



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search  
<http://ageconsearch.umn.edu>  
[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

The background of the slide is a photograph of a cable-stayed bridge. The bridge has a large, red, A-shaped pylon in the center, with numerous black cables fanning out to support the bridge deck. The bridge deck is paved and has a yellow center line. The sky is a clear, bright blue. The perspective is from the bridge deck looking towards the pylon.

# ***The Role of Public-Private Partnerships and Tolls on Financing Highway Infrastructure***

# Challenges to transportations projects in the US

As reflected in  
current federal  
discussions re tolls,

## “Value for Money”

should be guiding  
principle behind any  
model of highway  
projects

## 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**

# Challenges to transportations projects in the US

Transportation projects generally require:

- Large amounts of up-front capital,
- Willingness to take calculated risk
- Patience to get returns on investments

## 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 (!)

**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**

## 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!**

# Toll & PPP Financing

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

## 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?**

## TIFIA in 2012:

- Over \$8bn injected in 22 projects
- 15 “shovel-ready” projects awaiting (value of \$26bn)

## 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**

# THANK YOU

**Sébastien Munsch**

Director, KPMG Global Infrastructure Advisory

(416) 777-3487

[smunsch@kpmg.ca](mailto:smunsch@kpmg.ca)