

SEPTEMBER 2011

Volume 263

The international business guide to public-private partnerships and infrastructure finance, since 1988.

PUBLIC WORKS FINANCING™

IN THIS ISSUE

U.S. Infrastructure

1. ACS on track on FDOT's I-595
2. Goethals RFP soon, maybe
2. Presidio delay could be 6 mos.
3. TIFIA outlook is good
6. Virginia launches its own TIFIA
6. GDOT bobbles the ball again
7. Colorado piques interest
7. Texas I-35E Cintra quandary
8. Knik Arm: the bridge to somewhere
10. Ohio pike target is ambitious
11. DRIC bridge getting real
12. **Transportation Policy Review:**
Crossroads for the HTF
by Robert W. Poole, Jr.
15. Veolia starts Tampa water DBO
15. NCPPP annual awards
16. Poseidon desal breakthrough
17. AECOM setting up for DBO

Case study:

18. *PR-22 financing sets the market for brownfield leases*
19. *Puerto Rico P3 agency a model*

Canadian News

22. Olympics P3 bidding heats up
22. 2,000 protest BC conops
23. Alberta muni water a P3 model
23. UK slams PFI; Canada P3 OK
24. \$1bn Oakville hospital awarded

European News

24. UK PFI down, not out
25. UK woos Chinese investors
26. ACS auctioning assets
26. St. Petersburg toll road talks
27. Turkey fire sale underway

ACS's I-595 On Track; Equity Partner Sought

Contrary to industry rumor, the construction arm of Spanish concession company ACS Iridium is beating all benchmarks on I-595 in south Florida, according to Florida DOT's project manager. At 36% complete, the project is ahead of schedule and all milestone payments have been earned—ACS is banking an average of \$20 million a month, which is more than FDOT programmed at this point. ACS also is seeking to sell down its equity stake, but not because of any distress, says FDOT project manager Paul Lampley.

ACS's Dragados and its lead designer AECOM had a slow start, partly due to delays in design approvals. But all engineering work is completed now and problems seem to have been ironed out. "We see that they're right on track," says Lampley. The final acceptance date is June 2014.

Bidding alone, ACS made an aggressive, \$1.46-billion bid for the first U.S. availability pay concession late in 2008, which was days before Lehman Brothers declared bankruptcy. The selection process and financial close in March 2009 provided a huge boost to the P3 industry. But it also resulted in last-minute changes to the capital structure that are being ironed out now.


Seeking to reduce its \$13.3-billion debt and replenish its balance sheet, ACS is shedding assets—wind, solar and mature toll roads, mainly. But it is not selling its I-595 availability pay concession, says Lampley. Rather, he says, ACS has requested that the state allow it to bring in an equity partner to take half of the \$208 million ACS now holds by itself.

"As a unique request, we'll give it consideration," he says. The concession agreement locks up the equity for two years after completion but can be opened under certain circumstances.




Before the credit crisis in 2009, the plan of finance for I-595 included \$150 million in equity shared equally between ACS and Macquarie, with the debt issued as private activity bonds (PABs). That plan, designed by Macquarie, fell apart when it turned out there was no market for PABs.

Macquarie then withdrew its \$75 million in equity, leaving ACS to deal with the banks, with Macquarie as financial advisor. Financing was arranged in early 2009 but only after ACS replaced Macquarie's \$75 million, in addition to its own \$75 million, and put in \$58 million more, as required by the banks. That brought the equity component to \$208 million. Banks then lent \$782 million and TIFIA put in \$678 million.

ACS, which spent \$130 million on I-595 in the first half of 2011, now is seeking a partner to infuse roughly \$100 million of capital into the project, Lampley says.



IRIDIUM CONCESIONES DE INFRAESTRUCTURAS, S.A.

WORLD TRANSPORT LEADER
1994-2005
2007-2010

55 HIGHWAYS & ROADS 4,397 miles
16 AIRPORTS
17 PORTS & TERMINALS
6 RAILWAYS & SUBWAYS 1,107 miles
26 BUILDINGS & FACILITIES
3 PUBLIC TRANSPORT HUBS

www.iridiumconcesiones.com

As big as it is, ACS could use the money. It is carrying substantial debt from its acquisition of Hochtief and is spending heavily on new construction and mining contracts signed in the first half of 2011. It also may have to share some of the losses of \$800 million or more on two of Leighton Holding's Australian projects. Leighton is over half-owned by Hochtief, which is 54% owned by ACS.

ACS Group's Iridium invested Euro 381 million (US\$506 million) in the first half of the year, including the I-595 highway in Florida (Euro 96 million—US\$128 million), the 'Eje Diagonal' motorway in Barcelona (Euro 75 million euros—US\$100 million), and the South Fraser highway in Vancouver (Euro 76 million—US\$101 million).

Its need for working capital is likely to grow. ACS companies signed seven new construction contracts worth over \$4 billion in the first half of 2011. These include the \$1.5-billion Firth of Forth Bridge in Edinburgh, Scotland, which is its first joint venture with Hochtief.