



Update

December 2005

Why was an Australian firm chosen?

The Oregon Transportation Improvement Group, or "OTIG" is a consortium headed by Australia's Macquarie Infrastructure Group, one of the largest private developers of toll roads in the world. OTIG was chosen over the competition for several key reasons:

- The projects were advertised for four months, and surprisingly, **only two groups responded**. OTIG proposed on all three projects (Newberg-Dundee, the Sunrise Project and South I-205).
- **OTIG proposed to provide the funding needed to build the projects up-front**. This is crucial because sufficient public funds to build these projects does not exist elsewhere; Oregon does not have the money.
- **OTIG also offered a 30% reduction in cost if it was awarded all three projects**. If all three projects go forward into construction, this could potentially save Oregon taxpayers over \$5 Million.
- **OTIG also offered to assume significant project risks**. The contract currently under negotiation includes several "off-ramps" that either party can take if predevelopment work shows the projects to not be financially and technically viable.
- The Macquarie Infrastructure Group has **extensive experience bringing major, unfunded transportation projects to successful completion**. They are currently developing the Sea-to-Sky Project in British Columbia that will be built for the 2010 Winter Olympics. The \$462 million project will operate as a concession over 25 years.
- They have **world-wide experience operating tolling facilities**. Macquarie recently acquired the \$1.9 Billion Chicago Skyway and the \$533 Million Dulles Greenway, two facilities in major metropolitan areas funded through tolling.
- If negotiations are successful and the projects move forward, OTIG has agreed to conduct a competition for design and construction of the projects, ensuring that Oregon will receive the highest value on its investment. This also means the projects will bring **family-wage jobs to the state**.

December 2005 Update *continued*

Why is ODOT exploring tolling as a funding option?

- The Oregon Legislature directed ODOT to examine tolling as a way to help finance highways in 1999 (ORS 366.292). This was reinforced by the Oregon Transportation Commission, which understands that **the current gas tax does not provide enough revenue to meet Oregon's transportation needs.**
- **There isn't enough money to build these projects the "normal" way.** The total estimated cost of these three projects is more than \$1 billion. To date, we have secured less than \$100 million for the Newberg-Dundee and Sunrise projects, and this effort has taken approximately seven years. At this rate, it will take **another 42 years to get the \$700 million needed (in today's dollars) to construct just these two projects.**
- OTIG's proposal includes using tolling to help pay for construction, operation and maintenance of these projects; without this funding mechanism or some other innovative method, these projects cannot be built any time in the foreseeable future.

If tolling is such a good idea, why doesn't ODOT do it ?

- **First, the projects have to be built.** There are no state or federal funds available to build these projects. That's why ODOT is looking to a private entity with upfront capital to construct these projects.
- Oregon government does not take risks with the public's money. **Tolling projects are risky.** OTIG is taking the financial risk that enough people will pay to use the toll road to meet their financial obligations. If that doesn't happen, OTIG's funds are at risk; tax dollars are not.
- OTIG will build and operate the projects for a negotiated number of years, typically around 40 to 50. Tolls are collected to pay for the initial investment to construct the facility, to operate and maintain it, and to provide a negotiated return on investment. **This arrangement is called a "concession."** When the concession or "lease" expires, the facility goes back to the state, in whole.

How much money has been committed to this process?

- The Oregon Transportation Commission approved \$20 million in state funding to "jump-start" Public-Private Partnerships on these and other projects of "statewide significance."
- Commitment of these and other funds are ultimately subject to approval by the Oregon Transportation Commission.

December 2005 Update *continued*

What is a PPP – “Public-Private Partnership?”

- The 2003 Legislature created the Oregon Innovative Partnerships Program to encourage public-private partnerships on transportation projects between private businesses and the Oregon Department of Transportation. The goal is to speed up project delivery and encourage innovation by bringing new funding and expertise together to solve transportation problems such as alleviating congestion and providing for the safe and efficient flow of commerce. Public-private partnerships are established and governed by negotiated agreements between the parties and constitute a legal framework under which the costs and risks are shared by the public and private entities involved in the project.
- ODOT's PPP is providing the legal framework for the ODOT-OTIG negotiation currently underway to build the Newberg-Dundee, I-205 and Sunrise projects.

What's next?

- ODOT anticipates presenting a negotiated contract to the Oregon Transportation Commission in January. If the OTC approves it, OTIG will begin work to determine the financial viability and feasibility of the projects. This work is expected to last between 18-24 months.
- If these studies show a green light, OTIG will recruit a design/build contractor, and construction could begin much sooner than it ever could have without the Public-Private Partnership.

How can I learn more?

Visit the OIPP web site at www.oregon.gov/ODOT/HWY/OIPP or contact the office at 355 Capitol St. NE, Room 115, Salem OR 97301, (503) 986-3193.