



BACK TO BASICS: A PERSPECTIVE FROM A DEVELOPER/OPERATOR

JORDI GRAELLS

**President
Abertis USA Corp
Washington, DC**

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Agenda

- **The two jobs of a developer & operator like Abertis**
- **T&R forecast: serving O&M & business development**
- **New times: back to basics on financing**
- **New times: the crisis of long term T&R forecasting**
- **A new (USA only) concept: managed lanes**
- **How to adjust: rely on shorter term performance**

The two jobs of a developer & operator like Abertis

- **Managing company portfolio of revenue risk toll road concessions during their terms:**
 - * collect tolls, operate, maintain, build, rehabilitate,
 - * finance, refinance, pay debt, income taxes, dividends,
 - * report & account to controlling authorities

- **Developing company portfolio of revenue risk toll road concessions:**
 - * Win new toll concessions of existing, untolled roads
 - * Win new toll concessions of managed lanes
 - * Buy the equity of existing toll concessions (M&A)

T&R forecast: serving O&M & business development

- **For concession portfolio operation & maintenance:**
 - * **Support for 1-year, 5-year & long term O&M budgets**
 - * **Support for capex and concession contract changes**
 - * **Support for releveraging during the concession**
 - * **Support for negotiations with controlling authorities**

- **For business development of toll road concessions:**
 - * **Support for business plan assessment for potential new deals and competitive bidding opportunities**
 - * **Support for initial leverage of awarded concessions**

New times: back to basics on financing

- **Long term initial debt or bonding is hardly available for new revenue risk toll road concessions on facilities without a significant T&R history**
- **Initial short term debt is available with significant restrictions on initial performance. That is, only good revenue risk projects can be financed initially, those with good debt service coverage ratios from day one**
- **However, there are hundreds of potential, initially good, revenue risk toll road concessions in the US (and other countries). It only takes a good conceptual design from State governments to unveil them**

New times: the crisis of long term T&R forecasting

- **Traffic and GDP growth are less and less correlated. Maybe it is the aging of the babyboomers and/or the fact that most of the population may not be increasing their income in real terms in this post crisis period**
- **T&R forecasting beyond 10-15 years is increasingly uncertain. It becomes difficult to justify investing on capex designed to meet supposed “needs 30 years from now”, with the assessment tools we have today**
- **We can only assess projects meant to address more certain, shorter term needs, with a flexible design, such that they can be reassessed in 10-15 years time, or when we develop new long term T&R reliable tools**

A new (USA only) concept: managed lanes

- **No managed lanes projects outside of the US.**
- **USA: each managed lane project is a different concept, with everything unique: Entry/exit design and capacity, radial vs beltway, no HOV vs HOV-3 free, toll schedules**
- **Ongoing projects grabbing 10%-15% of corridor AADT.**
- **Search of metrics to assess T&R ongoing. Maybe there is no such thing as benchmark revenue producing capacity per lane-mile or benchmark ramp-up time. Some cases may unseat SR-91 as the industry benchmark soon**
- **Managed lanes projects may need to be conceived as inexpensive, easy to adapt to changes, since their urban traffic pattern will inevitably change in 10-15 years time**

How to adjust: rely on shorter terms performance

- **Project financing availability is increasingly focused on the initial, near performance of the toll road, in particular in the case of managed lanes**
- **Our tools for traffic and revenue forecast work well for the short run (and will work much better soon with new behavioral, disaggregate components). New tools for long term T&R forecast are not ready yet**
- **Then what we need now, as developers/operators, is to focus on projects that meet near term needs, that are affordable enough to be self sustainable, and flexible enough to accommodate inexpensive marginal changes in 10-15 years time for their upgrade to meet the needs that we will have then. Back to basics.**