The Role of Public-Private Partnerships and Tolls on Financing Highway Infrastructure
Challenges to transportation projects in the US

Public Sector

- Only 50% of States have P3 enabling legislation
- No standardized approach
- Tolls and Taxes are political minefields
- Long development process vs frequent elections
- Federal initiatives take too long

As reflected in current federal discussions re tolls, “Value for Money” should be guiding principle behind any model of highway projects
Challenges to transportations projects in the US

Private Sector

- Europeans suffered from the global credit crisis
- Project pipeline still uncertain
- Inexperience of US financing community with P3s
- Fragmented domestic Construction and O&M markets
- Funding (!)
Toll & PPP Financing

Together

- Risks allocated to the party best equipped to manage them
- Ensures revenues are “kept” within the project
- Incentive to maximize value = better service to users
- Long-term partnerships = long-term obligations!

Budgetary constraints at all levels of governments + Increasing number of projects needed to save US transport infrastructure = Private Sector involvement needs to be incentivize and encouraged
Toll & PPP Financing

Can one work without the other?

- **Availability payments more prevalent now**
- **What funding would investors and lenders be most comfortable with?**
- **Should public sector always take traffic risk?**
- **Who should set toll levels?**

5 out of 8 of the most significant projects in the US currently under construction have been procured as PPPs with Tolls.
Financing Considerations

**TIFIA** (“Transportation Infrastructure Finance & Innovation Act”)
- Too many projects on hold?
- Aimed at providing gap financing - not ½ of projects costs
- Is it really used where it is most needed and relevant?

Private investors/lenders
- Do not encourage private bidders to overpay
- “Getting your money back” is one thing, mitigating traffic risk is another
- Should we really care about profits?

Domestic/local private financing should be available
- LT predictable investments appeal to pensions
- “Muni. Bonds” vs genuine project financing

**TIFIA in 2012:**
- Over $8bn injected in 22 projects
- 15 “shovel-ready” projects awaiting (value of $26bn)
THANK YOU

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