



Predictability Demands Flexibility

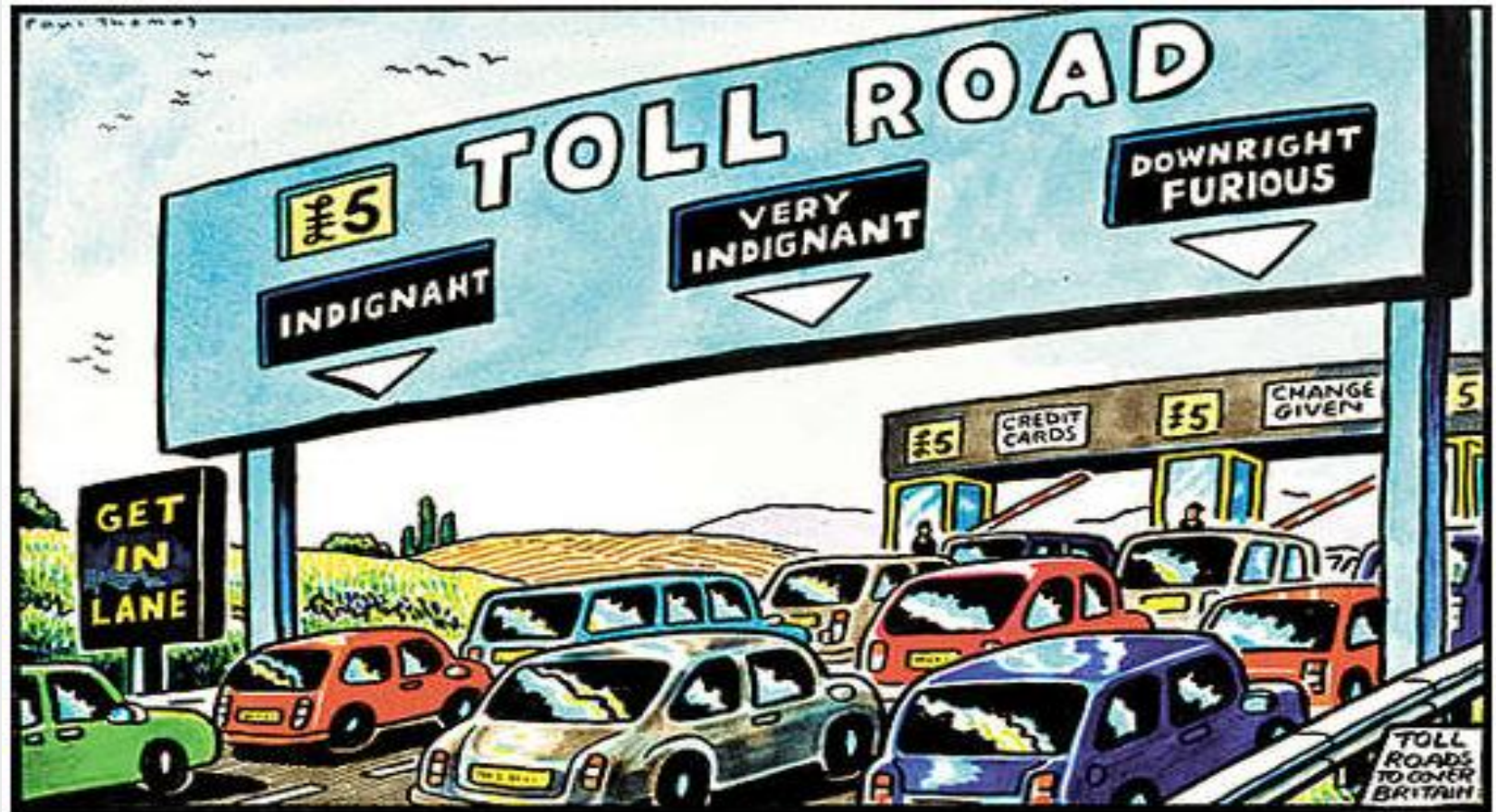
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International Bridge, Tunnel & Turnpike Association
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Agenda

1. Value Proposition
2. What Does Value Mean?
3. Public sector Role
4. Using The Private Sector
5. Lessons From The Crisis
6. Doing Business in the 21st Century

Toll Roads – Value Proposition



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Toll Roads – Value Proposition

- Financial value/potential to governments, developers and investors is usually more clear
- Value proposition to the general public is usually murky
- Transparency for public is key -- step back and make sure the value proposition is clear to all parties prior to execution of a transaction
- Not always done – US and other jurisdictions
- If not, in time problems will arise and partners will turn into opponents
- Opposition to tolls/fees is universal – key is anticipating it
- Transactions need flexibility to permit modifications (permanent or temporary)
- The Value Proposition requires building in flexibility for tough times

What Does Value Mean?

- Value to the public is the critical measure of success – high quality services, effective management and fairness
- Not today, not this legislative session, not this election cycle, and not just this decade, but looooong-term
- While its tempting, front-loading benefit and back-loading cost to the public is a sure-fire way of guaranteeing long-term problems
- Anticipating the needs of the future and building in flexibility is another critical need – changing public needs, technology and innovation will ensure that things will be different than you may contemplate today
- Value needs to be perceived today, tomorrow, in good and bad times

Public Sector Role

- Infrastructure investment is a full contact sport
 - It needs an engaged public sector working from a position of strength, not weakness
 - It means statutory flexibility to tailor solutions
 - It means having dedicated resources to advance project selection, planning and preliminary design
 - It means having a procurement process, free of political influence
 - It means having short and long-term budget flexibility to provide needed subsidies to facilitate financing
 - It means ongoing oversight, monitoring and performance management
 - Good planning and management minimizes the downside when crisis hits
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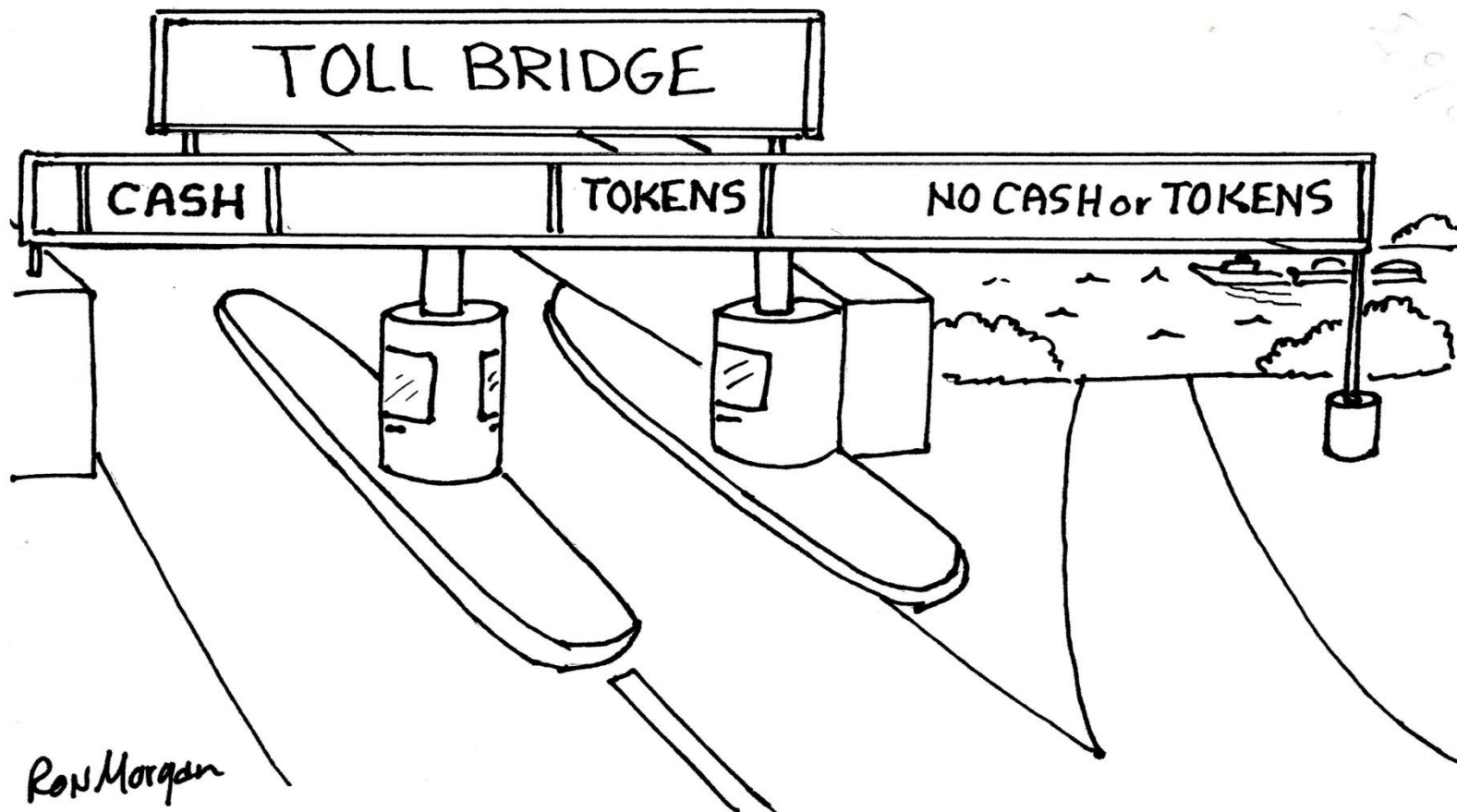
Using The Private Sector

- The private sector role is defined by the public sector
- PPPs can vary in scope; the private sector can meet most needs
- Some projects are better suited for PPPs and others are not; knowing the difference is important
- Importantly, the private sector works under the rules set by the public sector, so problems down the road that are unrelated to asset performance are usually the responsibility of the public sector
- Using the private sector to deflect responsibility for toll/fee increases is a strong indicator of problems in the future
- When perceived as a true partner, the private sector will be more amenable to modifications to manage through crisis

Lessons From The Crisis

- Strong sponsors (strategic operators versus financial players)
- Dependence on growth a risk (especially speculative growth)
- Cautious growth assumptions (reflect future uncertainty)
- Strong counterparties (construction/operating contracts)
- Asset reinvestment critical (strong covenants, prefund Capex)
- KISS (complex debt structures, refinance risk, illiquid swaps)
- Stable concessions (moderate length, reasonable tariff scheme, clear termination and payment provisions)
- Value Proposition Evident Throughout (private sector financial return should not be disconnected from public sector return)

Doing Business in the 20th Century



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Doing Business in the 21st Century

- It's service, service, service,.....and, yes, seamless transportation
- Toll road authorities/companies may turn into an anachronism; how are you going to evolve?
- Electronic revenue collection will get better, but revenue loss and financial security will take on new meaning
- Transparency will be the name of the game – are you ready for open Kimono?
- Cost management will be key – information will be ubiquitous
- Being a good neighbor – community participation and environmental compliance

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