This article originally appeared in *Project Finance NewsWire*

chadbourne

April 30, 2015

US Infrastructure Outlook

The US public-private partnership market continues to diversify, and P3 deal structures continue to mature. A large group of industry participants gathered in New York on March 12, 2015 for a breakfast roundtable discussion about US P3s hosted by InfraAmericas and Chadbourne. The following is an edited transcript of the panel discussion.

Doug Fried of Chadbourne & Parke, moderator, with panelists José Antonio Labarra, Zoe Markwick, Mike Parker, Clare Doherty, Nick Phillips and David Livingstone

The panelists are Clare Doherty, director of budget and program analysis for the House Transportation and Infrastructure Committee, José Antonio Labarra, general director of transport concessions at Isolux Infrastructure, David Livingstone, managing director at Citigroup, Zoe Markwick, commercial director at Skanska Infrastructure Development, Mike Parker, US infrastructure advisory leader at Ernst & Young, and Nick Phillips, assistant vice president at John Laing. The moderator is Doug Fried, a partner from the Chadbourne New York office.

CURRENT US P3 MARKET

MR. FRIED: Zoe Markwick, what would you say were the biggest surprises in the market over the last 12 to 18 months, both positive and negative?

MS. MARKWICK: Here is my list of surprises, and you can tell me if you think they are positive. My number one surprise of last year was Joe Biden's comment that landing at LaGuardia Airport — which is procuring a P3 for its central terminal building — is like landing in a third-world country. Thanks, Joe Biden. Another surprise on my list was a Democrat lost the election for governor in Maryland, which led to a light rail project called the Purple Line P3 being put on hold. Maryland's new governor — Larry Hogan, a Republican — said during his campaign that he would stop the Purple Line. Thank you for that surprise.

Another surprise, which I am very happy to see, is bank market pricing and bank appetite are getting more aggressive. I love the rush to the bottom. Lastly, the size of public contributions in P3 projects is on my list of surprises for the last 12 to 18 months. Public authorities are putting their hands into their deep pockets and coming up with a lot of money for P3s, in some cases as much as a billion dollars, which creates some interesting structures for some of the projects.

MR. LIVINGSTONE: IFM's winning bid of $5.725 billion to purchase the Indiana Toll Road out of bankruptcy was a big surprise for me. You could be flippant and say, "That's good; we will have another restructuring in another five years." However, it shows that there is a tremendous appetite for brownfield toll roads, and there just are not many of them in the United States. It is hard to come up with a metric that justifies a number that large.

MR. FRIED: José Antonio Labarra, the I-69 Section 5 project was Indiana's second major P3 to reach financial close in as many years. What can the market learn from this project and from Indiana's successes?

MR. LABARRA: The first thing to learn is that the Indiana Finance Authority or IFA ran a well-managed procurement, and all the deadlines and targets were met. Sticking to a schedule helps avoid increases in bidding costs and keeps bidders interested in the procurement, not other projects.

The second thing is that IFA did the East End Crossing a year before the I-69 Section 5 project. Most of the complicated and tough issues, such as the appropriations risk for the availability payments, were already analyzed and resolved, and the market had already gotten comfortable with the East End Crossing transaction which it made it easier for IFA to go to the market with the I-69 Section 5 project.

SOURCES OF REVENUE

MR. FRIED: Mike Parker, do you have some thoughts on availability payments?

MR. PARKER: I know you will ask me about reauthorization of the federal highway and transit funding programs, and I think the two are connected. We met with the CFO of a public transportation agency recently and talked about how assuming a 2% growth rate in federal funding for the next 30 years is aggressive. I think historically that would have been a baseline assumption that you could have made from a planning standpoint. However, we have had to live for quite a while now with continuing resolutions (which are appropriations bills that continue pre-existing appropriations at the same levels as the previous fiscal year) without new funding bills. The federal share in transportation funding has been declining in the US. Assuming no growth is a more prudent assumption for this particular public transportation agency.

We are seeing some states take action on the gas tax, but until we see a situation where you have revenue streams that are at least rising at the pace of the operating costs of these public agencies, their ability to lever, whether it is through availability payments, GARVEEs or a normal debt program, will be increasingly limited. That puts pressure on the federal government to come up with more money through reauthorization of its transportation programs, unless other local revenue streams can be found.

We are seeing other types of procuring agencies coming to market looking to do other projects besides highways, and they are doing this with availability payments. The US is a big country, with lots of local communities, so there is a little more moving now. However, there are some revenue constraints in the current funding environment for projects over $500 million or even $250 million.

MR. FRIED: Does that leave more room for demand-based, revenue-risk deals?

MR. PARKER: If the projects are economical, then yes, but a lot of the easy pickings have been done. There are many questions today around managed lanes. It will be very important to see over the next few years how some of the managed lanes projects perform that are ramping up now. There is a huge appetite among public agencies for managed lanes, but there is also concern that these projects do not always pay for themselves. If they end up paying for themselves, then more such projects will follow.

REAUTHORIZATION

MR. FRIED: Clare Doherty, what do you think about reauthorization? Will it happen before the deadline? We have been to this movie before, haven't we?

MS. DOHERTY: Yes, we have done this before. The House is working internally with all the committees that need to make reauthorization happen. We are also reaching out to the Obama administration, working with Treasury, and talking to the US Department of Transportation, and the Senate is working as well. Deadlines really help force action in Congress and help force people to come together. Everyone knows about the May 31, 2015 deadline for reauthorization of the federal highway and transit programs. Lots of states are getting ready to ramp up their construction seasons, so they have been aggressive about visiting Congress. We get a lot of visits from mayors and governors, and these visits will continue. We are optimistic. We are driving to meet the deadline.

MR. FRIED: What happens if we miss the deadline?

MS. DOHERTY: That is a challenge given the status of the highway trust fund right now. I think it will all come together in the summer. Around May, there will be a lot of pressure as states will be talking about the projects they will have to delay if reauthorization does not happen. We are already hearing this from a lot of states. States need certainty that funds are coming before they move forward with projects. I also think members of Congress, especially the Republicans who came in this year, really want to show that they can get an infrastructure bill done. Transportation Secretary Foxx has come to see us a lot, and he has a great rapport, as a former

Clare Doherty, House Transportation and Infrastructure Committee

José Antonio Labarra, Isolux Infrastructure

David Livingstone, Citigroup

Zoe Markwick, Skanska Infrastructure Development

Mike Parker, Ernst & Young

Nick Phillips, John Laing

mayor, with a lot of our members. We are optimistic that will help.

All of that said, if you have followed Congress over the last few weeks, you know we have had a few rough patches.

MR. PARKER: If there is no reauthorization of the federal transportation programs, or reauthorization does not happen by the deadline, it does not mean there will be a shutdown of the federal transportation programs. In the past, Congress has used continuing resolutions to allow programs like TIFIA to keep rolling along at the current funding levels, which are robust. It would be different if there were not even a continuing resolution to continue pre-existing appropriations at the same levels.

MS. DOHERTY: Right. Without getting too much into the weeds, no reauthorization is not the same as the highway trust fund running out of money, which is projected to happen in the summer.

INTEREST IN US P3 MARKET

MR. FRIED: Nick Phillips, global developers and investors are continuing to pursue projects and set up offices in the US. What do you think is driving these firms, and will this trend continue?

MR. PHILLIPS: Our company is one of these investors. I do not think the trend will change. If you look around the world, there is very little pipeline in the P3 market for a lot of these companies. Europe is dormant, which is a nice way of putting it, and a lot of the players in the industry have been in the US before and have now come back. From a John Laing perspective, we were here in 2007 and 2008 and decided that the market was not ready yet, so we went to Australia and focused a lot of resources on that region.

The US is the large market. It is a country of more than 300 million people. It is relatively wealthy, at least at the personal income level. At some point, I think everybody in this room believes that the US P3 market will really take off. That's why we are all here. You also do not want to be the one left trying to break into the market

Doug Fried, Chadbourne & Parke LLP

when everybody else already has credentials. If you look at qualifications processes now, little weight is given by procuring agencies for projects that companies have done in foreign countries. Procuring agencies want local experience.

The bid for the Indiana Toll Road showed that there is a huge appetite for American infrastructure. I do not see that changing. I also do not see where else these companies could go at this point, unless you want to get aggressive and go to the Middle East or Africa or South America.

MR. FRIED: Zoe Markwick, what impact do you think global economics and political trends have on the US P3 market?

MS. MARKWICK: Like Nick said, there's not a lot to do elsewhere. The P3 market participants are in the US because many of the overseas developers are not seeing their normal deals back home.

The increasingly positive outlook in the US is very helpful. We continue to see private capital looking for a good home. It regards infrastructure as a positive investment. From our company's perspective, the US is now our largest single market and our biggest growth market. While people might regard us as foreigners, we are a domestic contractor now.

SOURCES OF FINANCING

MR. FRIED: David Livingstone, what do you think the likelihood is that we will continue to see bank financing mixed in with private activity bonds, TIFIA and other sources of debt?

MR. LIVINGSTONE: The reason why bank financing was more attractive for the I-4 Ultimate project that closed last summer is the extremely long construction period, and a relatively short amortization period. Banks could deal with the negative carry a lot better than the bond market where all the money must be drawn upfront.

If you have a construction period of three years and less and are looking for a longer tenor of debt in the range of 25 to 30 years, then the tax-exempt bond market will be the most attractive financing for P3s. We have tried to find ways to link bank and bond solutions, but inter-creditor issues have been an impediment.

MR. PARKER: People are starting to pay a little bit more attention to the private placement market. There are questions whether this is something that could be enabled during the initial rounds of bidding and how a private placement would work within the context of a bid process. However, going taxable and going long is an interesting possibility today, and some of the benefits in terms of future flexibility and refinancing, when compared with how aggressive the financing solutions can be, and the ability to avoid the negative carry, are pretty interesting.

POLITICAL RISK

MR. FRIED: Mike Parker, Project Neon in Nevada was cancelled after three teams were shortlisted. The Illiana procurement in Illinois was put on hold and the Purple Line P3 in Maryland has been delayed. What can be done to address this risk?

MR. PARKER: There is no silver bullet.

First, big projects are controversial by their nature. Large infrastructure projects can generate significant levels of opposition that have nothing to do with the fact that they are P3s, especially if there are environmental considerations that create opposition. There is also risk where the projects have significant costs and are competing with other projects for funding. Sometimes, the problem is the physical dimensions of a project, and sometimes in a cash-strapped state there are questions about budget priorities.

Having political champions matters. Some of these states that cancelled or delayed projects were changing governors at the time.

MS. DOHERTY: I would add that this issue was discussed in the special P3 panel that Congress convened last year, and it was a controversial subject. Ranking members feel that there has to be a lot of transparency around the deals so you get buy-in at the community level. You need stakeholder meetings and community outreach.

I think there is a lot of support for laying the numbers out, talking about the alternatives, talking about the options and sharing the value-for-money analyses. We have members of Congress who wanted to read all of the value-for-money analyses — and they did. They questioned people at hearings about their rates of return.

Those numbers should be on the table, but they are not always, so I think that transparency and public support could make a difference.

CONGRESSIONAL REPORT

MR. FRIED: Clare Doherty, the House Transportation and Infrastructure Committee recently completed a major report on P3s. Could you share with us the major conclusions?

MS. DOHERTY: Back in September 2014, we announced a bipartisan report on P3s. The special panel was in existence for a period of six months. We had 11 members, including six Republicans and five Democrats. We did seven roundtables and two hearings, and we came to New York and even went to LaGuardia with the members to learn about the airport P3.

We heard a lot about TIFIA. Probably the number one thing that people told us was to continue TIFIA because it is critical to the P3 market. We heard a lot about strengthening the public sector's capacity to do the best deal possible and the need to take time to educate the stakeholders. One of the recommendations was to establish a procurement office at the US Department of Transportation to be a resource center to help states and project sponsors.

The resource center could help states look at existing deal models. One of the things I think members were surprised to learn was that states have not necessarily been meeting and sharing information about their experiences with P3s. If some states are developing best practices and have good successes and are doing something right, we should be sharing that information and helping other states.

We really wanted to look also at encouraging some simplification in P3 contract provisions. We heard from public officials who said it took a year to learn all the terms of the deal and from others who said they signed contracts with terms they did not actually understand.

The large group of industry participants gathered in New York on March 12, 2015

The other thing is there are various federal programs for P3s that are just getting off the ground. One that we just put in the last water infrastructure bill is the new WIFIA program. We have been big proponents of encouraging the Army Corps and US Environmental Protection Agency to work with the US Department of Transportation and Treasury to look at best practices for P3s to apply to their programs.

MR. FRIED: Can transportation truly be a bipartisan issue?

MS. DOHERTY: Definitely. Members are excited about infrastructure. It is one issue that brings them together. They also like to see, tangibly, what they will get for their investment and how quickly a facility will open. One of the challenges with innovative financing is explaining to members when that project might actually come to fruition.

Our panel had standing-room-only events for most of our hearings. People want to know when Congress will deliver more infrastructure. We talked about water, airports, public buildings, waterways, highways and transit. We heard from Canadians and a number of Europeans. Members are curious as to why project delivery is done differently in other countries.

We could mix all the members up and they would all have very different issues and maybe their reactions would depend on whether their states have actually done P3s. Their reactions also might vary depending on whether a member comes from a region in which tolling or other financing approaches have been used or from certain states that will never do P3s and that do not go to the debt markets.

ACTIVE STATES AND SECTORS

MR. FRIED: Which states present the most opportunities going forward?

MS. DOHERTY: We have looked at the states that have been active in the TIFIA program. TIFIA creates a lot of tension among members because they see some states that have availed themselves of the opportunities and are taking federal aid dollars and leveraging them to create projects, and there are other states that still work on a pay-as-you-go basis.

Many of you know about the rural set-aside and other things Congress has attempted to put into legislation to encourage rural America to consider innovative financing strategies, but a limited pool of states are currently interested.

MR. PARKER: Clearly Florida is active. California has a question mark, whether at a state or local level, but it is a massive market, bigger than most countries. Likewise Texas, especially if you look at both the state and local level and across different categories of infrastructure. The New York City region, whether or not specifically the City, or different agencies that have different legal authorities, could be active. We are seeing activity with the Port Authority, where LaGuardia is one step, but certainly building on the Goethals bridge project. There is broad interest in the New York City region and a huge need.

There is probably a broader interest in Georgia after the governor was reelected. Georgia has a great design-build-finance project that is in procurement now, but I think if you look more broadly at the student housing market or things like that, depending on how you define the deal flow, there may be opportunities there.

One thing to consider is that we have become very narrow and focused on transportation and highway P3s. We are seeing some sponsors get more creative by looking outside that sector. Depending on your perspective, whether you are a vertically-integrated contractor or a fund or a certain type of lender, there will be differences in where the deals are going to be for you.

MR. PHILLIPS: I agree with Mike Parker that there is often a focus on transportation and everything else is kind of falling by the wayside. In the introduction to the panel, we mentioned the deals that closed last year, and they were all highway projects.

We have seen development in other sectors, but it has not been through a traditional procurement process. The Carlsbad desalination plant took time, but hopefully is an example that Texas, Florida and other states interested in water can use. We have seen a lot about student housing and waste water, so there is significant potential deal flow that comes from outside interstates and highways. That is probably an area on which we need to start spending more resources and discussing more as part of the industry as opposed to just having this very highway-focused view.

MS. MARKWICK: It is hard enough to do a highway P3 with a state department of transportation that has done highway P3s before. Good luck with a municipal water authority.

MR. PHILLIPS: Let's hope that some projects get done and can be used as a template while the industry develops.

MS. MARKWICK: You need to consider the deal size compared to the effort. We are a construction company and we care about construction revenues. A $2.5 billion highway in Florida is not the same as a $200 million social project led by a municipality.

MR. PARKER: There will not be many projects in the university space, for example, that are over $500 million, let alone over $200 million, when you look at them building by building.

MS. MARKWICK: Social projects in the UK and Canadian markets have repeatability. You can do a lot of schools and hospitals in Canada. You cannot crank out lots of them in the US because each state has different rules and it is not just each state; each municipality has a different set of risks, issues and documents.

The $3 to $5 million of external costs and the opportunity cost that you must spend bidding on one project is not an investment in a potential pipeline of similar projects.

PRIVATE ACTIVITY BONDS

MR. FRIED: David Livingstone, how important is the PABs market in today's P3 deals? Is there enough PABs authority for the P3 deals currently in the pipeline? As of January 2015, almost $12 billion of the $15 billion available through the US Department of Transportation PABs program was already allocated.

MR. LIVINGSTONE: PABs have certainly become an important financing component for P3s. Other than the I-4 Ultimate project, virtually all other greenfield transportation projects have been done with PABs over the last few years. The day of reckoning is not here just yet.

You are correct that the US Department of Transportation website gives the impression that there is only $3 billion in bond authority left. But if you look more closely, $600 million has been allocated for the Knik Arm Bridge in Alaska that will not be used. Also, $1.2 billion was allocated for the Pennsylvania Bridges P3, which will not all be used. How much is going to be used for I-77 in North Carolina, SH 288 in Texas or Portsmouth Bypass in Ohio? You probably have $5 billion left to allocate, and only about $5 billion in bonds have actually been issued at this point.

Private activity bonds are an important tool. While I do not think we are in a crisis situation this year, and maybe not even next year, we will be there soon.

MR. FRIED: The Obama administration's proposal for a "qualified private infrastructure bond" program — called QPIBs — would broaden the categories of public-private infrastructure that can benefit from tax-exempt bonds, eliminate volume caps, and do other things. Do you think this program will pass Congress?

MS. DOHERTY: It will have to go through the Ways and Means Committee, which is the tax-writing committee. These types of proposals create heartache because you have to figure out how to pay for them. There is a cost to the government of allowing more tax-exempt debt.

Going back to the question about the PABs volume cap, we are looking at it. We get many state and local visitors who want financing tools like this. In our special P3 panel, we heard a lot about flexibility to use PABs for water and public buildings and other types of infrastructure.

MR. PARKER: It is not my place to speculate whether the program will pass, but there does seem to be a serious conversation around it, and the idea has come up in the context of WIFIA as well.

Note that while the program would expand the categories of infrastructure that could benefit from tax-exempt debt, my understanding is that public buildings ultimately were not included in the proposal. Anecdotally, my understanding is that there were some concerns around whether or not including them would create some loopholes that the real estate industry could exploit more widely than expected.

The program would be a welcome development if it passes Congress. If you look at other countries, there are huge debates around value-for-money analysis, and these countries do not have tax-exempt debt. Here we have tax-exempt debt and, when you try to make tortured arguments about value for money when the scales are already tilted a little bit, it can be uncomfortable. The program would help balance the scales.

IS TIFIA ESSENTIAL?

MR. FRIED: Zoe Markwick, is TIFIA essential to grow the US P3 market?

MS. MARKWICK: Arguably, no. I think it depends what kind of projects you are talking about. With the I-4 Ultimate P3, for example, there is a school of thought that a AAA-rated state like Florida that is putting $1 billion of its own money into the project does not need $1 billion from TIFIA. This is a cost-driven analysis from the perspective of the Florida Department of Transportation.

MR. LIVINGSTONE: I absolutely agree with you on availability-based deals. It is a cost-of-capital thing. If TIFIA is not there, PABs and bank markets are there. However, on revenue-risk deals, which is what TIFIA was originally set up for, TIFIA is essential. You would not have gotten the Texas managed lanes deals done, without tremendous amounts of additional state subsidy, without TIFIA.

MR. FRIED: So should TIFIA even be used for availability-based deals?

MR. PARKER: Yes. The challenge that we face is that everybody wants to talk about how P3s look when we do a value-for-money analysis on a side-by-side basis with public debt. TIFIA is the juice that makes the availability-payment P3s competitive, especially when we do not have fully tax-exempt private activity bonds on the other side. TIFIA helps make the numbers work when we do not have the performance history to bolster every argument about the value of risk sharing or efficiency gains that we might get with a P3.

With TIFIA, you can say to a government that is considering doing a P3, "Look, you can effect this risk transfer that you want and not pay any extra in the cost of capital because you have TIFIA." Remove TIFIA and the numbers will not look as pretty unless the bond market tightens substantially.

MS. MARKWICK: I want to respond to that. It is a fundamental of our world that you align risk and reward, right? I get that the departments of transportation want cheap money. Right now, though, the departments of transportation are taking the benefits of TIFIA in lower costs, and the bidders take the risks of having to be the borrower with a lender with whom they cannot interface.

From a borrower's perspective, I would rather bring my relationship banks to the table with me than TIFIA. If I will be at the table with TIFIA on a $1 billion loan, especially with the long time it takes on a project like I-4, then I want to be able to compare my TIFIA financing and my bank financing.

If you look at the difference between what people bid on committed financing, between the TIFIA term sheet and the package of diligence and documentation that is put together on the bank financing, the difference between these two is a really clear indicator of the lack of comfort the bidders have with the TIFIA process. We would never in good conscience go to investment committee and say, "I have this 20-page term sheet, and I can understand approximately half of what it means, but it will be fine."

MR. FRIED: It seems the states are getting the benefit of lower cost capital and they are getting the benefit of all the risk transfer going to the private sector. They are getting their cake and eating it, too.

MR. PARKER: I am not disagreeing with the general principle. However, if there is no possibility of a TIFIA loan, at least in the past few years, and maybe the markets are tightening, it would be a lot harder to make the argument for a P3. When you can point to a loan with an interest rate below 3%, a lot of those CFO objections around "how come we are not doing our own tax-exempt debt?" start to go away.

MR. FRIED: What about the cost overruns that states and cities have on their publicly-financed projects when they do not have a fixed price?

MR. PARKER: When you are comparing design-build to design-build-finance-operate-maintain, it is a harder argument to make at the front end for these savings. Our engineering colleagues are the ones who have to give us those numbers and make that case.

MS. DOHERTY: The benefits of P3s that members of Congress hear are the project is on time and on budget, there are maintenance warranties and the roads are going to last. You will not have to replace the project in five to 10 years. One issue on which we have spent a lot of time is bridges. State governors will not repair or replace them and then the cost to do so increases over time to a point where it becomes enormous. Eventually, they come to Congress and ask us to fund the work.

On the P3 side, members love the benefits, but when a private company is earning a high rate of return and will put a toll on use of what was formerly a public asset and my constituents have to pay that, it creates some tension. We heard a lot of case studies of states that have not had good track records with delivering public facilities efficiently and spending tax dollars wisely. That is the counterbalancing point for a lot of people.

MR. PARKER: Don't get me wrong. Tax-exempt bonds are a good idea. We would much prefer to see the market in a situation where the market can control the project and control the price and can bring a bid.

Toll-based concessions are challenging if you want to run a procurement process and TIFIA will not engage with the bidders and the bids may be based on fundamentally-different assumptions. In an availability-based deal, there is at least the possibility of a common term sheet. The idea of creating bond solutions that equalize the cost of capital are great.

MS. MARKWICK: We have people in the room here who have helped run TIFIA. Can I ask why TIFIA runs the process the way it does?

MR. FALK: Jake Falk from Chadbourne. I was director of the office of infrastructure finance and innovation at the US Department of Transportation.

The answer goes back to the evolution of TIFIA. When TIFIA started in 1998, it was looking for deals and they were hard to find. When a deal did come in, there was a lot of focus on how to pull together that deal, and there was an expectation that it would take a long time. The early deals were often the riskier and more difficult projects that had no other access to capital markets.

Over the years, TIFIA became a much more competitive program. It got a lot of new funding from Congress in 2012. All of a sudden, TIFIA had to ramp up and significantly change its process to execute deals more quickly for projects that were, in many cases, closer to being shovel ready. If you look at TIFIA over the course of that full evolution — and I don't know that everybody in the room will agree with this — it has actually done a pretty remarkable job getting to where it is today.

Also note that P3s are only one of the types of projects that come into TIFIA. The TIFIA office also sees a large number of publicly-financed projects that, in many cases, are the ones that are moving more quickly. P3s have an additional challenge in accessing TIFIA in that you have a bidding process before the ultimate borrower can get to the table.

TIFIA is trying to move more quickly and professionally. It is happening with some of the publicly-financed projects. The TIFIA office is trying to get the same traction with P3s, but it is taking time.

Department of Transportation to be a resource center to help state and local officials.

People recognize across the federal government that they have to help public officials by equipping them with the tools they need. Putting a P3 tool kit and other things on a federal website is helpful, but I think some people need more hand holding or advice and consultation.

We are looking to raise the bar for states to be able to sit at the table by themselves and think through what happens when their projects run into challenges. We talk a lot about where does the procurement office

Jake Falk of Chadbourne & Parke, former Director of the office of infrastructure finance and innovation at the US Department of Transportation, discusses the evolution of TIFIA

GROWING THE P3 PIPELINE

MR. FRIED: What else do you think the federal government can do to help state and local governments grow the pipeline of P3 projects?

MS. DOHERTY: We have seen varying capacity among states to bring P3 projects to the marketplace and also to meet the TIFIA deadlines. We see mixed abilities to put together a real finished project that is really ready to go to financial close.

A procurement office to help project sponsors could be helpful. The administration last summer held a White House forum on P3s and it has set up a new office at the US

sit and can this office be internalized and staffed by career officials that are not associated with the governor or the mayor. Canada shared with us that one of its best practices has been institutionalizing its programs with career officials.

MR. FRIED: José Antonio Labarra, how could the federal government make a difference?

MR. LABARRA: One way the federal government can help is through education, which includes educating the politicians, educating the different state departments of transportation, and educating the stakeholders. I mean "educating" in the most ample meaning of that word. Another thing the federal government can do is help with planning and reducing the amount of time it takes to get through the project delivery process and environmental approvals. Some projects start procurement even before having the record of decision which creates risk. The federal government has to streamline the process and maybe improve it by facilitating a more certain timeline.

We mentioned contract standardization. Contract guidelines and similar efforts will help, but education and the planning process are for me very important objectives for the federal government.

MR. FRIED: Nick Phillips, would the growth of P3s in other sectors, such as social infrastructure, happen more quickly if these projects had access to government financing programs like PABs and TIFIA?

MR. PHILLIPS: We should ask Clare Doherty. We know WIFIA has been approved, but my understanding is the program has not been funded. Will we see WIFIA in practice at any point in the next few years?

MS. DOHERTY: We authorized it, but the appropriators have actually to fund it. We heard the Environmental Protection Agency may be ready to issue guidance and we are working with the Army Corps.

MR. PHILLIPS: I think advancing projects in these sectors has much to do with sources of funding. We are not talking about revenue-risk projects in these social sectors. They are availability-based deals.

Something similar to TIFIA is probably unnecessary. It takes time to understand these types of assets and to structure the deals properly. We are seeing some movement in justice consolidation facilities. It would be good for the federal government to get involved as some of these court houses are federal. There has been discussion around a potential project in Fort Lauderdale, but it is not at the top of the federal government's priority list. Maybe the US General Services Administration can help to move up the timeline.

We were talking earlier about TIFIA. Where TIFIA really comes up is in the road sector where operating costs maybe are lower. If you start getting into public buildings, transit, water or some other areas and more complex facilities where there are big warranty issues, the discussions around P3s are different. There is a fairly clear understanding about what operating costs will look like for a highway project in a conventional area, particularly for a part of the highway system where maintenance has been scaled by state departments of transportation. It is very different when we start getting into some of these other sectors.

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