operative relationship with Government
- An equitable deal / concession agreement
- Certainty on the deal (clarity on the rights and obligations)
- Insulation from future political risk



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