



## FINANCING INVESTMENTS IN THE USA ROAD SECTOR

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# Route 895 PPTA

DBF 1998 - 2002, FOM 2006 - 2105





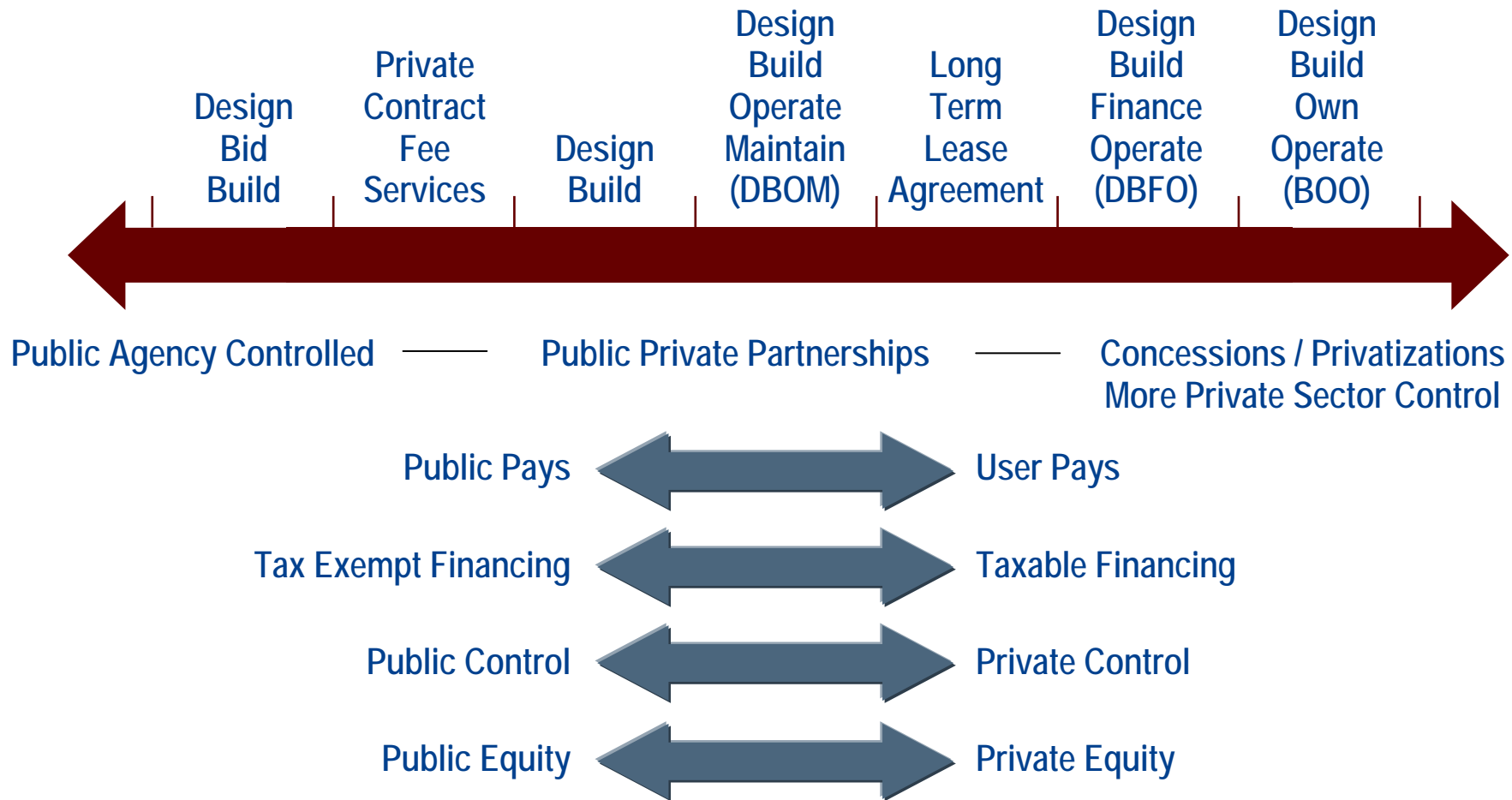
# Topics

## **General – Public-Private partnerships in the USA Road Sector**

- The USA highway system
- Current funding issues

## **The Route 895 Pocahontas Parkway Observations and recommendations**

# Project Delivery Options



# Background: Development of USA Interstate Highway System

## General – USA

- Land Area 9,200,000 sq km
- Population +300,000,000 [2007]
- Per capita GDP \$43,500[US]

## General – USA Transportation

- Well developed and Multi-modal
- 15,000 Airports [+33% with paved runways]
- 40,000 km Navigable Waterways
- 4,165,000 km Paved Roads
- 75,000 km Expressways (Interstates)



# Background: Development of USA Interstate Highway System

## **The USA Interstate Highway System**

- The National Road, commissioned 1806
- The Federal Aid Road Act of 1916,  
established a federal-state partnership

# Background: Development of USA Interstate Highway System

## The funding debate

- Toll roads or free [taxed] roads?
- A public works program or a needs based system?

## Bureau of Public Roads [FHWA]

- 1939 Report to Congress
- Fundamental premise of the Interstate Highway System
- Toll roads would not satisfy all needs
- Promoted tax based system of funding

# Toll Roads and Free Roads

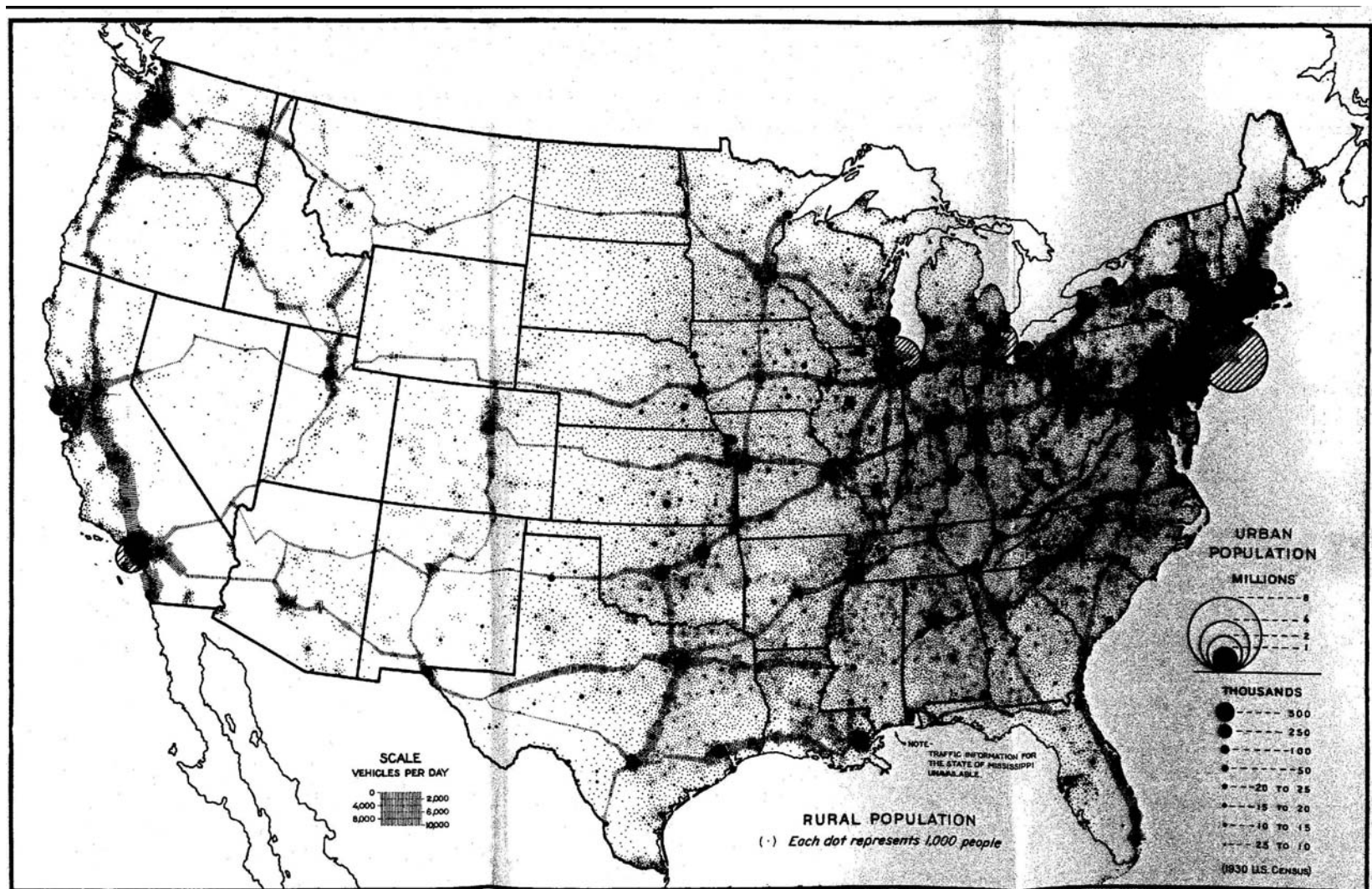


PLATE 58.—A comparison of population density and average daily traffic on existing routes tentatively selected as approximating the lines of a proposed interregional highway system.



# The Interstate Highway Act of 1956

## President Eisenhower

- Inspired by 1919 US Army cross country convoy
- Later inspired by the German autobahn system

# The Interstate Highway Act of 1956

## The National System of Interstate and Defense Highways

- Funding was tax based –
- A dedicated motor fuel [petrol] tax
- \$25 Billion [US] for construction during 1956 - 1969
- Uniform highway design standards
- Toll roads incorporated where they already existed

# VDOT Past, Present and Future

## **100 years of tradition 1906-2006:**

- Virginia policy mirrors federal policy
- Motor fuels user tax and local taxes are predominant funding source
- Most VDOT project delivery is by traditional design-bid-build - paid with public funds
- VDOT's current budget is approximately \$4 billion [US]

# VDOT Past, Present and Future

## Present Challenges

- The highway system is aging
- Maintenance requires increasingly larger share of budget
- Population and economy are growing
- Current needs exceed available funds
- A strong economy requires efficient transportation

**Public-Private Partnerships will help, but can't save us**

# Virginia's Public-Private Transportation Act of 1995 [the PPTA]

## Policy

- A public need for timely transportation development
- Current methods may not be adequate
- Private development or operation may be more timely or more efficient or less costly – thereby serving the public interest

# Virginia's Public-Private Transportation Act of 1995 [the PPTA]

**Intent is to encourage private investment in transportation facilities**

- Innovative improvements
- Investment of private funds/equity of funds not otherwise available
- Risk sharing

**Such partnerships are for carefully selected projects**

# The Route 895 PPTA Project

## Phase 1 – Virginia's First PPTA Toll Road

- The PPTA allows unsolicited proposals
- FD/MK proposal in 1995
- VDOT did not have construction funds
- FD/MK proposed debt financing for DBFOM
- VDOT would operate toll road upon completion
- Road was constructed 1998 - 2002

# The Route 895 PPTA Project

## Phase 2 – Refinancing the debt, and Virginia's first PPTA concession agreement

- Traffic revenue did not meet forecasts
- Economic growth forecast a better long-term return
- Transurban, LLC
  - 2006 - 2105
  - Finance, operations and maintenance
  - Valued at +\$500 million [US]
  - Revenue sharing provisions



# Observations

**Government must establish a business process**

- Legislative authority
- Support process and accept less control

**Private sector must perceive investment opportunities**

- High traffic volume
- Limited access highways
- A need for more capacity or more efficient operations



# Observations

**Private companies can succeed or fail, and they do both equally well**

**Engineering is the easy part ...**

# Recommendations

## **Direct your program**

- Identify objectives – policy and project level
- Provide resources
- Copy best practices from mature European markets
- Procure contracts with a competitive process

# Recommendations

## **Communicate – to ensure support**

- Executive branch
- Legislative branch
- DOT
- Successes

## **P3 is not a panacea**

- Most roads are not attractive as an investment
- Choose projects carefully
- Create a fair and competitive procurement environment
- Optimize use of public and private funds



# VDOT's PPTA Program

**Questions?**

**For Additional Information**

**VDOT Website:**

**<http://www.virginiadot.org/business/bu-ipd.asp>**

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# Route 895 PPTA

(2002)

