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P3 Success Dependent on Public Awareness, Political Support

by [Jim Watts](#)

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DENVER – Political support and public awareness are essential elements of navigating the complexities and process of a transportation public-private partnership, North Carolina Transportation Secretary Nicholas Tennyson said Thursday.

"People are already skeptical of the government," Tennyson said at The Bond Buyer's Transportation Finance/P3 conference here. "You have to give them evidence in terms of how these projects will improve their daily lives with less congestion and quicker commutes."

North Carolina has three transportation P3 projects in the pipeline, including the controversial widening of Interstate 77.

The North Carolina Department of Transportation announced on May 20 that work would begin soon on a \$648 million tolled express lane on I-77 after finalizing financial documents for the public-private partnership agreement with concessionaire I-77 Mobility Partners.

The financial plan includes \$100 million of private-activity bonds, a \$189 million low-interest Transportation Infrastructure Finance and Innovation Act loan, a \$91.4 million contribution from NCDOT, and \$249.8 million in equity from I-77 Mobility sponsors Cintra Infraestructuras S.A. and Aberdeen Global Infrastructure II LLP.

North Carolina missed numerous opportunities early in the process to adequately explain the I-77 project to the public, Tennyson said.

"It has to be a continuing educational effort," he said. "Just because you talk to people doesn't mean that they heard you or understood you."

Tennyson said he was constantly frustrated with the mischaracterizations of the I-77 project that he heard from concerned citizens.

"I had people tell me that this project would bankrupt Cintra and then say that Cintra was going to make \$13 billion on it," he said. "I'm willing to listen to either position, but not in the same sentence."

Championing a P3 project as a way to solve a congestion problem by changing the behavior of

motorists is a mistake, Tennyson said.

"The opponents will pounce and charge you with social engineering," he said. "Call it congestion alleviation or mitigation."

Opting for the P3 approach to financing large projects is a necessity in North Carolina, Tennyson said.

"The only reason we did it was because we didn't have a choice," he said. "We have run out of places where we can get revenue."

North Carolina remains dubious about availability payments, in which the private partner receives annual, fixed payments for the duration of the long-term concession agreement rather than toll revenues, Tennyson said.

"We are concerned that those payments that can go on for 30 or 40 years will count against our debt ceiling," he said.

The benefit of an availability arrangement is that it can more realistically account for the long-term upkeep of a transportation asset, Tennyson said.

"The payments can look massively expensive but that's because state government doesn't seem remotely adept at understanding their maintenance costs," he said. "It punctures the myth that the only cost of an infrastructure asset is its initial cost."

International investors have an appetite for U.S. transportation P3 projects, said Amy Lloyd, chief financial officer of ACS Infrastructure Development Inc.

"A well-structured P3 project is something that investors are very interested in," she said. "Well-structured assets will attract activity, whether the financing is based on availability payments or toll revenue."

Toll roads are attractive as a long-term investment because they deal with congestion problems that span several decades, Lloyd said.

"Urban congestion is something that tolled express lanes can address, and that's the type of problem that won't go away," she said. "There is a huge amount of money, globally, that is looking for worthwhile investments like that."

