

Comments by

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Good morning Mr. Chairman and members of the Committee. Thank you for your invitation and I look forward to our conversation. As background, the Commonwealth of Virginia has nearly 25 years of experience in private financing for transportation infrastructure and is widely regarded as a national leader in this area. While I will focus on highway transactions, understand that some of our most exciting private partnerships exist in non-highway programs--a privately-financed port that opened last year; private landowners that have voluntarily stepped forward to pay a significant share of the Metrorail extension to the Dulles Airport in the Washington DC region; and private railroads meeting defined public benefit targets in exchange for capital cost sharing throughout our Commonwealth.

We share many similarities with Texas. The Commonwealth is accountable for the third largest highway system in the U.S.; we have oversight responsibility for the fastest growing port on the East Coast, some of the fastest growing airports in the country, and some of the largest and fastest growing transit and rail programs in the country; are home to significant military installations. Our Northern Virginia region is the third most congested area in the country.

As equally significant, Virginia is considered one of the best managed states in the country and has long held the coveted "triple AAA" bond rating from all three rating agencies.

These responsibilities require a constant stream of very difficult decisions, all very much in the public eye, and all subject to review by federal agencies, local governments, advocacy groups and the legislative branch of government. We do not hide from explaining our decisions but rather try to foster a relationship of listening, cooperation, and innovation.

With this broader context as background, I would like to share some of our guiding policies and realizations. First, true public-private partnerships are not free. Someone has to pay a toll or a special tax, share in the risk of a project, or dedicate private funds that might otherwise go to private sector profitability.

Second, the benefits of a public-private partnership should accrue to the toll-payers or tax-payers or risk-takers, in proportion to their contributions. This requires a serious business model--not the customary method of making everyone a little bit happy, but real-life business decisions that are guided by hard arithmetic and an unwavering commitment to the public good. They also have to focus on both the short and long-term. These investments, and the contract that guide them, must last for 30 years or more.

Third, the decision to enter into a public-private partnership, as well as the implementation of that partnership, needs to be open to the public. We treat our P3 program the exact same way we treat ourselves – accountable and transparent. Deliver on time and on budget or there are consequences.

Fourth, even within our highway programs, and public-private partnerships, there is room for innovation and multi-modal thinking. Our two largest projects, the Dulles Rail Project and the Capital Beltway HOT Lanes, have one commonality – bringing modal choice to a highway corridor.

Fifth, public leaders have an obligation to ensure that a public-private partnership addresses a genuine public need and protects the public. Protecting the public many times means a traditional public road building project, a bus purchase, or a rail access funding grant.

But it can also mean a “public-public venture”. Having now negotiated several of these I can attest that I have found them as difficult if not more so than public-private transactions because everyone is risk-averse.

So in negotiating public-private projects, I want to start by going back to where I started – the third largest highway system – it is getting more

and more expensive to maintain it and to operate it. Eighty percent of that system is local roads which in most cases will never be “ripe” for tolling or a public-private partnership. Maintenance and operation of this existing large system is our key public budget driver just like the cost of maintaining K-12 education and basic Medicaid services.

We spend the bulk of our funding on maintenance and it is not getting cheaper or easier. It is also a system – a citizen, a tourist, a trucker does not care what construction district or toll authority maintains and operates the facility – they just think of Virginia or in your case Texas. We are working toward a model where no matter what district or operator is in place, we are systematically addressing congestion.

So we have embraced bringing private partners to the table to work with us, particularly in our most congestion, heavily traveled areas, to build new capacity and help us operate the system better.

There are private companies who can do it at less cost and more efficiently and effectively than the public sector. While Virginia operates self-supporting toll roads it is not the focus of our transportation business and it shouldn't be. But it is the focus of their business.

Very briefly, I want to walk you thru some highlights of our most recently completed negotiation – the Capital Beltway HOT Lanes

Project. It is in many ways similar to your North Tarrant Express and IH 635 projects.

In that negotiation, we have entered into an 80-year agreement that builds significant new capacity on our most congested roadway within its basic footprint. The 80-year agreement began the day we inked the deal – if it takes them longer to build it, they lose an equal ability to collect tolls. Your agreements are 52 years.

They are reconstructing more than \$250 million of existing infrastructure that needs rebuilt at their cost. We have shifted the maintenance, operation, and performance costs and risks to the private sector. Your proposals have similar provisions.

The agreement allows for the private partner to use our back room toll operations and enforcement systems at cost. They could choose to bring in a different provider but they must always comply with our tolling technology and its requirements.

We do share in any excess revenue generation from original project financing thru the end of the term. We will use these payments to develop additional transportation choices for the people paying the tolls. This will mean more transit options, bicycle and pedestrian paths, etc.

They have to give us back a facility that is well-maintained and at a long useful life. They have to meet operational performance standards each and every hour, day, and year. If they don't, there are costs to them. Lastly, we are the owners. We don't "sell" that right away. We are accountable to the public and we don't transfer that accountability. Public-private partnerships, and I would add public-public partnerships, take cooperation, work, transparency, and accountability. They need to be considered for the long-term.

I don't want to leave you with the impression that these projects are easy or go smoothly. They don't. We successfully closed the Capital Beltway financing in very tough financial markets in December. The investment banking community, the rating agencies, our federal and private partners all worked hard to deliver.

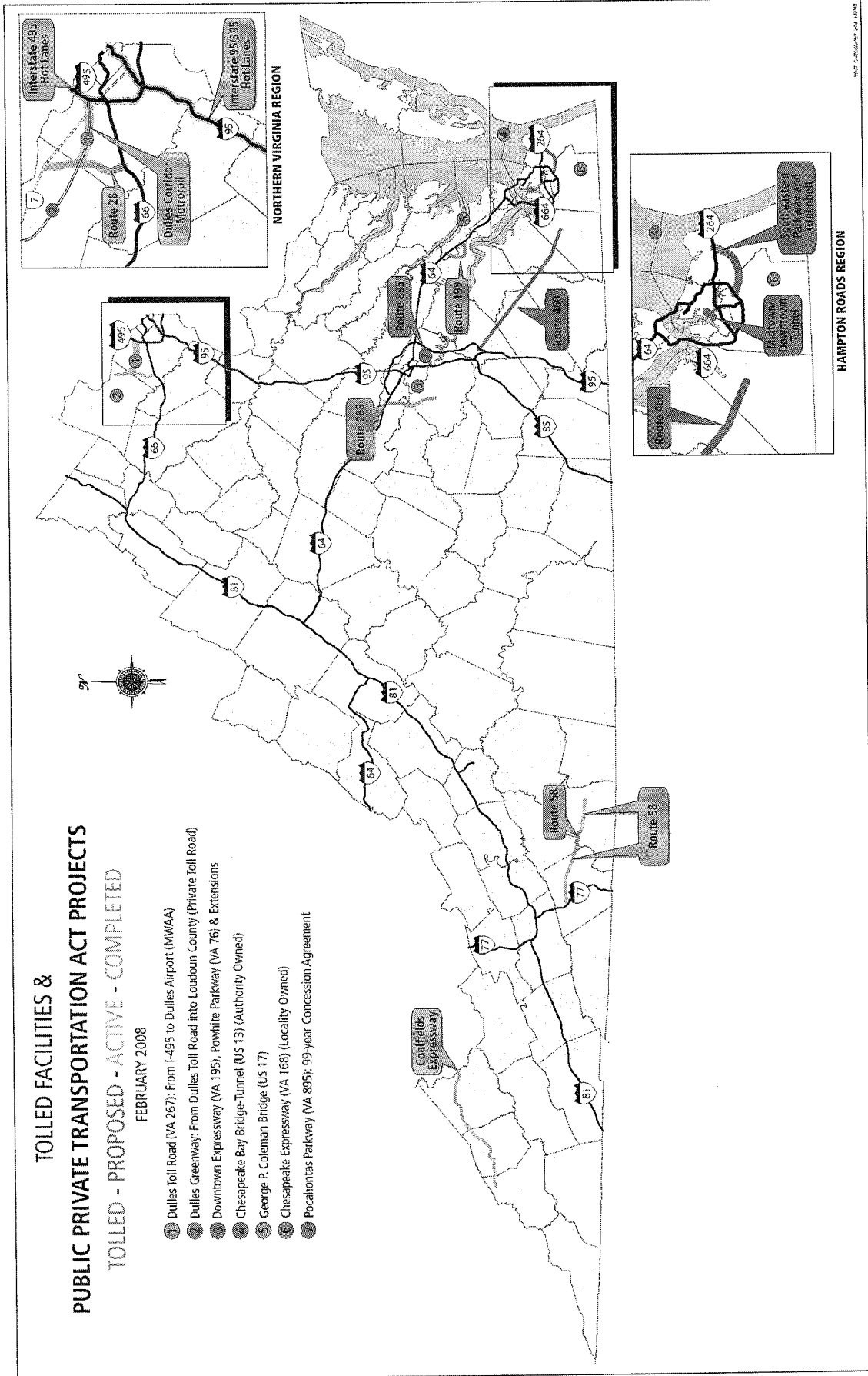
Thank you.

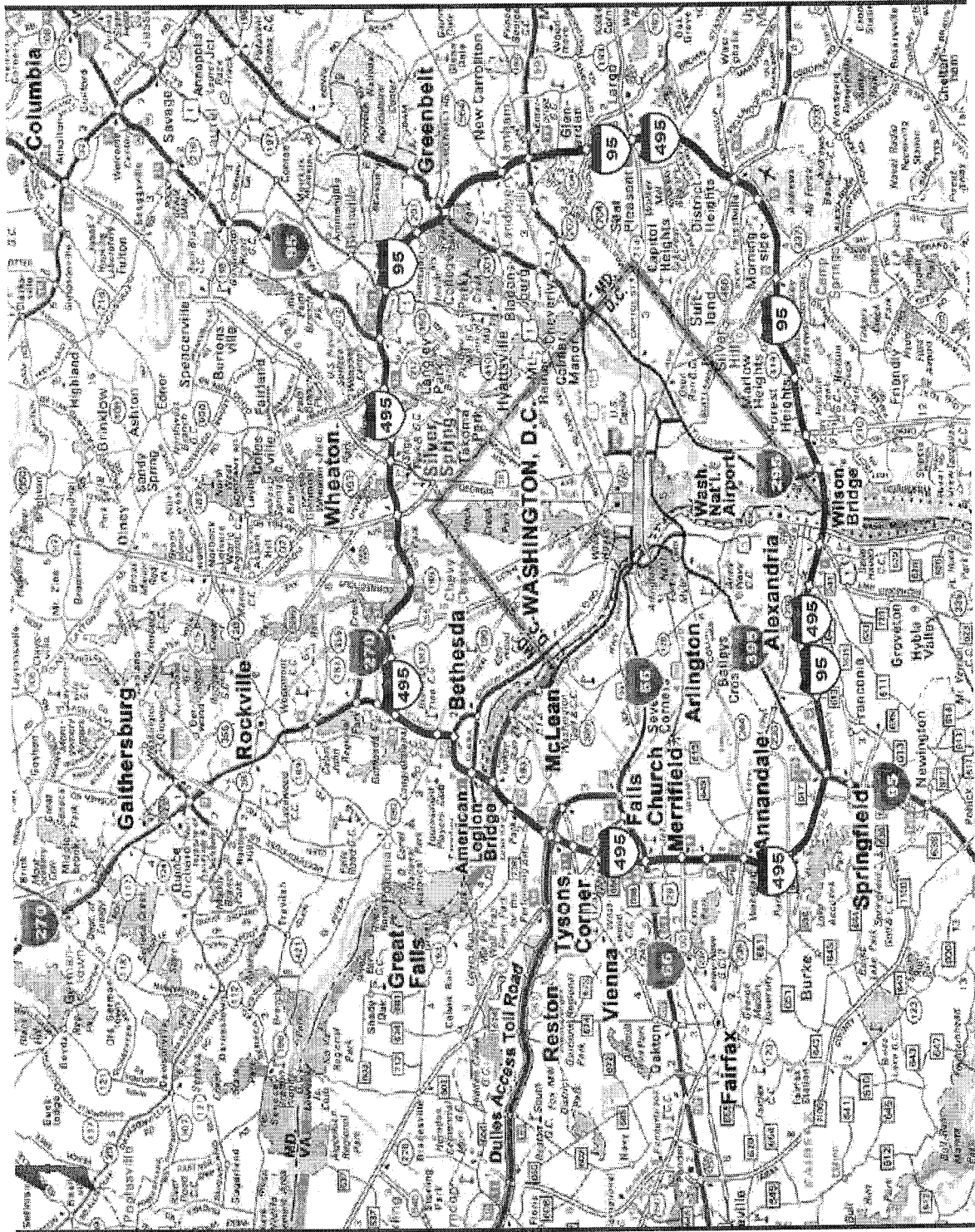
**TOLLED FACILITIES &
PUBLIC PRIVATE TRANSPORTATION ACT PROJECTS**

TOLLED - PROPOSED - ACTIVE - COMPLETED

FEBRUARY 2008

- ① Dulles Toll Road (VA 267): From I-495 to Dulles Airport (MWAA)
- ② Dulles Greenway: From Dulles Toll Road into Loudoun County (Private Toll Road)
- ③ Downtown Expressway (VA 195), Powhite Parkway (VA 76) & Extensions
- ④ Chesapeake Bay Bridge-Tunnel (US 13) (Authority Owned)
- ⑤ George P. Coleman Bridge (US 17)
- ⑥ Chesapeake Expressway (VA 168) (Locality Owned)
- ⑦ Potomac Parkway (VA 895): 99-year Concession Agreement







Hampton Roads Transportation Authority Projects

- Third Crossing Phase I
- Third Crossing Phase II
- Southeastern Pkwy/ Dominion Blvd
- Midtown Tunnel/ MLK Extension
- US Route 460
- I-64 Widening (Peninsula)
- I-64 Widening (Southside)

- Key Connections
- Pinners Point
- Suffolk Bypass

- Commercial Airport
- Military Airport
- Other Airport
- Port
- Federal Lands

