



**Committee on Transportation and Infrastructure
U.S. House of Representatives**

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February 7, 2014

BACKGROUND MEMO

TO: Members, Panel on Public-Private Partnerships
FROM: Staff, Panel on Public-Private Partnerships
RE: Roundtable Policy Discussion on “Case Studies in Public-Private Partnerships”

PURPOSE

On Tuesday, February 11, 2014, at 2:30 p.m., in 2167 Rayburn House Office Building, Members of the Panel on Public-Private Partnerships will participate in a roundtable discussion on “Case Studies in Public-Private Partnerships”. The Panel will hear from: Mr. Greg Kelly, Global Chief Operating Officer, Parsons Brinckerhoff; Ms. Jennifer Aument, Group General Manager North America, Transurban; and the Honorable Terri Austin, State Representative, General Assembly of the State of Indiana.

BACKGROUND

Public-Private Partnerships (P3s) are contractual agreements between public and private-sector entities that allow for the procurement and delivery of a facility or service for public use. Historically, P3s have been used much more extensively in other countries, particularly in Europe. However, the use of P3s has recently grown in the United States.

P3s vary widely in their structure, resulting in a range of involvement, scope of responsibility, and degree of risk assumed by the private sector in the project. Different financing structures allocate risks differently among private and public entities, and arrangements differ based on whether the contractual agreement includes designing, constructing, financing, operating, and maintaining assets.

Given this variability, as the first event of the Committee’s Panel on Public-Private Partnerships, this roundtable will explore several case studies to gain a better understanding of P3 projects. These projects include:

- *Capital Beltway High Occupancy Toll (HOT) Lanes, Virginia.* This project constructed 14 miles of two new managed traffic lanes in each direction between Springfield, Virginia, and the interchange with the Dulles Toll Road in Northern Virginia, outside of Washington, D.C. The Virginia Department of Transportation partnered with Transurban/Fluor to deliver the \$2 billion project, which including a \$589 million Transportation Infrastructure Finance and Innovation Act (TIFIA) loan from the U.S. Department of Transportation (U.S. DOT), and \$589 million in Private Activity Bonds (PABs). Transurban will operate the lanes under a concession for 80 years. For additional information, see [Capital Beltway HOT Lanes](#).
- *Denver Eagle Project, Colorado.* The Denver Eagle Project includes the construction of three commuter rail corridors from Denver Union Station: a 22-mile line to Denver International Airport; an 11-mile line to the west of the city, and the first 6.2 miles of the Northwest Rail line to Westminster. The components of this project are part of the larger “FasTracks” program, a voter-approved plan to expand transit services in the Denver region. This \$2.04 billion project was funded in part by a \$280 million TIFIA loan, a \$1.03 billion New Starts full funding grant agreement, and \$396 million in PABs. Once constructed, a private-sector consortium will operate and maintain the lines through a concessionaire agreement. Under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) (P.L. 109-59), Congress authorized the Federal Transit Administration (FTA) to establish the Public-Private Partnership Pilot Program (Penta-P) to demonstrate the advantages and disadvantages of P3s in up to three fixed guideway capital projects. The Denver Eagle Project was the only project that FTA determined was qualified to participate in that pilot program. For additional information, see [Eagle Project](#).
- *Indiana Toll Road, Indiana.* The Indiana Toll Road runs for 156 miles across Northern Indiana, from Illinois to Ohio. In 2006, the State of Indiana entered into a 75-year lease to a private sector consortium to operate and maintain the toll road. The concessionaires are allowed to collect and retain all toll revenues during the term of the lease. The concession agreement includes a reimbursement stipulation that requires the state to compensate the concessionaire for revenue loss due to a competing highway, which is any newly constructed divided four or more lane controlled access highway that runs for 20 continuous miles and is within 10 miles on either side of the Toll Road. In return for the lease, the private sector provided the state with a \$3.8 billion upfront payment, which Indiana then used for other needs across the state.
- *Midtown Tunnels, Virginia.* This project, in the Hampton Roads area of Virginia, will add a new two-lane tolled tunnel to compliment an existing tunnel under the Elizabeth River to increase capacity. The existing tunnel will also be rehabilitated, and interchanges will be rebuilt to more efficiently handle traffic. The total cost of the project is \$2.1 billion, which includes a \$422 million TIFIA loan and \$675 million in PABs. A private consortium will design, build, finance, operate, and maintain the project over a 58-year concession period. For additional information, see [Midtown Tunnels](#).

- Pocahontas Parkway, Virginia.* The Pocahontas Parkway is an 8.8-mile toll road located southeast of Richmond, Virginia, linking Interstate 95 with Interstate 295. The Parkway was constructed using funds generated by bonds issued by the Pocahontas Parkway Association (PPA) under Virginia's Public Private Transportation Act of 1995. The PPA was established for the sole purpose of financing the construction of the Parkway. The project was designed and built through a joint venture of Fluor Enterprise and Morrison Knudsen, and opened to traffic in 2002. In 2006, the Commonwealth of Virginia entered into a long-term concession agreement with [Transurban](#). Under the terms of the concession agreement, Transurban acquired the sole rights to enhance, manage, operate, maintain, and collect tolls on the Parkway for 99 years. Transurban refinanced the PPA's underlying debt, and was obligated to construct a 1.58-mile extension of the toll road to the Richmond International Airport. The total cost of the agreement was \$597.4 billion, with funding generated through a mix of equity and debt (including a \$150 million TIFIA loan from U.S. DOT). In June 2012, Transurban announced that earnings for the road did not cover debt service payments, and the toll-road agreement with the Commonwealth was subsequently transferred to the consortium of European banks that held more than \$300 million in debt on the toll project. At this point, the Parkway continues normal operations, and current revenue is sufficient to cover operating costs. [For additional information, see Pocahontas Parkway](#)
- Ohio River Bridges, Ohio/Indiana.* This project includes a number of new river crossings and associated upgrades across the Ohio River in the Louisville metropolitan area. The project consists of two elements: a downtown crossing project that includes a new tolled six-lane bridge span, the rehabilitation of an existing span, and improved interchanges in Downtown Louisville. The other component is the east end crossing, a new tolled bridge spanning the Ohio River eight miles north of the downtown project. The Commonwealth of Kentucky is leading the downtown project, at a cost of \$1.3 billion, including a \$452 million TIFIA loan, whereas the State of Indiana is leading the east end project. [For additional information, see Ohio Rivers Bridge.](#)
- Purple Line, Maryland.* The Purple Line is a proposed 16-mile light rail corridor running east-west from Bethesda to New Carrollton in Suburban Maryland, north of Washington D.C. The line will connect two major employment centers and is planned to have 21 stops. Maryland is currently soliciting proposals to construct the project via a P3. Four firms have been short-listed to design, build, construct, operate, and maintain the line. The total cost of the project is currently estimated at approximately \$2.2 billion and will likely be funded by a mix of federal, state, and private sector financing. Under the proposal, Maryland will pay the contractor annual payments for achieving pre-determined performance metrics.
- Presidio Parkway, California.* This San Francisco project will upgrade the roadways leading to the Golden Gate Bridge. Currently, access to the bridge is via outdated streets that do not meet current highway standards and which are seismically deficient. This \$852 million project included \$150 million TIFIA loan, which will be repaid via availability payments from the State of California to the private sector consortium that

was contracted by the California Department of Transportation to design, build, finance, operate, and maintain the project over a 30-year period.

- *M-25 Motorway, United Kingdom.* The M-25 is a 117-mile beltway around London and is a critical transportation corridor for the entire greater London metropolitan area. In 2009, the United Kingdom entered into a P3 agreement with a private-sector consortium to design, construct, finance, operate, and maintain the expanded roadway over a 30-year period. The approximately \$1.6 billion project was completed in 2012 and is now in operation.

KEY ISSUES

- Understand under what circumstances Public-Private Partnerships can help to advance infrastructure projects, across types of projects and modes.
- Examine the long-term advantages and disadvantages of different P3 structures, including the range of involvement, scope of responsibility, and degree of risk assumed by the private sector in the project.
- Explore challenges that states and public sponsors experienced in developing P3 contractual agreements.
- Gain insight into what the private sector looks for when investing in infrastructure projects.

ATTENDEE BIOGRAPHIES

Mr. Greg Kelly, Global Chief Operating Officer

Parsons Brinckerhoff

- Mr. Kelly is the global Chief Operating Officer (COO) of Parsons Brinckerhoff.
- Mr. Kelly has served in a number of leadership positions during his career with Parsons Brinckerhoff, including most recently as President of the Americas Transportation operating company, the firm's largest business since 2008
- He also serves on the firm's Operations Leadership Committee.

Ms. Jennifer Aument, Group General Manager North America

Transurban

- Ms. Aument joined Transurban in 2006 and now leads the Group's North American business.
- She played a key role in the development of the Interstate 495 and Interstate 95 Express Lanes.
- Ms. Aument came to Transurban from Bechtel Infrastructure, and has had a successful career advancing legislative and commercial interests for multi-national corporations in the transportation, energy, and financial services sectors.
- She holds a number of leadership positions in the community, including as commissioner for the Virginia Port Authority, which oversees one of the largest shipping enterprises in the United States.

The Honorable Terri Austin, State Representative

General Assembly of the State of Indiana

- The Honorable Terri Austin was elected to the Indiana General Assembly in 2002.
- She represents the City of Anderson and portions of Madison County.
- For the past three years, Ms. Austin has served as co-chairman of the National Conference of State Legislatures (NCSL) Task Force on Public Private Partnerships in Transportation.
- She has also served as the Vice-Chair of the Transportation Committee for the NCSL.