

Texas Transportation Forum 2007

SH 130 Segments 5 and 6: the benefits of the concession model



Austin, July 19, 2007



A. Traditional delivery methods vs. Concession model

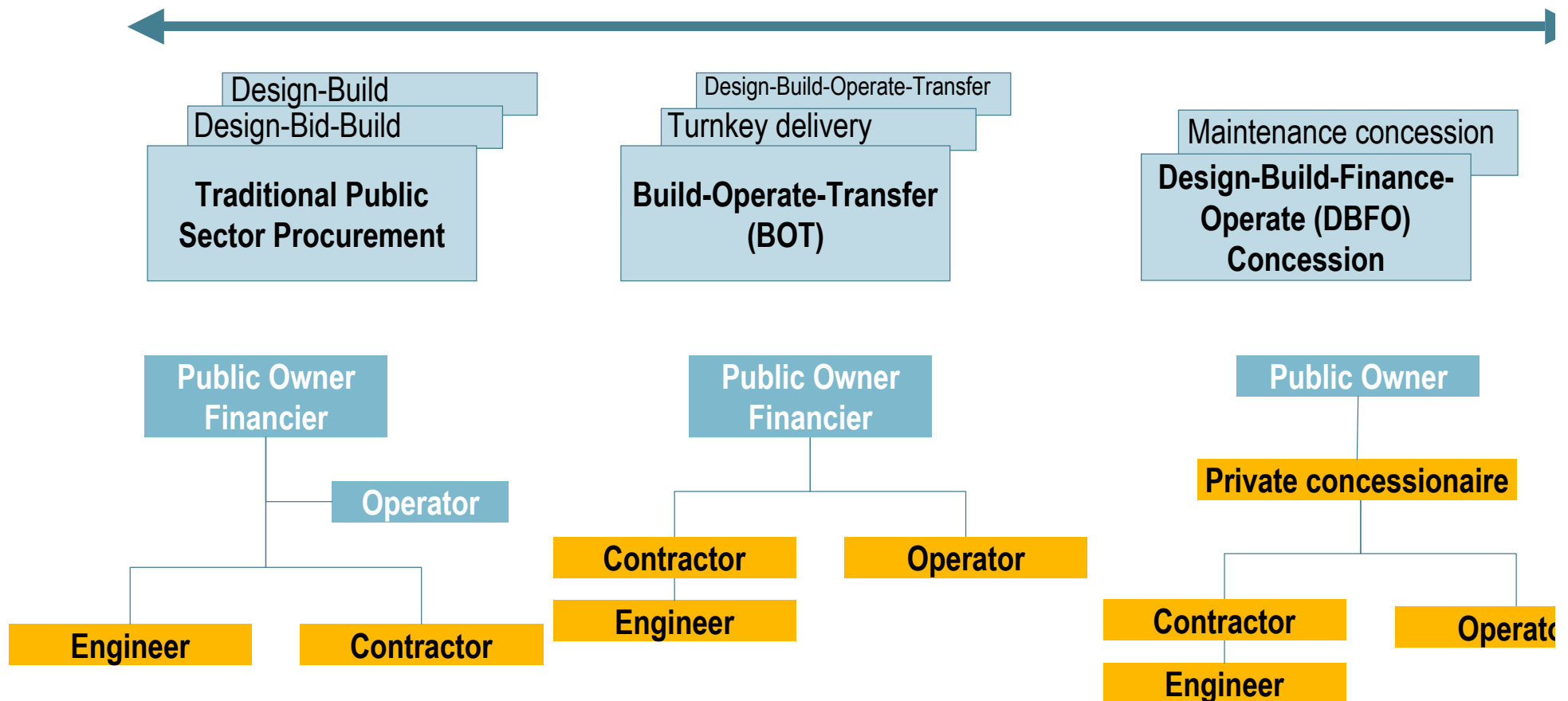
Delivery methods (i)



Infrastructure projects can be classified in accordance with the involvement of the private sector in their delivery

Public involvement

Private involvement



Delivery methods (ii)

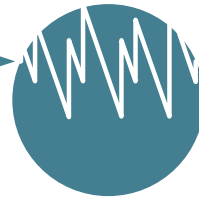


Although some traditional methods of delivery include certain private participation only the concession model provides a pure public private partnership

Traditional delivery methods

- Design-Bid-Build
- Design-Build
- Design-Build-Maintain
- Design-Build-Operate-Maintain

- Combining roles allows for better risk allocation and offers synergies / avoidance of interface issues to ensure better overall long term value
- Overall financial and performance risks are retained by the Owner



PPPs

■ Design-Build-Finance-Operate-Maintain (CONCESSION)






















- Responsibility for implementing the project is transferred to a 3rd party, as are the associated risks and benefits
- Concessions normally involve transfer of assets to the Owner on expiration of the concession term
- Concessions worldwide tend to seek to maximize corridor development and revenue generation potential, offsetting costs

Risk Allocation per delivery method



Under the concession model the private sector takes most of the risks of the project



Risks	Bid-Build projects	Design-Build projects	Concession (DBFO) projects
■ Construction			
■ Design			
■ Finance			
■ Traffic and Revenue			
■ Operation			
■ Maintenance			
■ Technology/ Standard change			

Benefits of the concession model



The concession model has proved to be a win-win solution for both public and private sector in the development of transportation infrastructure

**Acceleration of
infrastructure
delivery**

**Faster
implementation**

**More efficient risk
allocation**

**Reduced whole
life costs**

Examples of benefits of the concession model for the Public Sector

**Better incentives
to perform**

**Improved quality
of service**

**Generation of
additional
revenues**

**Enhanced public
management**

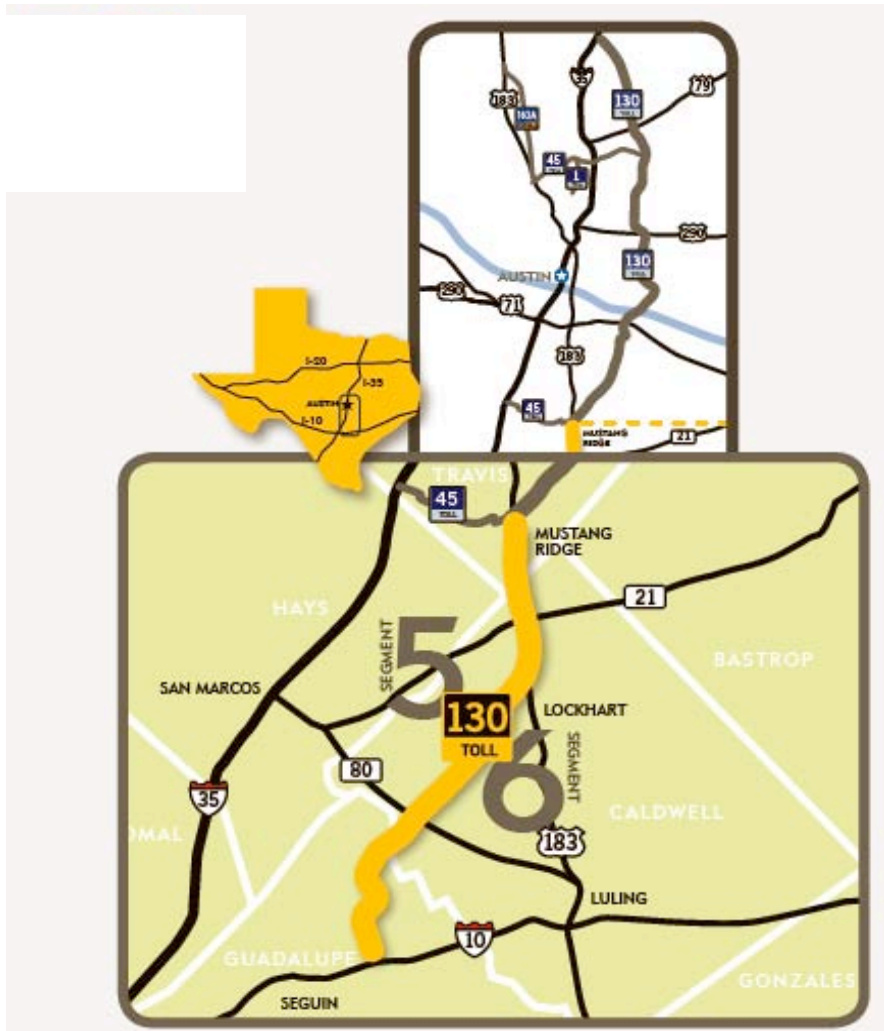


B. Case study: SH 130 Segments 5 and 6

Project description



SH 130 Segments 5 and 6 is the first project to be developed in Texas under the concession model (Facility Concession Agreement signed on March 22, 2007)



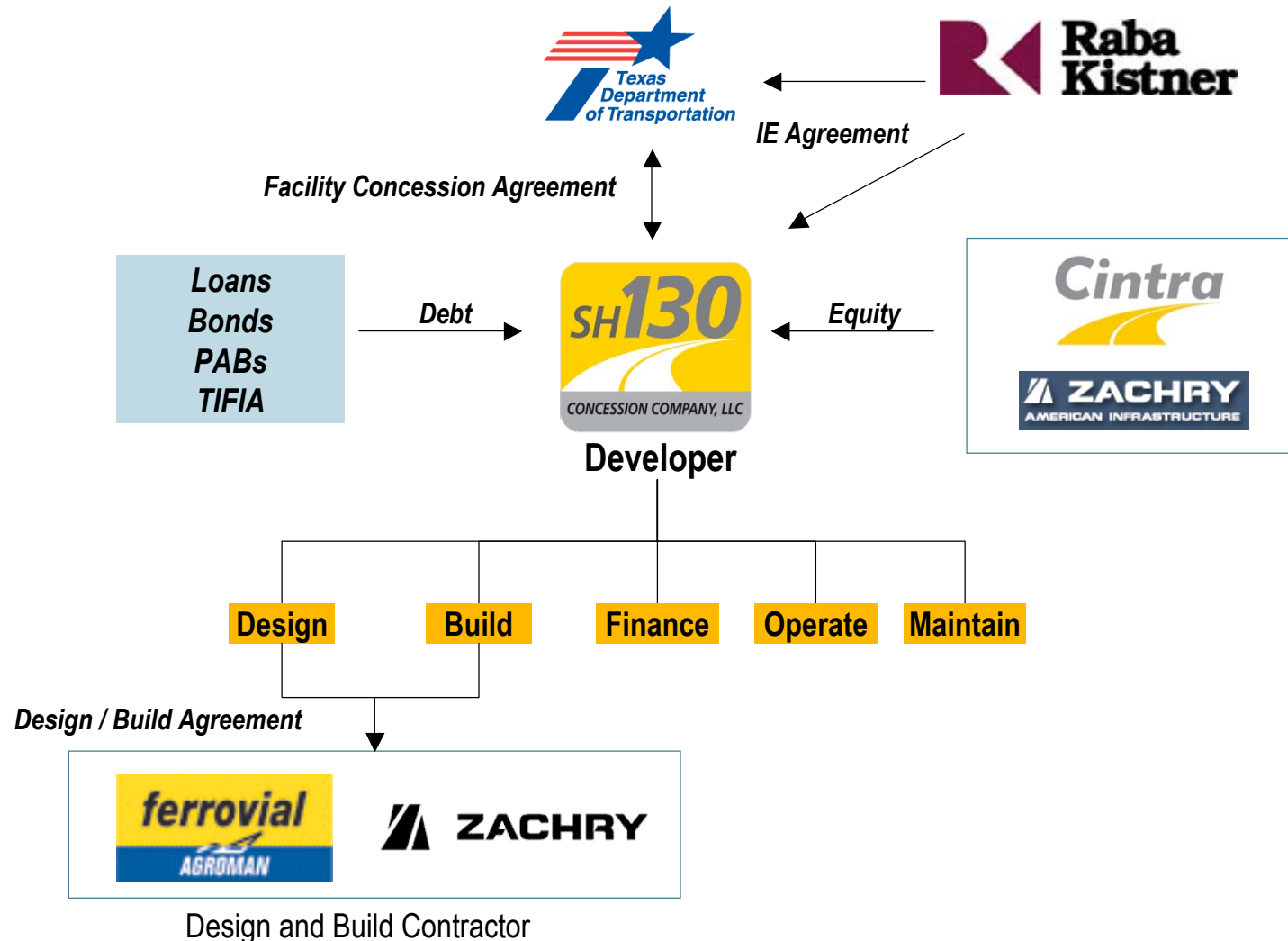
Project Description

- Total length of SH 130 Segments 5 and 6: 40 miles
- Segment 5: From north of Mustang Ridge to FM1185 north of Lockhart (approx. 12 miles), following the current US 183 alignment.
- Segment 6: From FM 1185 to I-10 northeast of Seguin (approx. 28 miles), along new right-of-way.
- Toll plazas/collectors: There will be no toll plazas. 100% free flow, meaning motorists will not have to slow down or stop.
- Timeline: Planning, design and right of way acquisition activities are under way. Actual construction is expected begin in 2009, with the road open for traffic in 2012.
- Term of the concession agreement: 50 years

Deal structure



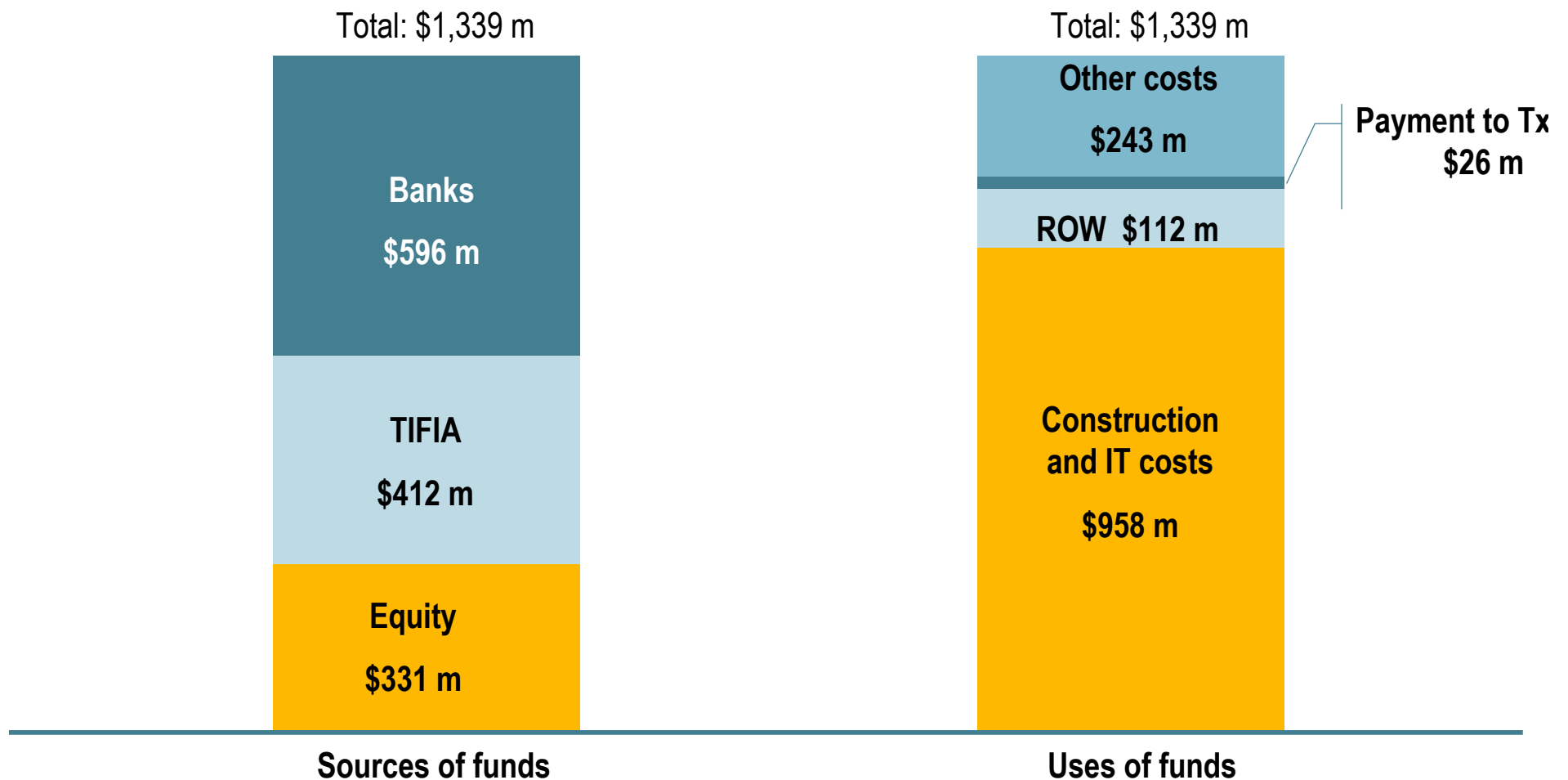
Under the Facility Concession Agreement, a single entity, the Developer, assumes the obligations to design, build, finance, operate and maintain the road for 50 years



Preliminary financial structure



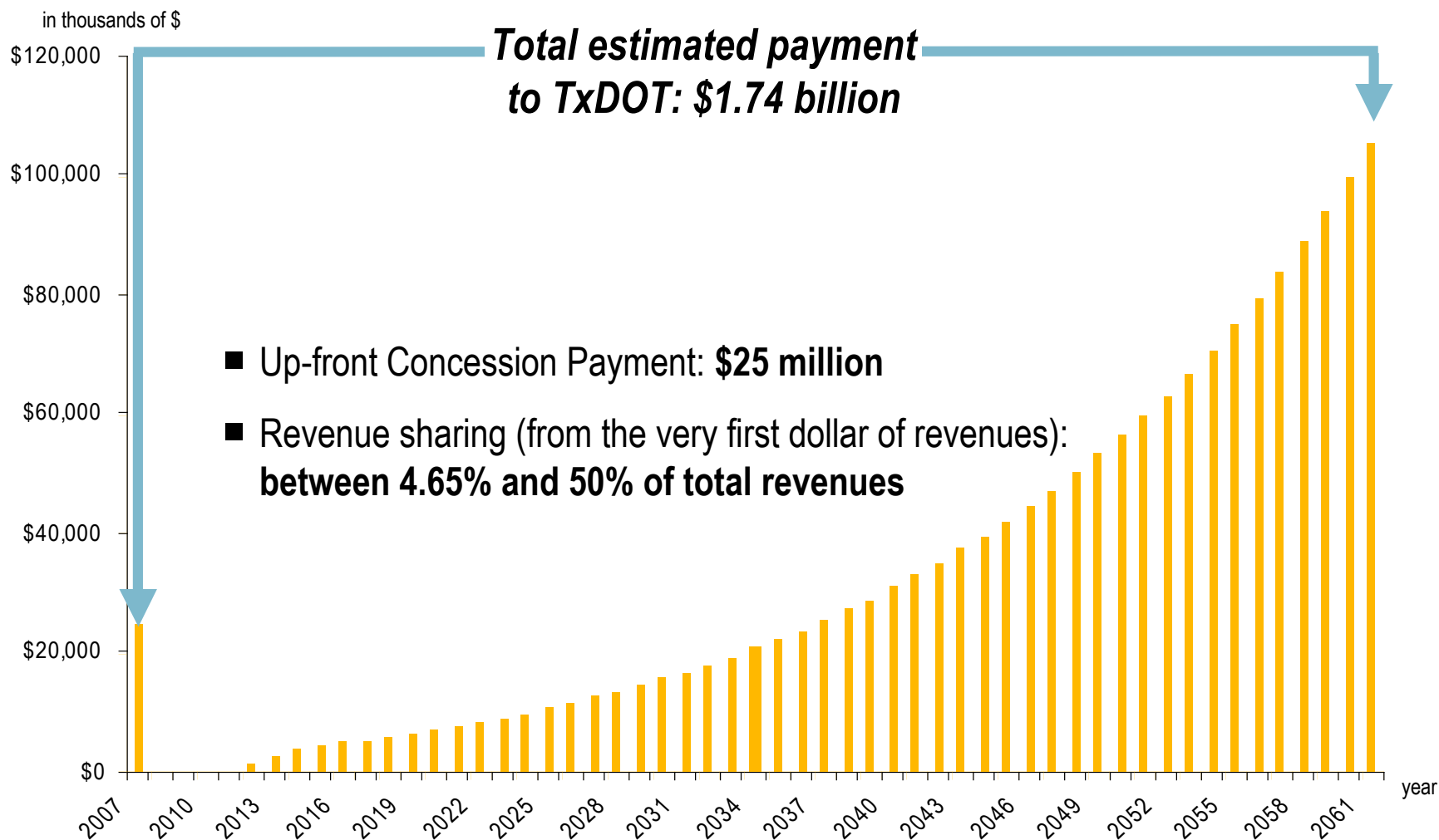
The Developer is committed to raise over \$1.3 billion to finance the project



Concession payments to TxDOT



The total estimated payment to TxDOT along the 50 years of the contract is approx. \$1.74 billion



The bottom line is that...



- The concession model has allowed the early development of SH 130 Segments 5 and 6, a project that otherwise could not have been financed for a number of years
- The whole project is going to be financed without public equity
- TxDOT may get approx \$.1.7 billion from the concessionaire during the life of the project
- A private company is holding most of the risks inherent to the development of the project for 50 years – TxDOT will obtain a debt-free asset at the end of the concession term
- TxDOT benefits from the early construction of a \$1.3 bn asset and its operation by a world-class company at the highest standards for 50 years



Thank you for your attention

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