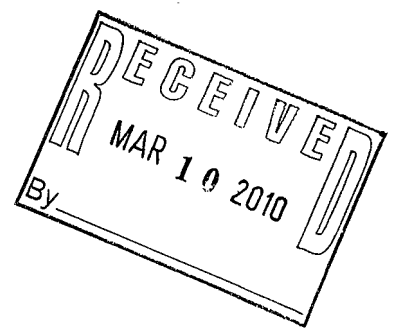




# Coco Paving Inc.



March 9, 2010

**Delivered by Courier**

Mr. Mohammed Alghurabi  
Senior Project Manager  
Michigan Department of Transportation  
425 W. Ottawa Street  
P.O. Box 30050  
Lansing, MI 48909

Dear Mr. Alghurabi:

**Re: Response to the Request for Proposal of Interest  
for the development of the Detroit River International Crossing  
project under one or more Public Private Partnerships**

**Company Information:**

Coco Paving Inc. is a leader in the heavy construction industry. In May of 2009, the company purchased the Lafarge Eastern Canada Ontario and Quebec asphalt plants together with the paving construction operations and asphalt cement terminal.

Coco Paving is well established in the marketplace with the ownership of 30 stationary asphalt plants, 2 portable asphalt plants and portable concrete batch plants and 2 highway paving concrete trains.

Today, Coco Paving is the largest asphalt producer and road paving contractor in the Province of Ontario with a staffing compliment of over 1,200 employees. The company also owns and operates a concrete pipe and box culvert manufacturing plant in Michigan and dock facility for the importing of aggregate materials.

Coco Paving Inc. is a vertically integrated operation and provides one stop servicing needs for project requirements including:

- Excavation
- Manufacturing of concrete pipe and structures (manholes / box culverts...)
- Installation of sewers and watermain
- Electrical servicing
- Road construction, asphalt and concrete
- Curbs and sidewalks
- Manufacturing of asphalt and concrete
- Trucking of construction materials with fleet of tractor trailers and triaxles.

The Coco family business has over 45 years of experience with a proven track record for successfully tendering and completing heavy construction projects including:

- Over 60 km of MTO Highway Road Infrastructure Projects, with contractual values ranging from 25M to over 94.7M;
- Municipal and Regional Road Infrastructure Projects;
- All site servicing works for private sector companies such as Ford Motor Company, Daimler-Chrysler and Big Box Retailers, just to mention a few;
- Concrete apron work for the Windsor Airport, as well as asphalt paving of Toronto Island Airport and Collingwood Airport.

Coco Paving Inc. is fully insured and bonded; their offices are located at 949 Wilson Avenue in Toronto, Ontario and 6725 South Service Road, Windsor Ontario.

Additional information can be found on our website at [www.cocogroup.com](http://www.cocogroup.com).

### **Respondent's Principal Contact Information:**

#### **Jenny Coco, MBA Chief Executive Officer**

Jenny Coco is the Chief Executive Officer of Coco Paving Inc., a division of the Coco Group of Companies.

Jenny is a graduate of the University of Windsor, where she obtained her MBA specializing in Finance. Prior to joining the Coco Group, Jenny was with a financial institution dealing with the firm's commercial lending business.

Jenny joined the Coco Group in 1987 and now oversees the daily management of the Canadian and U.S. Operations. Jenny is largely responsible for the negotiation of acquisitions as well as overseeing Company expansions, including a concrete pipe manufacturing facility in Michigan and an aggregate dock for the importing of materials.

Ms. Coco is the liaison for private- public partnerships for the development of highway infrastructure in Ontario and Quebec. She also is the lead on the expansion of the residential and commercial divisions of the company.

Jenny has been a member of the Integrated Financial Planning Committee for the London Diocese, and has previously served on the Board of Directors for the University of Windsor and Federal Business Development Bank of Canada.

Contact Information for Jenny Coco:  
949 Wilson Avenue, Toronto, Ontario, M3K 1G2  
Office: 416.633.9670  
Fax: 416.633.6765  
E-mail: [jcoco@cocogroup.com](mailto:jcoco@cocogroup.com)

**Rock Anthony Coco, P.Eng.  
President**

Rock Anthony Coco is the President of Coco Paving Inc., a division of the Coco Group of Companies.

A civil engineering graduate from the University of Windsor in 1987, he gained his license to practice as a Professional Engineer in 1991 and immediately took an active leadership role in the company in expanding the responsibilities in the Heavy Construction Division from asphalt paving to underground site servicing and concrete paving.

Rock Anthony has successfully tendered and completed MTO projects in South Western Ontario on Highway 402 and Highway 401, encompassing over 50 kilometres of highway infrastructure. He has managed crews and operated machinery as well as helped heavy equipment manufacturers and suppliers such as CAT, Gomaco, Erie Strayer and Astec, in the evolution of their equipment to meet current day requirements.

Rock Anthony Coco assisted the Ministry of Transportation in the development of new OPSS specifications for concrete pavements. He has also been a President of the Heavy Construction Association of Windsor.

**Scope of Projects:**

The project is a U.S./Canadian, I-75 to Highway 401, end-to-end connection consisting of a new Detroit River bridge; the associated border inspection areas in the U.S. and Canada (U.S. Plaza and Canadian Plaza); and a connecting link in Detroit (U.S. Interchange).

It is understood the connecting link to Highway 401, known as “The Windsor Essex Parkway,” is being currently procured as a stand-alone component and as such, is not part of the project for this Request for Proposal of Interest.

The four main elements of this proposal include the new Detroit River Bridge, the associated US and Canadian Plazas and a connection to 1-75 in Detroit. The new bridge will connect Detroit, Wayne County, Michigan, and Windsor/Essex County, Ontario. The project area is two miles southwest (downriver) of the Ambassador Bridge and less than one mile from the Port of Detroit and Wayne County. The Port of Windsor is also within one mile of the project area.

It is understood that one or more public private partnerships will be used for the delivery of the above noted projects.

**Level of Interest:**

Coco Paving Inc. would like to express their interest as a design, build contractor for all of the site servicing works for the Canadian Plaza.

The expertise we provide includes:

1. The ability to construct both the Plazas on the Canadian border.
2. Asphalt Paving.
3. Concrete Paving.
4. Underground Servicing (sanitary and storm sewers).
5. Excavation.
6. Provide all necessary Granular materials.
7. Concrete works such as curbs, sidewalks and barrier walls.
8. Electrical work including hydro servicing, lighting and communications.
9. Toll and Custom booths.
10. Landscaping and finished treatment of the sites.

**Competitive Advantage:**

Coco Paving Inc. is one of the only full service heavy construction companies in Ontario with bonding ratings and capabilities available to complete large projects of this magnitude in a cost-efficient and timely basis.

We have an excellent management team with the work ethic and expertise required to ensure projects are delivered on a cost-efficient and timely basis.

We have closely monitored the process and hereby exemplify our interest as a contractor for the heavy civil construction works for the Canadian Plaza.

Should you require any additional information please contact the undersigned.

Yours truly,



Jenny Coco, MBA  
Chief Executive Officer

Encl.

/plv



JDA/JFL/DCI/262

Mohammed Alghurabi  
Senior Project Manager  
**Michigan Department of Transportation**  
425 W. Ottawa Street, P.O.Box 30050  
Lansing - Michigan 48909  
U.S.A.

March 12<sup>th</sup>, 2010

Dear Sir,

**Re.: Request for Proposal of Interest – Detroit River International Crossing (DRIC)**

BOUYGUES TRAVAUX PUBLICS S.A. wishes to confirm its interest in developing the DRIC project under P3 procurement as a sponsor, financial investor, design-build contractor and operator.

Over the years, Bouygues TP has acquired a wealth of experience in developing similar projects as a lead entity. Consequently, it is familiar with P3 procurement methods. Bouygues TP has participated successfully in 20 concession/P3 projects over 5 continents since 1994.

These projects range from toll highways (625 miles total) to bridges and rail lines (62 miles total) for a total project value of USD \$16.3 billions (of which \$11 billions are construction costs). Bouygues TP invested approx. \$200 millions in equity of the \$837 millions raised in total equity for these projects.

Bouygues TP has developed sound business relationships with financial institutions, toll road operators, equipment suppliers and other important players that have partnered with Bouygues TP to deliver "turn key" solution in the past. This valuable experience could contribute favourably to such major undertaking as the DRIC project.

For example, project financing is a key component to P3 procurements and Bouygues TP has succeeded in attracting the needed funds through its network of investors and lenders for the Port of Miami Tunnel project. This was particularly appreciable in the past 2 years of bad economic times. In fact, the Port of Miami Tunnel project for which Bouygues TP was successful last October 2009 in reaching financial close is the very first P3 project being developed under an "availability" scenario without any toll system in the US.

**BOUYGUES TRAVAUX PUBLICS**

Challenger - 1, avenue Eugène Freyssinet - Guyancourt - 78061 Saint-Quentin-en-Yvelines cedex - France

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S.A. au capital de 37 206 736 € - 407 985 308 R.C.S. Versailles - I.E. FR 42 407 985 308



Bouygues TP believes that Michigan DOT will see a value to its approach. In the meantime, Bouygues TP kindly requests to be included on the mailing list and that all relevant correspondence be directed to the undersigned.

Sincerely,

**BOUYGUES TRAVAUX PUBLICS**  
SAISON 4 de 206 736 €  
Eugène Freyssinet - Guyancourt  
7 Boulevard Eugène Freyssinet - 78061 Saint-Quentin-en-Yvelines CEDEX  
Tél. : +33 (0)1 30 60 48 61  
407 885 308

Jean Denys ARNAL  
Executive Director  
International Development  
[jd.arnal@bouygues-construction.com](mailto:jd.arnal@bouygues-construction.com)  
(cell. phone: +33 6 61 60 48 53)

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## 1 - CONTACT INFORMATION

*Name and contact information (address, phone, fax, and e-mail) for the individual who will act as the Respondent's principal contact throughout the process for this particular RFPOI and description of the individual members of the respondent's team with experience related to the objectives of the Partnership as described in this Request.*

1.1 Name of the Respondent: BOUYGUES TRAVAUX PUBLICS  
1 avenue Eugène Freyssinet  
78065 Saint Quentin en Yvelines Cedex – France  
Tel 33.1.30.60.57.00 – Fax 33.1.30.60.48.61



### 1.2 Respondent's Representatives

Mr Jean Denys ARNAL Executive Director International Development  
Tel +33.1.30.60.48.53 – Fax +33.1.30.60.29.34 –  
[jd.arnal@bouygues-construction.com](mailto:jd.arnal@bouygues-construction.com)

Mr Jean François LALONDE - Tel +1.514.992.09.29 –  
[JF.LALONDE@bouygues-construction.com](mailto:JF.LALONDE@bouygues-construction.com)

## 2 - COMPANY INFORMATION

*Brief description of the firm's or team members' lines of business and experience in the delivery of transportation infrastructure projects under a public-private partnership model (i.e., design, build, finance, operate and maintain).*

Bouygues TP hereby submits its expression of interest as a firm and not as a team member.

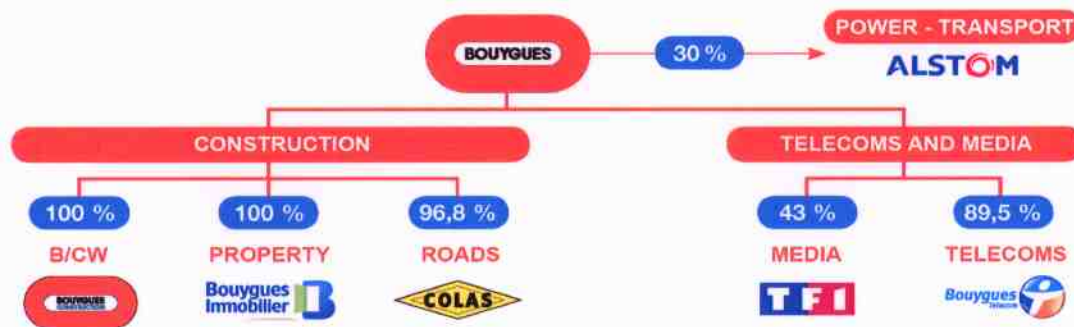
A brief description of Bouygues TP as a firm is provided hereunder, prefaced by a general overview of its parent company Bouygues Construction S.A. and the holding company Bouygues S.A (The Bouygues Group) .



## BOUYGUES GROUP /PRESENTATION

Founded in 1952 in France by Francis Bouygues, Bouygues SA initially operated in the building industry in the Greater Paris region: the company gradually expanded its operations to the rest of France and continued to expand its activities in civil works (during the 70s) and in international markets. All building and civil works activities are now housed within Bouygues Construction, which serves as a holding company for the entire Bouygues construction segment.

The annual turnover for The Bouygues Group now reaches USD \$45 000 millions of which approximately 2/3 are construction related activities in France and abroad.



## BOUYGUES CONSTRUCTION / PRESENTATION :

Bouygues Construction S.A. is a global leader in the building, civil works and electrical contracting and maintenance sectors. Operating in over eighty countries, it combines the power of a large group with the flexibility of a network of companies organised as seven complementary entities. Thanks to its expertise in financing, designing, constructing, maintaining and operating buildings and infrastructures, it offers its customers a vast range of innovative solutions.

The Bouygues Construction company employs more than 50 000 employees throughout the world and its sales have risen to exceed USD \$12 000 millions in 2008.

The breakdown of its 7 subsidiaries is shown hereunder:







**7 ENTITIES – Breakdown of sales by entity**

- Bouygues Batiment Ile de France 18 %
- Bouygues Entreprises France-Europe 30 %
- Bouygues Batiment International 16 %
- Bouygues Travaux Publics 12 %
- VSL 3 %
- DTP Terrassement 4 %
- ETDE 17 %

## BOUYGUES TRAVAUX PUBLICS / PRESENTATION

Bouygues Travaux Publics (heavy civil works division) is one of the seven subsidiaries of the Bouygues Construction company with annual turnover reaching USD \$1 700 millions, of which more than 70 percent is performed outside the home country of France.

Bouygues Travaux Publics has a long track record of design and construct contracts worldwide, directly or via fully owned subsidiaries. This experience is especially important in the management of the design and construction teams for fast-track projects. The best ideas of each team are combined to produce high-quality and easily constructible projects. Moreover, Bouygues Travaux Publics is experienced in assessing and bearing the risks associated with this form of contract and is committed to the solutions put forward in its proposals.



Bouygues Travaux Publics has extensive experience in managing large contracts. It possesses large internal resource capabilities and can rely on subsidiaries and sister companies within the Bouygues Construction Group that cover specific aspects of the project. These firms include, DTP Terrassement for earthworks, VSL for post-tensioning of structures.

Bouygues Travaux Publics features particular skills in design management, developed from its worldwide experiences, and can provide advice from its specialized construction methods and R&D Department. With more than 6 000 employees, Bouygues Travaux Publics Technical department hires approximately 170 engineers and technicians supporting the activities of design, tender management, construction, methods and estimating, engineering (roads and railways, electromechanical), and scientific design calculations. The main fields of expertise cover all aspects of civil engineering structures: foundations, earth retaining, bridges, tunnels and maritime works. In addition to its own resources, the technical Department has access to the expertise of Bouygues Travaux Publics's subsidiaries with expertise in tunnelling, earthworks, special foundations, and post-tensioning. The firm's 250-person equipment department specializes in heavy lifting, design and manufacture of special formworks, erection and maintenance of TBM and launching girders, and engineering of special equipment.

Bouygues Travaux Publics is a specialist contractor for any large infrastructure project or any highly technical innovative solution like technical specification, time constraint. Bouygues Travaux Publics is a leading civil works company providing full project implementation services that encompass:

- design & build (D&B),
- design, Build & Finance (DBF),
- design, build, finance, and operate (DBFO),
- design, built, operate & transfer (DBOT)

### **3 - LETTER OF INTEREST – Enclosed Ref. JDA/FCL/DCI/262**

*A letter indicating, if applicable, the firm's or team's interest in developing this project on a non-binding basis and identifying the type of interest (e.g., developer, financial investor, design-build contractor, lender, or operator).*



#### 4 - SCOPE

*An identification of all the elements of the project the respondent believes should be delivered by a single developer. Respondents may provide one or more solutions in their submission.*

DRIC is a signature project which should attract experienced firms with proven track records in developing infrastructure projects outside the traditional methods of direct government borrowing.

Surface transportation projects of the magnitude of DRIC are appealing for its long project life and steady returns therefore it is a good idea for the State of Michigan to consider P3 (public-private partnership) procurement methods given that:

- it has been experienced successfully by other USA State's agencies
- it is likely to generate enough interest from many US based large firms and international firms from various backgrounds such as "infrastructure investment funds", "toll road private owner and operators" and of course "specialty contractors" and others

Basically, the P3 method of procurement constitutes arrangements between public and private sector parties that provide for greater private sector participation in and control over financing, constructing, operating and maintaining infrastructure.

Therefore, and as requested above, identification of all elements of the project that should be delivered by a single developer includes the following:

- **design/build activities**

"Design / Build" projects are becoming common undertakings by several DOT's in USA. It simply means that both, detailed design activities and construction activities are performed by the same entity as opposed to a more traditional method where the detailed design is performed in-house directly by the owner's own technical engineering personnel or by the owner's independent engineering sub-contracted firm.

In the case of "design/build", the design and construction professionals work directly for the same at-risk entity.



There is a time saving issue with this method since the possibilities to overlap some design and build activities minimize delays and optimize smooth flow of construction activities.

The “design/build” method has also proved efficient over the years if only for better integration of all disciplines and all parties right from the start therefore coordinating all aspects between various trades at the Planning and design stage.

- **financial components**

The “financial component” provided by the private party has also been introduced lately by several DOT’s as an alternative procurement consideration.

With cost restraints and commitments and other risks being carried by the contractor, risk of price over-runs is reduced since the financial players (investors and/or lenders) are being brought into the deal by the private partner at certain conditions agreed between themselves;

- **operation & maintenance**

“Operation & Maintenance” implies that contractor is responsible for an extended period of time therefore it has an interest to design and build quality works with low operation and maintenance costs. It is the notion of “fit for purpose” and “built to last” that is tested.

For a DOT, this optimizes the life-cycle and it normally brings the most reliable equipment and most efficient technology on the market.

## 5 - BUSINESS MODEL

*Assuming that the project will be developed as a tolled facility, a brief description of a public-private partnership business models that would be considered appropriate for the project (e.g. real tolls, availability payments, hybrid, other) and what would be the benefits for the project and the public arising from each option. Also examples of projects where such a business model has been successfully used.*



Bouygues Construction has closed projects where different business models have been used (real toll, shadow toll, availability payments) in different countries and financial environments.

In the current economic environment, we believe that to develop a complex project under a public private partnership structure, a business model with availability payments is the best solution if not the unique one. Two items are in our view key to make this assertion:

- “Deliverability”
  - Traffic risk deals have underperformed and financial markets may not show sufficient appetite to finance this project if senior lenders have to take patronage risk. This has been even more acute with the disappearance of monoliners.
  - Sponsors will incur very significant development costs and they need to perceive that the business model used will allow the project to be deliverable within a reasonable timeframe.
  - Investors and senior lenders share the same concern as there is a history of real toll projects they have pursued and never closed.
  
- “Value for money”
  - Traffic deals with patronage risk are more “expensive” and may even be non financeable.
  - The financial structure would require a far greater level of equity with higher returns expected by investors, more onerous terms and conditions from senior lenders (margins, debt cover ratios...).
  - It would not be possible to use TIFIA which is a very competitive source of financing as they require a minimum rating for the debt which could not be obtained for a traffic risk deal.

An alternative to an availability payment structure would be a hybrid whereby the granting authority would provide a minimum traffic guarantee so that the senior lenders and to some extent the investors (depending on where the minimum is set) don't have to bear patronage risk.

Considering the current economic situation and benefiting from the recent financial close of the “Port of Miami Tunnel” project, our firm views favorably the development of a



similar business model where the private partner is being paid under full “availability payment” DBFOM scenario.

Such a scenario can be envisaged with, or without toll. Should the public partner choose to charge a tolled fee for usage, it would not be shared but rather entirely left to the public partner.

In this scenario, toll can be either collected by:

- the private partner on behalf of the public partner and handed over in its entirety;
- the public partner directly without any involvement from the private partner;

## 6 – TERM OF AGREEMENT

*The preferred length (years) of the Public-Private Partnership agreement under such business model (s)*

With an availability payment mechanism, we believe the adequate duration of the Public Private Partnership is 30 years or construction period plus 30 years.

## 7 – OTHER REVENUE

*Identification of other business opportunities such as operation of duty free shops*

Bouygues TP, as a private partner involved in several P3 projects throughout the world prefers to be excluded from the DBFOM activities related to other business opportunities such as duty free shops. Experience has proven insignificant revenue with respect to business modeling and prefers to leave the public partner to deal separately with such revenue items. Senior lenders would most probably not take those revenues into account thus not providing value for money for the public sector.



*An indicative, high level, structure of private financing for the solution (s), including :*

- *Funding split (debt/equity);*
- *Types of debt facilities and main assumptions ; and*
- *Any innovative financing tools, including Transportation Infrastructure Finance and Innovation Act federal credit assistance (TIFIA) and Private Acticity Bonds (PABs) that would be considered desirable.*

Various scenarios can be envisaged depending on the flavor of the financial markets at bid stage.

For an availability type structure, we would anticipate a gearing with circa 10% of equity/quasi-equity.

For the senior debt, it is premature to state what financial instruments we would use and what would be the main assumptions. What can be said is that:

- Bouygues Construction has closed deals with all types of financial instruments (bank debt, indexed linked bonds, monoline enhanced bonds, private placements and even TIFIA on Port of Miami Tunnel project).
- all financial instruments will be considered in order to provide the client with the most cost effective and deliverable financing solution.
- Bouygues Construction is familiar with the contractual implications of the various instruments and has always structured strong contractual packages in order to be able to deliver on the best financial solution.

If a bid was submitted in the current environment, Bouygues Construction would pursue actively a financial structure using a TIFIA facility (long duration, competitive cost) and a PABs tranche as capital markets are getting stronger. If price certainty was required or milestones payments made by the public sector during construction or at completion, a bank financing would be a good alternative.



9 - **RESPONDENT'S EXPERIENCE –**

A brief description of the Respondent's experience in:

- **Public-private partnerships** – provide brief examples to demonstrate the Respondent's experience and successful participation in the design, construction, financing, operation and/or maintenance of transportation infrastructure projects.

Project description	Construction period	Project Value M USD
<p><b>Port of Miami Tunnel – Florida</b>                      DBFOM Concession contract (PPP) to deliver a twin tube tunnel of 3 937ft in length along with associated access roads linking the Port of Miami and Interstate I-395.                      Financial close reached on Oct.15<sup>th</sup> 2009                      Duration of the concession 35 years                      Sponsors: Meridiam (90%), Bouygues (10%)                      Client: Florida Dep't of Transportation</p>	<p>2009 / 2014  (55 months)</p>	<p>1 062</p>
<p><b>Masan Bay Bridge – Korea</b>                      DBFOM Concession contract to deliver Ma-chang Bridge, a cable-stayed structure and 2 link bridges connecting Gapo-dong, Masan City and Guisan-dong, Changwon City.                      Operation period : 30years.                      The project comprises :</p> <ul style="list-style-type: none"> <li>✚ Cable-stayed free span : 2 529ft</li> <li>✚ Bridge Total Length : 5 544ft</li> <li>✚ Bridge Width : 70ft (4 lanes in both directions)</li> <li>✚ Link bridge 1 (reinforced steel plate) : 1 320ft</li> <li>✚ Link bridge 2 (reinforced compound): 1 795ft</li> </ul>	<p>2004 / 2008</p>	<p>347</p>
<p><b>Normandy Bridge - France</b>                      D/B contract to deliver a cable-stayed bridge spanning 7 022ft across the Seine estuary between Honfleur and Oudalle (near Le Havre).                      Technical description :                      Cable-Stayed free span: 2 808ft                      Completion time: 56 months                      Bridge structure: 2 concrete approach viaducts (north and south banks, 2 270ft and 1 795ft). 2 different construction</p>	<p>1990 / 1995</p>	<p>203</p>






<p>techniques : - "push and lift" incremental launching of a 2 270ft long deck up a 6 % slope (method developed and patented by Bouygues) - Cast-in-place balanced cantilever construction using temporary and permanent stays. All the highly-stressed parts such as pylons and decks are made with high-performance concrete. The Consortium was perfectly able to control the difficulties of mixing and placing it, thereby demonstrating that these newly developed concrete material were materials for the future.</p>		
<p><b>Adriatic Motorway – Croatia</b>  DBFOM contract for a 84 mi long motorway linking the Slovenian border with the cities of Pula and Rijeka on the Istrian Peninsula in several phases :</p> <ul style="list-style-type: none"> <li>➤ Phase 1A</li> <li>➤ Phase 1B</li> <li>➤ Phase 2 A (ongoing project)</li> </ul> <p>Duration of the concession : 28 years</p>	<p>1997 / 1999  2003 / 2006  2008</p>	<p>1 113</p>
<p><b>New Tyne Crossing - United Kingdom</b>  DBFOM concession contract of a 2 lane-road immersed tunnel, 4 910ft long and rehabilitation of an existing road tunnel. Operation and maintenance of both tunnels and a cyclist /pedestrian tunnel for a period of 30 years;</p>	<p>2008 / 2011</p>	<p>745</p>
<p><b>Warnow River Crossing – Rostock – Germany</b>  DBFOM concession contract to deliver a permanent link under the Warnow River. (immersed tunnel)  Duration of the concession : 50 years</p>	<p>2000 / 2003</p>	<p>297</p>
<p><b>National N4 – South Africa / Mozambique</b>  DBFOM of a 311 mi. cross border toll road linking Witbank, South Africa to Maputo, Mozambique. The project also includes the construction of 5 toll plazas, 3 schools and several other infrastructures such as interchanges, bridges, drainage systems...</p>	<p>1997 / 2001</p>	<p>450</p>
<p><b>A28 Motorway – France</b>  DBFOM concession contract of 78 mi of motorway (2x2 lanes) from Rouen to Alençon for a period of 62 years. The project includes 5 intermediate interchange points, emergency lanes and comprises about one hundred permanent structures among which :  viaduct of Risle (length: 4 330ft)</p>	<p>2002 / 2008</p>	<p>1 245</p>



Viaduct of Bec (length: 2 244ft)		
<b>Highway 2000 – Jamaica</b> DBFOM concession contract of the first toll highway in Jamaica of about 143 mi. long. The highway is constructed in several phases of which 4 are released : <ul style="list-style-type: none"> <li>➤ Phase EFC (2x2 lanes ; 20.5 mi)</li> <li>➤ Phase FC1A (2x3 lanes – 7.45 mi Portmore Causeway)</li> <li>➤ Phase FC1B (2x2 lanes – 23.3 mi)</li> <li>➤ Phase 2 – Section Mont Rosser 12.45 mi (ongoing)</li> </ul>	2002 / 2004 2004 / 2006 2004 / 2006 2007 / 2010	388
<b>M5 Motorway – Hungary</b> DBFOM concession contract of a 2x2 lane and 98mi. in length for a period of 35 years implemented in several phases: <ul style="list-style-type: none"> <li>- Phase 1</li> <li>- Phase 2</li> <li>- Phase 3</li> </ul>	1995 / 1998 2005 / 2005 2005 / 2006	1 515
<b>A41 Motorway – France</b> DBFOM Concession contract for the Highway section between Saint Julien en Genevois / Villy le Pelloux of the A41 motorway; Length: 12 mi. Duration of the concession 55 years.	2005 / 2008	1 180
<b>Gautrain Rapid link – South Africa</b> DBFOM concession contract for a rapid rail link between Johannesburg, Tswane (Pretoria) and OR Tambo International Airport ; The project comprises : <ul style="list-style-type: none"> <li>🚧 Two parallel rail lines with total length of 49.7 mi.</li> <li>🚧 1 637ft of cut-and-cover tunnels</li> <li>🚧 50 underpasses and overpasses</li> <li>🚧 10 stations</li> <li>🚧 A train maintenance depot</li> <li>🚧 An operations centre</li> <li>🚧 2,900 underground parking spaces, and 8,200 open-air parking spaces</li> <li>🚧 Train fleet : 100 vehicles of Alstom “Electrostar”</li> <li>🚧 125 buses</li> </ul>	2007 / 2011	3 638



 Concession term 19.5 years		
<b>Reims Tramway – France</b> DBFOM concession contract (30 years) of an 6.83 mi-long tram line linking the north and the south of the city of Reims. The line will cross 16 major road intersections.	2007 / 2011	560
<b>Pusan Container Terminal – South Korea</b> DBFOM of the Private Investment Project for Container Terminal (4 berths) at Pusan New Port Phase 2-3 and any business activities which are related directly or indirectly to the attainment and continuation of the foregoing purposes.	2008 / 2011	951
<b>Metro of Sydney – Australia</b> DBFOM concession contract to deliver an urban underground railway in Sydney including 4 subway stations. The 6.52mi subway line links the city center to the southern suburbs and serves Kingsford Smith Airport.	1995 / 2000	297

- **Local Contracting Partners** – Provide brief examples of past practice of partnering with local contractors and minorities, women, and other historically disadvantaged business enterprises on similar projects consistent with the partnership's objective of maximizing participation by these groups.

Project description	Construction period	Project Value M USD
<b>Port of Miami Tunnel – Florida</b> DBFOM Concession contract (PPP) to deliver a twin bore tunnel of 3 937ft in length along with associated access roads linking the Port of Miami and Interstate I-395. Financial close reached on Oct.15 <sup>th</sup> 2009 Duration of the concession 35 years Sponsors: Meridiam (90%), Bouygues (10%) Client: Florida Dep't of Transportation	2009 / 2014 (55 months)	1 062
As concessionaire and "design/build" contractor, Bouygues TP has agreed to include for a percentage of DBE participation towards its client Florida Department of Transportation and		



its Equal Opportunity Office for federally funded projects.

FDOT's Equal Opportunity Office was created to administer the Department's Disadvantaged Business Enterprise Program, Title VI Program (Nondiscrimination in State and Federal Programs and Activities), and Internal and External Equal Employment Opportunity/Affirmative Action Program (Title VII).

The mission of the Equal Opportunity Office is to ensure economic prosperity for all by:

- Ensuring equal opportunity in employment, participation, benefits, services, and contracts
- Eliminating unlawful discrimination
- Encouraging diversity in all Florida Department of Transportation programs and activities

**National N4 – South Africa / Mozambique**

DBFOM of a 311 mi. cross border toll road linking Witbank, South Africa to Maputo, Mozambique. The project also includes the construction of 5 toll plazas, 3 schools and several other infrastructures such as interchanges, bridges, drainage systems.

1997 / 2001

450

This national highway, connecting eastern Johannesburg in South Africa to the port of Maputo in Mozambique is the first toll road on the African continent. This toll road helped the development of economic and cultural relations between the two countries. The project involved four different kinds of work: new construction when the existing road had to be realigned; reconstruction when the existing structure was severely damaged; rehabilitation if the road needed resurfacing; widening and upgrading of intersections when the increased traffic requires the creation of new lanes.

An essential component in this project has been the participation of the local communities, local businesses and emerging sub-contractors. In both, South Africa and Mozambique this has been achieved, in part, through participation in the project's Small, Medium and Micro Enterprise (SMME) program. A total of more than 15 000 persons were trained at the 3 centers which were built for that very purpose of training in various fields, including construction related trades. These centers were totally financed built and operated by the D/B contractor;

**Gautrain Rapid link – South Africa**

As part of a concession project, the consortium was in charge of a design, build, finance, maintain, and operate contract for a high-speed rail link between Johannesburg, Pretoria, and Johannesburg International Airport.

The project comprises two lines totalling a length of 49.7 mi, and includes 9.32 mi of bored or blasted

2007 / 2011

3 638



tunnels, 0.31 mi of cut-and-cover tunnels, 6.52 mi of viaducts, 50 underpasses and overpasses, 10 stations, three of which are underground, a train maintenance depot, an operations centre, 2,900 underground parking spaces, and 8,200 open-air parking spaces.		
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All the construction work was subject to an environmental conservation plan: conservation of displaced trees, limitation of noise, and reduction of dust emissions.

With regard to skills development and capacity building, Gautrain's Socio-Economic Development objectives firstly include the important aspect of broad-based black economic empowerment. Secondly, SED objectives also address aspects such as the development of small, medium and micro enterprises (SMMEs), the sustainable development of underprivileged communities and the maximisation of local content.

Black economic empowerment highlights equity participation by black persons and black women in the project partner entities created for the Gautrain project. It also includes the procurement of services and materials from Black Empowerment Entities (BEEs) sub-contracting of service delivery to BEEs and the establishment of new BEEs.

Examples include:

#### **Inkonjane Civils**

Inkonjane Civil Works is an emerging engineering and construction group, offering diverse services. It is set up to address a need for multi-function services in communities on behalf of the Government Poverty alleviation strategy. Inkonjane Civil Works commits itself to the pursuit of excellence with affirmative action. Inkonjane Civils Management consists of a black woman with five years experience in Business and Project Management holding 40% shareholding. The balance of shares 60% is owned by a Black Male Civil Engineer with twenty years of experience in General and Civil Construction.

Inkonjane Civil Work provides interior and exterior residential and commercial constructional services. For Gautrain, Inkonjane Civils has been involved in the relocation of telephone lines and other civil construction works.

#### **Kgwedihlaba Reinforcing**

Managing Director Charles Mokoena started Kgwedihlaba Reinforcing in 2005. This BEE company supplies Gautrain with steel fixing at two construction sites, namely at Linbro Junction and at the U-Sections in Centurion. Kgwedihlaba Reinforcing has employed nearly 50 people in order to complete the steel fixing contract for Gautrain. Mokoena says that he is confident that new business opportunities will arise as a result of his contract with Gautrain.



### **Mametse Contractors**

Mametse Contractors is a civil engineering company specialising in concrete structures such as bridges, culverts, reservoirs and canals. Their Gautrain contract involves the construction of bridges. As a result, Mametse has expanded its business by employing 55 more people and acquiring more machinery according to project manager Martin Mametse Mashalane.

### **Isithimela Rail Services (Pty) Ltd**

Isithimela is subcontracted by Bombela to be responsible for track laying. Isithimela was forged out of a partnership between transport company, Bombardier Transportation UK Limited, and local BEE company, Strategic Partners Group (SPG). Both hold a 50% shareholding in Isithimela. Within the Gautrain framework, Isithimela Rail Services satisfy the SED objectives of the development of BEEs, the creation of new BEEs and the development of SMMEs.

Under this partnership, Isithimela has been subcontracted to execute the trackwork aspects of the Gautrain project for a contract value estimated at approximately R800 million. It is also intended that the company will undertake the track maintenance on the Gautrain during the 15-year concession operational period.

Over 230 jobs have been created by Isithimela since its inception, with a vast majority of the workforce being locally employed. In order to build capacity and know-how, Bombardier Transportation UK has seconded specialised expatriate staff and management to Isithimela. Their task is to transfer their expert knowledge, skills and technology to the locally employed staff complement who are intended to manage the company into the future

### **Induna Tippers**

Strategic Partners Group Investment and Operations (SPGIO) - the Business development arm of SPG has entered into an empowerment initiative and joint venture with one of the leading players in the transport industry, Unitrans Supply Chain Solutions. The venture, which is called Induna Tippers, began operating in July 2007 and transports material excavated during the construction phase of the Gautrain project. . Within the Gautrain framework, Induna Tippers satisfies the SED objectives of the development of BEEs, the creation of new BEEs and the development of SMMEs.

Induna Tippers has created approximately 95 employment opportunities, a 12-member management team, six administration staff and 77 drivers. There are 35 tipper trucks currently in operation on various Gautrain sites.

These resources are supported by a sound business plan to actively grow the company over the next two years within the Gautrain Project, and to develop a sustainable market base outside of the Project.

The 50/50 partnership is structured in such a way that Unitrans will be responsible for managing the business and providing much needed skills to operate and enable growth. SPGIO, with its expertise in the civil construction and engineering sectors, will play a logistical and operational role in recruiting and deploying the human resources required to deliver on Induna's responsibilities for Gautrain. SPGIO also directs the business through its



participation on the Induna Board, and manages the relationship with the client, Bombela Civils Joint Venture (BCJV).

## 10 - CONDITIONS PRECEDENT

*A brief description of those items or impediments to the project's successful implementation that should be removed or dealt with prior to the initiation of the procurement process.*

The following items are likely to draw attention at bid stage and an indication of acceptable language is hereby provided for general discussion:

- Competitors: pre-qualified teams must be short-listed prior to bid period in order to limit bidding process to approx. 3 or 4 teams;
- Bid Bond: important development costs must be taken into account. It is suggested that bid bond not be required;
- Stipend: should be equivalent to approx. 80% of anticipated development costs for each compliant offer subject to pass/fail criteria; in the case of a preferred bidder and further development cost committed towards financial close for example, the stipend should be increased to approx. 2.5% of the construction costs in case of the public partner halting the procurement process. All amounts above would be subject to an overall cap to be discussed with the Public Partner.
- Award Criteria: evaluation formula that stimulates proposal of alternatives / innovative designs;
- Performance Security: "letter of credit" or "bank guarantee" must be among accepted forms of security and the total must not exceed 5% to 10% of construction costs;
- Payment & Material Bond: not to exceed 20% of the construction costs;



Utilities relocation, Rights of way, land acquisition and building expropriation must be the public partner's responsibility;

Construction permits and other permits related to environmental concerns delivered by state or other government agencies must be the responsibility of the public partner, although the private partner would be responsible for preparing the relevant applications in a complete and timely manner;

Risk allocation and relief event regimes must be developed jointly between private and public partners;

Geological risks: due in part to existing underground salt mines in the region and also the proximity to the Detroit River, a "geological baseline report" must be produced by the public partner and contingency reserve fund must be developed jointly between the public and private partners;

Limitation of Liability: cap on D/B Contractor's liability at 30% of the construction costs (subject to the amount of private funding to be raised);

Liquidated damages: Payable by the constructor to the Concessionaire - Not to exceed 5 to 10% of the construction contract price (final amount to be calculated on the basis of the actual operating and financial costs sustained as a result of the late delivery of the project) – LD's amount would be included in the Limitation of Liability;





Mohammed Alghurabi, Senior Project Manager  
Michigan Department of Transportation  
425 W. Ottawa Street, P.O. Box 30050  
Lansing, Michigan 48909, USA

Dear Mr. Mohammed Alghurabi:

Subject : **Letter of Interest for  
Development of the Detroit River International Crossing Project**

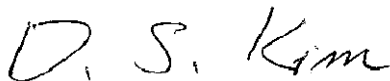
With the Request for Proposal of Interest for the development of the Detroit River International Crossing Project under one or more Public-Private Partnership issued January 27, 2010, we would like to take this opportunity to express our keen interest to participate especially in construction of long-span bridge element as design-build contractor.

Daelim Industrial Co. Ltd. established in 1939 has been a leading construction company in Korea for the construction and engineering of civil infrastructure, building and housing, petroleum refining, chemical & petrochemical, and power & plant. Our company has been ranked within top five contractors during last 50 years and in 2009 is ranked 5<sup>th</sup> in construction capability evaluation.

As an international general contractor with about 70 years of various kinds of engineering and construction activities, we have been reputed as a reliable and competitive contractor. In the field of Road and Bridge works, especially sea crossing long-span bridge, we have plenty of outstanding performance records of similar works and magnitude in Korea. We have successfully implemented more than 10 transportation infrastructure projects under Public-Private Partnerships (PPPs) and most all of them are Build-Transfer-Operate (BTO) type projects as enclosed past experience list.

We sincerely hope to have an opportunity to serve you, we are confident that you can utilize our abundant experiences and top-notch workmanship. If you need any clarification and/or further data from us, please feel free to contact us any time at your convenience.

Sincerely yours,

A handwritten signature in black ink that reads "D. S. Kim".

---

Dong Su Kim  
Managing Director  
CIVIL DIVISION  
Daelim Industrial CO., LTD



**Response to the Request for Proposal of Interest  
for the development of the  
Detroit River International Crossing Project  
under one or more Public-Private Partnerships**

**March, 2010**

**Daelim Industrial Co., Ltd.**

**ENGINEERING & CONSTRUCTION GROUP  
146-12, Susong-dong, Jongno-gu, Seoul, Republic of Korea**

## Contact Information

Name : YOUNGJIN WOO

Title : Senior Manager

Address : 146-12, Susong-dong, Jongno-gu, Seoul, 110-732, Republic of Korea

Telephone : +82-2-2011-8272

Fax number : +82-2-2011-8068

E-mail address : [ywoo9@daelim.co.kr](mailto:ywoo9@daelim.co.kr)

## Company Information



### *Company Profile*

- Name of Company : Daelim Industrial Co., Ltd.
- Date of Establishment : October 10, 1939
- Headquarters : Seoul, Republic of Korea
- Employees : appr. 4,000(end 2009)
- Internet Homepage : <http://eng.daelim.co.kr>

### *Corporate Background*

- 1939 : Founded
- 1947 : Registered as corporation for construction and engineering
- 1966 : Became Korea's first company work on an overseas construction project
- 1974 : Established wholly-owned engineering company-Daelim Engineering Co., Ltd.(DEC)  
for diversifying into technology intensive business
- 1999 : Merged with DEC to enhance construction & engineering capabilities
- 2005 : Being ranked Korea's top 100 companies in terms of sales for 50 years

### *Field of Activities*

- Civil Works : Dam & Irrigation, Port & Marine Works, Road, Tunnel, Bridge
- Building & Housing : Public, Residential, Hospital, Hotel
- Plant Projects : Oil & Gas, Chemical/Petrochemical, Power, Industrial Plant

**Service Spectrum**

- Project Planning and Feasibility Study
- Project Management
- Basic/Detail Design & Engineering
- Procurement and Services
- Construction and Management
- Commissioning and Start-Up
- Training and Maintenance
- Financing Support

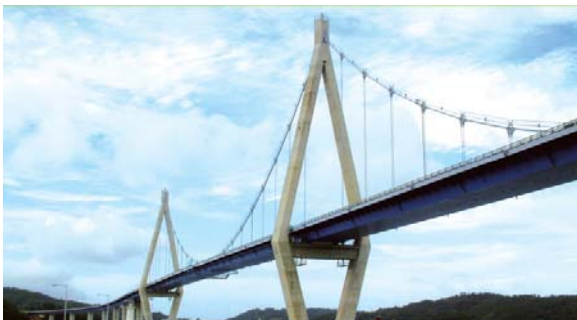
**Financial Status**

Unit : USD mil.

Year	2005	2006	2007	2008	2009
Sales	4,202	4,593	5,265	4,686	5,414
Total Assets	3,865	4,844	6,022	5,676	7,198
New Order	4,133	5,497	7,728	6,547	6,090

**Major Bridge Works**

- Suspension Bridges



- Sorok Bridge
- 3-span self-anchored suspension br.
- Jun. 2001 ~ Jun. 2008



- Jeokgeum Bridge
- Single span suspension br.
- Nov. 2004 ~ Apr. 2012



- Lee Sun-Shin Bridge
- 3-span self-anchored suspension br.
- Oct. 2007 ~ Apr. 2012



- Saecheonnyeon Bridge
- Four span suspension br.
- Jul. 2010 ~ Jul. 2018



- Dandeung Bridge
- Single span, single pylon suspension br.
- Dec. 2009 ~ Nov. 2013

- Cable-Stayed Bridges



- Dolsan Bridge
- 3-span continuous steel cable-stayed br.
- Dec. 1980 ~ Dec. 1984



- Seohae Bridge
- Steel-concrete composite cable-stayed br.
- Nov. 1993 ~ Dec. 2000



- Samcheonpo Bridge
- 3-span cable-stayed with composite steel girder
- Mar. 1995 ~ Apr. 2003



- Cheongpung Bridge
- Steel-concrete hybrid cable-stayed br.
- Dec. 2004 ~ Sep. 2010



- Second Dolsan Bridge
- Continuous five-span concrete cable-stayed br.
- Aug. 2005 ~ Jun. 2012



- Sepung Bridge
- 6-span cable-stayed br. with PC box girder
- Oct. 2006 ~ Jun. 2014



- Incheon Bridge
- Five-span continuous steel box cable-stayed br.
- Jun. 2005 ~ Oct. 2009



- Geoga Bridge
- 3 and 4-span steel-composite cable-stayed br.
- Dec. 2004 ~ Dec. 2010



- Geumgang-2 Bridge
- 2-span steel-concrete composite cable-stayed br.
- Dec. 2008 ~ Feb. 2012



- Simgok-5 Bridge
- 2-span steel-concrete composite cable-stayed br.
- Sep. 2009 ~ Mar. 2011

- Cable-Supported Arch Bridges



- Choyang Bridge
- Suspended deck arch bridge
- Dec. 1994 ~ Apr. 2003



- Seonmu Bridge
- Steel arch bridge supported by cable
- Dec. 2003 ~ Dec. 2008



- Gusuro Bridge
- Cable supported Lohse arch bridge
- Nov. 2005 ~ Aug. 2011



- Haeoreum Bridge
- Cable supported hybrid arch bridge
- Jul. 2003 ~ Oct. 2009



- Extradosed Bridges



- Shindae-1 Bridge
- 4-span extradosed bridge with one pylon
- Dec. 2003 ~ Dec. 2008



- Yangyang Bridge
- 5-span extradosed bridge with two pylons
- Jun. 2005 ~ Jun. 2008

## **Scope**

Daelim are interested in participating in construction of long-span bridge element as design-build contractor. Dalim's relevant past experience presents in following respondent's experience section.

## **Business Model**

Under reviewing

## **Term of Agreement**

Under reviewing

## **Other Revenue**

Under reviewing

## **Financing**

Under reviewing

## **Conditions Precedent**

None

## Respondent's Experience

### *1. Past Experience for Transportation Infrastructure Projects under Public-Private Partnerships*

Daelim Industrial Co., Ltd. has successfully implemented 9 Public-Private Partnerships (PPPs) and most all of them are Build-Transfer-Operate (BTO) type projects. The PPPs can be divided into solicited and unsolicited projects in Korea. In these projects, Daelim has been awarded as a priority negotiator due to creative and efficient suggestions and then it has successfully implemented. In particular, after selected as a priority negotiator, Daelim has constructed a joint-venture involving other contractors and signed an Engineering-Procurement-Construction (EPC) contract with Special Purpose Company (SPC) related to the project. Also, Daelim has directly controlled and monitored these projects as chief construction manager for construction period.

At the same time, Daelim has successfully negotiated a project financing with Lenders. As a result, the PPP project has been stably operated until now, which means that Daelim is capable of making a stable financing structure.

Finally, Daelim can has reviewed and authorized important business plans of SPC as a major shareholder for stable operation and maintenance of this facility.

Daelim's major transportation infrastructure projects under public-private partnerships are following.



- Project Name : Manwolsan Tunnel Work
- Competent Authority : Incheon Metropolitan Government
- Location : Incheon, Korea
- Total Road Length : 2.87km
- Tunnel Length : 1.5km
- Amount : 106 mil. USD
- Construction Period : Dec. 2000 ~ Jul. 2005.
- Operational Period : Aug. 2005 ~ Jul. 2035(30yr)
- Role : Financing, Design & Construction(Main Contractor) and Operation



- Project Name : Seoul Outer Circular Highway Phase1
- Competent Authority : Ministry of Homeland and Maritime Affairs
- Location : Gyeonggi-do, Korea
- Total Road Length : 36.3km, 8 lanes
- Amount : 1,654 mil. USD
- Construction Period : Jun. 2001 ~ Jun. 2006
- Operational Period : Jul. 2006 ~ Jul. 2036(30yr)
- Role : Financing, Construction and Operation



- Project Name : Incheon International Airport Railroad Phase1 & Phase2
- Competent Authority : Ministry of Homeland and Maritime Affairs
- Location : Incheon Int'l Airport ~ Gimpo Int'l Airport ~ Seoul Station, Korea
- Total Railroad Length : 60.0km
- Amount : 3,679 mil. USD
- Construction Period :
  - Phase1 : Apr. 2001 ~ Mar. 2007
  - Phase2 : Jan. 2004 ~ Dec. 2009
- Operational Period
  - Phase1 : Mar. 2007 ~ Dec. 2039(33yr)
  - Phase2 : Jan. 2010 ~ Dec. 2039(30yr)
- Role : Financing, Construction and Operation



- Project Name : Ilsan Grand Bridge Construction Project
- Competent Authority : Gyeonggi Provincial Government
- Location : Gimpo-si, Gyeonggi-do, Korea
- Total Road Length : 1.84km, 6 lanes
- Bridge Length : 1.59km
- Amount : 188 mil. USD
- Construction Period : Aug. 2003 ~ Dec. 2007
- Operational Period : Jan. 2008 ~ Dec. 2037(30yr)
- Role : Financing, Design & Construction(Main Contractor) and Operation



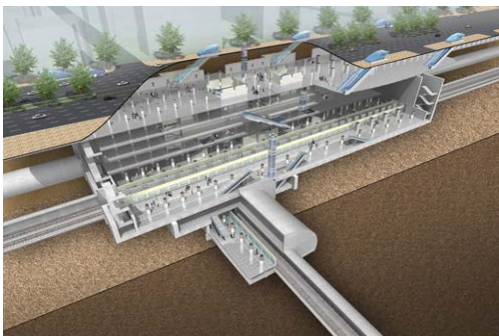
- Project Name : Yongin Light Rapid Transit Railroad
- Competent Authority : Yongin city
- Location : Yongin-si, Gyeonggi-do, Korea
- Total Railroad Length : 18.6km
- Amount : 820 mil. USD
- Construction Period : Dec. 2005 ~ Jun. 2010
- Operational Period : Jul. 2010 ~ Jul. 2040(30yr)
- Role : Financing, Design & Construction(Main Contractor) and Operation



- Project Name : Busan-Geoje Link Project
- Competent Authority : Busan Metropolitan Gov't and Gyeongsangnam Provincial Gov't
- Location : Gyeongsangnam-do, Korea
- Total Road Length : 8.2km
- Total Bridge Length : 4.5km (including 2 cable-stayed bridges)
- Amount : 1,769 mil. USD
- Construction Period : Dec. 2004 ~ Dec. 2010
- Operational Period : Dec. 2010 ~ Dec. 2050(40yr)
- Role : Financing, Construction and Operation



- Project Name : West Suwon – Osan, Pyeongtaek Highway Project
- Competent Authority : Ministry of Homeland and Maritime Affairs
- Location : Gyeonggi-do, Korea
- Total Road Length : 38.5km 4~6 lanes
- Amount : 930 mil. USD
- Construction Period : Jun. 2005 ~ Aug. 2009
- Operational Period : Sep. 2009 ~ Sep. 2039(30yr)
- Role : Financing, Construction and Operation



- Project Name : New Bundang Metro Project
- Competent Authority : Ministry of Homeland and Maritime Affairs
- Location : Seoul and Gyeonggi-do, Korea
- Total Railroad Length : 18.5km
- Amount : 1,282 mil. USD
- Construction Period : Aug. 2005 ~ Sep. 2011
- Operational Period : Sep. 2011 ~ Aug. 2041(30yr)
- Role : Financing, Construction and Operation



- Project Name : Kangnam Belt Highway Project
- Competent Authority : Seoul Metropolitan Government
- Location : Seoul, Korea
- Total Road Length : 12.4km
- Amount : 1,040 mil. USD
- Construction Period : Dec. 2007 ~ May. 2014
- Operational Period : May. 2014 ~ May. 2034(30yr)
- Role : Financing, Construction and Operation

## 2. Past Experience List for Sea Crossing Long-span Bridge Projects

Bridge Type	Project Name	Span (m)	Amount (USD Mil)	Construction Period
Suspension Br.	Sorok Br.	110+250+110	35	Jun. 2001 ~ Jun. 2008
	Jeokgeum Br.	850	172	Nov. 2004 ~ Apr. 2012
	Lee Sun-Shin Br.	357.5+1,545+357.5	421	Oct. 2007 ~ Apr. 2012
	Dandeung Br.	400	93	Dec. 2009 ~ Nov. 2013
	Saecheonnyeon Br.	225+2@650+225	280	Jul. 2010 ~ Jul. 2018
Cable-stayed Br.	Dolsan Br.	85+279.5+85	25	Dec. 1980 ~ Dec. 1984
	Seohae Br.	200+470+200	261	Nov. 1993 ~ Dec. 2000
	Samcheonpo Br.	103+230+103	47	Mar. 1995 ~ Apr. 2003
	Second Dolsan Br.	35+82+230+82+35	35	Aug. 2005 ~ Jun. 2012
	Incheon Br.	80+260+800+260+80	177	Jun. 2005 ~ Oct. 2009
	Geoga Br.	222+475+222	35	Dec. 2004 ~ Dec. 2010
Arch Br.	Gusuro Br.	140	19	Nov. 2005 ~ Aug. 2011
	Choyang Br.	29.2+143.5+29.5	15	Dec. 1994 ~ Apr. 2003

### 3. Similar Works done by Daelim

Project Name Jeokgeum-Youngnam Bridge Construction Project  
 Owner Name Iksan Regional Construction Management Administration  
 Start and Finish Nov. 2004 ~ Apr. 2012  
 Location of Project Yeosu-si, Jeollanam-do, Republic of Korea  
 Purpose of the Project

Construction of suspension bridge connecting Jeokgeum island and Goheung peninsula

#### Firm's Roles & Responsibilities

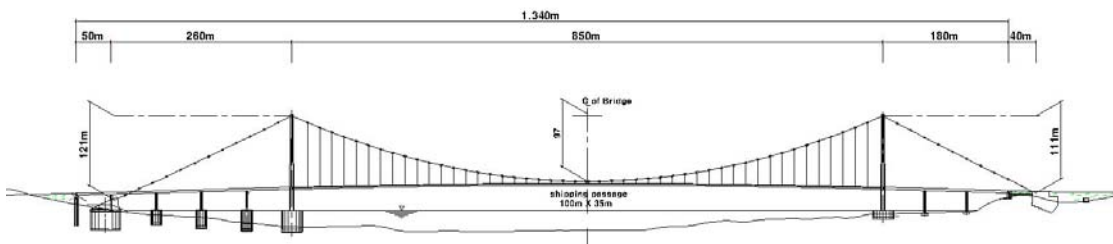
Design and construction of single span suspension bridge



The Jeokgeum bridge is a suspension bridge located in Goheung peninsula on the southern coast of Korea. After its completion, Jeokgeum bridge will be the 2<sup>nd</sup> longest bridge in Korea with its main span of 850m. A particular feature of Jeokgeum bridge is its length-to-width ratio(L/B) of 43.15, which is a major measure of the aerodynamic stability and reveals the remarkable slenderness of the suspension bridge. The pylons, extending to maximum height of 137.8m, are plan frame reinforced concrete structure with legs slightly inclined in the transverse direction and connected by two cross beams. The main cable consists of 19 strands and each strand is made up of 380 wires. The cables are planned to install by the aerial spinning method. The spinning system proceeds by the installation of the wires, one by one, using a specially designed suspended spinning wheel controlled by a support system. The stiffening girder is aerodynamically shaped as a steel box girder presenting sharp edges(fairing). Sharp edges are exhibiting reduced wind resistance compared to bluff ones and offer cheaper manufacturing cost than rounded edges. Daelim Industrial Co., Ltd. performs the construction of the bridge and also geometric control including cable and deck erection analysis.

#### Characteristics of the Jeokgeum Bridge

Type	Single span suspension bridge		
Span	850m (main span : 850m)		
Width	19.7m (2lanes)	Sag-span ratio	1/9



Project Name Construction of Seohae bridge  
 Owner Name Korea Expressway Corporation  
 Start and Finish Nov. 1993 ~ Dec. 2000  
 Location of Project Pyeongtaek-si, Gyeonggi-do, ROK  
 Purpose of the Project

Construction of bridge connecting  
 Pyeongtaek-si and Dangjin-gun as a part  
 of Expressway #15



### Firm's Roles & Responsibilities

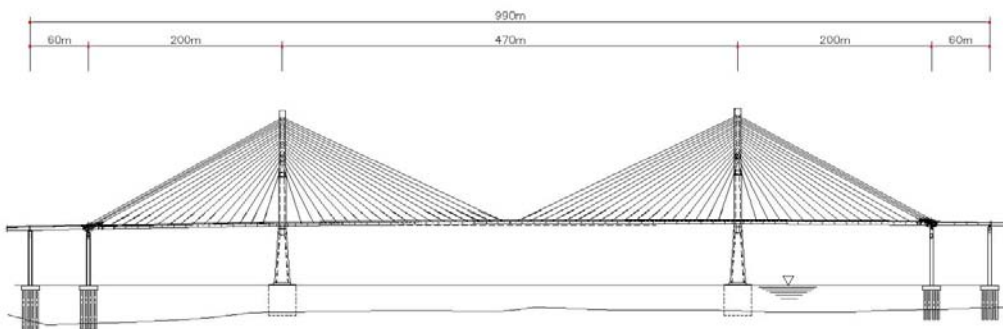
Construction of steel-concrete composite cable-stayed bridge

At 9.4km, the Seohae bridge now stands as the longest bridge in South Korea.

Rising above the Asan Bay approximately 65km south of Seoul, the cable stayed bridge, which took seven years to construct, runs from Pyeongtaek on the north side of the bay to Dangjin on the south. The main bridge consists of an 870m long cable stayed structure and two 60m long end spans of simply supported composite girders. The cable stayed portion has 3 spans, a 470m center span and two 200m side spans. The center span provides a 62m high navigation channel above the bay. The deck was erected by balanced cantilever erection method. Dual-plane stay cables support the bridge, fanning from the top of the pylons and anchored to the steel edge girders. There are 72 cables in each cable plane, ranging in size from 37 to 91 strands, each 15mm in diameter, a system supplied by Freyssinet, of Saint-Remy-de-Provence, France. Dealim Industrial Co., Ltd. performed the construction of the bridge and also geometric control, including superstructure erection stage analysis, design of special construction equipment, and field assistance.

### Characteristics of the Seohae Bridge

Type	Continuous five-span steel-concrete composite cable-stayed bridge		
Span	60+200+470+200+60=990m (main span : 470m)		
Width	31.4m (6lanes)	Pylon height/Span ratio	26%







**March 11, 2010**

**Mohammed Alghurabi**  
*Senior Project Manager*  
Michigan Department of Transportation  
425 W Ottawa Street  
P.O. Box 30050  
Lansing, Michigan 48909

**Detroit River International Crossing Project**

Dear Mr. Alghurabi:

Global Vía Infraestructuras, S.A. (GVI) is pleased to submit this Statement of Interest regarding the development of the Detroit River International Crossing project under one or more Public Private Partnerships. This document is structured to satisfy the requirements of the Michigan Department of Transportation (MDOT) Request for Proposal of Interest.

GVI is an international concessionaire firm that develops Greenfield design, build, finance, operate and maintain (DBFOM) projects, as well as Brownfield projects. GVI's HQs are in Madrid, Spain, and our US operations are managed from our New York and Miami. At GVI we currently manage 41 transportation infrastructure facilities in 7 different countries, making us the world's second largest concessionaire. GVI's staff has over two decades' experience in all aspects of P3 project delivery and team coordination. From project financing to design, construction and O&M, GVI's experience and capability put us in position to deliver any transportation project that the MDOT may endeavor upon.

Please find attached to this cover letter a copy of Global Via's Statement of Interest along with four copies of our P3 projects booklet. My team and I would be pleased to meet with you to review and discuss ideas on proposed project and/or provide you with further information on our firm.

Thank you for this opportunity to express our interest in Detroit River International Crossing project.

Sincerely,

Michael Lapolla  
Managing Director  
Global Via Infrastructure USA



## 1. Contact Details of Respondent

Mr. Michael Lapolla  
Managing Director  
Global Via Infrastructure USA  
Rockefeller Center  
1230 Avenue of the Americas, 7th Floor  
New York, NY 10020  
[mlapolla@globalvia.com](mailto:mlapolla@globalvia.com)  
+1-908-208-2100 (Tel)  
+1-212-618-6309 (Fax)

## 2. The Project

The proposed project is a U.S./Canadian, I-75 to Highway 401, end-to-end connection consisting of a new Detroit River bridge; the associated border inspection areas in the U.S. and Canada (U.S. Plaza and Canadian Plaza); and a connecting link to I-75 in Detroit (U.S. Interchange).

## 3. Background Information on Global Via Infrastructure (GVI)

Global Via is currently the world's 2<sup>nd</sup> largest infrastructure company by number of concessions (see table below). It brings significant expertise in both Greenfield developments including design, build, finance, operate and maintenance of new assets, as well in Brownfield developments including privatizations and private management of existing assets.

Global Via was created in 2007 by the transferring of infrastructure and concession assets of two major Spanish companies into one. Its two shareholders, Caja Madrid and FCC both own a 50% stake in the company. As such, GVI continues to benefit from both their strengths and their international platform. GVI's team has on average over 15 years of experience in the infrastructure industry.

Financial Numbers as of March 2009:

- Total equity: €1.104 m
- Net Debt: €1.490 m
- Total Assets: €2.781 m
- Number of Employees: 221
- Number of concessions: 41
- Geographic Presence: 10 countries (Including U.S., Canada and Puerto Rico)



GVI is very active in the USA, considering the general concession legislation development for new projects: California, Puerto Rico, Florida, Texas, Mississippi, Georgia, Virginia, New Jersey, Louisiana, and New York.

As stated in its strategic plan, GVI has a mandate to grow its presence in the United-States. As such, it has strategically grown its U.S. presence by the opening of offices in New York and Miami.

GVI has recently responded to and been short-listed for the following US based procurements:

- Alligator Alley (Florida)
- Jackson Airport Parkway (Mississippi)
- First Coast Outer Beltway (Florida)

## TOP TRANSPORTATION DEVELOPERS

By Number of Concessions

Company	Concessions/PPP Projects	
	Const./Operating*	Active Proposals
ACS/Iridium (Spain)	58	39
Global Via (FCC-Caja Madrid) (Spain)	41	27
Ferrovial/Cintra (Spain)	41	8
Abertis (Spain)	39	12
Vinci/Cofiroute (France)	33	17
Macquarie group (Australia)	33	13
OHL (Spain)	28	17
NWS Holdings (China)	26	2
Sacyr (Spain)	23	30
Acciona/Necso (Spain)	22	11
Hochtief (Germany)	22	11
Cheung Kong Infrastructure (China)	21	5
EGIS Projects (France)	20	25
Road King (China)	18	0
Bouygues (France)	17	21
Bilfinger Berger (Germany)	16	9
John Laing (UK)	16	4
BRISA (Portugal)	14	8
Alstom (France)	13	11
Grupo ICA (Mexico)	13	6
Impregilo (Italy)	12	6
Andrade Gutierrez (Brazil)	12	2
Strabag (Austria)	10	18
Atlantia/Autostrade (Italy)	10	8
Camargo Correa (Brazil)	9	3
Transurban (Australia)	9	1
Siemens (Germany)	8	11
Itinere (Spain)	8	5
Balfour Beatty (UK)	8	1
CCR Group (Brazil)	8	1
Skanska (Sweden)	7	5
KBR Brown & Root (US)	7	2
Bombardier (Canada)	6	6
Fluor (US)	6	4
Alfred McAlpine (UK)	5	0
SNC Lavalin (Canada)	4	13
Bechtel (US)	4	2
Royal Bank of Scotland (UK)	4	2

\* number of road, bridge, tunnel, rail, port, airport concessions over \$50m capital put under construction/operation from Jan. 1, 1985 to Oct. 1, 2009 (excludes design-build).

In 2008, GVI ranked #2 in the world, according to the international standard concession ranking, published by *Public Works Financing* magazine, which counted only 33 projects from the total portfolio.



### **3.1. Background on our shareholders**

#### **3.1.1. FCC: Fomentos de Construcciones y Contratas S.A.**

FCC was created by the merger, in March 1992, of two prestigious companies: CONSTRUCCIONES Y CONTRATAS, S.A., founded in Madrid in 1944, and FOMENTO DE OBRAS Y CONSTRUCCIONES, S.A., created in Barcelona in the year 1900 and listed on the stock market since December 1900. FCC's shares are currently included in the Ibex-35 index, which comprises the 35 most important companies on the Spanish Stock Market.

FCC is the parent company of one of Spain's leading construction and service groups in terms of both revenues and profits. Its growth strategy has long focused on diversification: though founded as a construction company, it moved into the field of public services as early as 1911 by obtaining a contract to clean and maintain Barcelona's sewers.

The business is now highly diversified: 46% of revenues come from construction, 39% from services and 15% from cement. Apart from construction, FCC is involved in solid waste collection and disposal, street-cleaning, renewable energy, water supply, maintenance of drinking and waste water treatment plants, cement manufacture, real estate development, parking, site furniture, passenger transport, vehicle inspection, and airport handling, among other areas.

By numbers:

- Market capitalization of €3.38 billion (as of July 2009)
- Sales of €14,020 m (2008)
- Net Income of €337 m (2008)
- Backlog: €32,710 m (2008)
- 100,340 employees worldwide

FCC is not new to the US and North American market. Indeed, via one of its subsidiaries, Grupo Cementos Portland Valderrivas, is owns Giant Cement Holding Inc, the fourth largest cement producer in the Eastern US and owns three productions plants. The group also owns 65% of CDN-USA.



### 3.1.2. Caja Madrid

Caja Madrid is Spain's second largest savings bank and its fourth largest financial institution. It has had a strong track record of success in executing the financing of major infrastructure concessions including:

- A25(Arranger) - Montreal, Canada, Construction, operation and maintenance of a new Toll Road
- A30(MLA & Bookrunner) - Montreal, Canada, Construction, operation and maintenance of a new Toll Road
- SR5 - Florida, Lane Expansion Project on Federal Highway I-95
- I-595(Mandated Lead Arranger), Florida, Lane Expansion Project on Federal Highway I-595
- SH-130(Mandated Lead Arranger), Dallas, Texas, Construction, Operation and Maintenance of Toll Road
- Indiana Toll Road(Mandated Lead Arranger), Acquisition of Long Term Lease of the Indiana Toll Road

In numbers (2008):

- Total assets: €180,971 m
- Gross income: €5,860
- Return on equity: 42.3% (2007)
- S&P Rating: AA- (2007)
- Over 14,962 employees worldwide

Caja Madrid has presence in the US via its Miami office and City National Bank, a Florida-based bank Caja purchased in April 2008

## 4. GVI's Asset Portfolio

GVI relies on the PPP expertise of a strong team with proven track record. As previously mentioned, GVI has significant experience in the development of Greenfield projects as well as with the management of Brownfield assets. GVI strives on promoting its utmost flexibility in developing PPP projects. The diversification in types and locations of its portfolio and of its objectives proves its ability to manage the unique characteristics of every project procured for within every government entity. GVI is an integrated player in the PPP market and intends on becoming a true long term partner with each procurement entity during the lifecycle of every concession it has designed, built, operated and maintained.



GVI currently owns and operates concessions in 7 countries

- 29 concessions in Spain
- 2 in Ireland
- 2 in Portugal
- 2 in Costa Rica
- 2 in Mexico
- 3 in Chile
- 1 in Andorra

Its concessions include:

- Toll Roads:
  - 14 Traditional tolled routes
  - 8 Shadow tolled routes
  - 1 Availability payment
  - Present in 5 countries
  - 500 miles managed
- LRT's:
  - 7 concessions
  - 48 miles of track managed
- Airports:
  - Two airports
  - 7 million passengers annually in traffic
- Hospitals:
  - 2 concessions
  - 820 beds in capacity
- Ports:
  - 3 Industrial
  - 4 Sports and Leisure
  - 663,600 acres



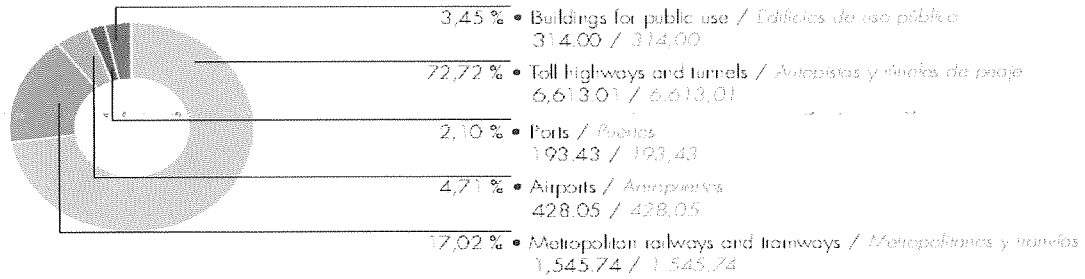
Below is a summary of our assets by types of concessions:



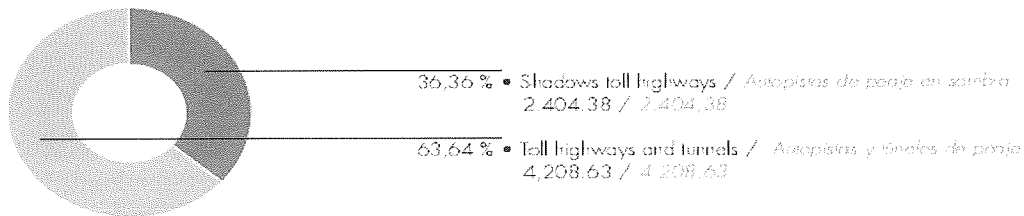
## Total assets by type of concession (Million euros)

Valor de los activos por tipo de concesion (Millones de euros)

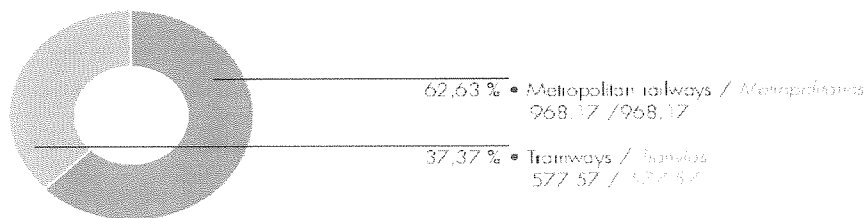
### ■ Type of activity Tipo de actividad



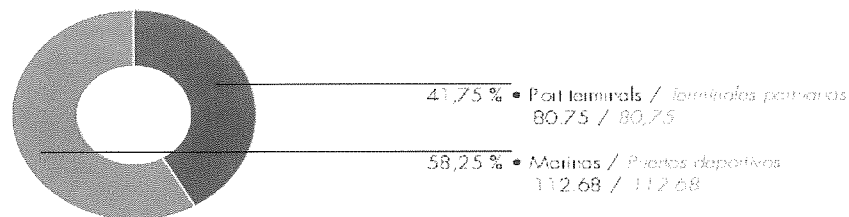
### ■ Shadow toll highways / Toll highways and tunnels Autopistas de peaje en sombra / Autopistas y túneles de peaje



### ■ Metropolitan railways / Tramways Metropolitano / Tranvías



### ■ Port terminals / Marinas Terminales portuarias / Puertos deportivos





## Other Relevant Information

Global Vía Infraestructuras, S.A. is a Spanish company incorporated in January 2007. The corporate HQ address is the following:

Global Vía Infraestructuras, S.A.  
Paseo de la Castellana, 141 5ª planta  
28046 Madrid  
Spain

However, GVI's operations in the United States are managed through GVI's American affiliate Global Vía Infraestructuras USA Corp.

GVI's offices in the US are the following:

Global Via Infraestructuras, S.A. (New York)  
1230 Avenue of the Americas, 7th Floor  
New York, New York 10020  
T: + 1 212-618-6310  
F: + 1 212-618-6309

Global Via Infraestructuras, S.A. (Miami)  
901 Brickell Avenue  
Suite 912  
Miami, FL 33131

All U.S. operations are managed from GVI's New York offices. GVI's New York office is managed by Global Via's U.S. Managing Director Mr. Michael Lapolla, former Executive Director of the New Jersey Turnpike.

ANNUAL REPORT  
2008



**GLOBALVIA**  
INFRAESTRUCTURAS

The cover features a minimalist design with a white background. A large, thick, grey curved band sweeps across the lower half of the page. A thin, light grey curved line follows a similar path above the thick band. The text 'ANNUAL REPORT' is in a small, grey, sans-serif font, positioned above the large number '2008', which is rendered in a very large, bold, grey, sans-serif font.

# ANNUAL REPORT 2008



GVU  
GREAT VILLAGE UNIVERSITY

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## LETTER FROM THE CHAIRMAN

**D**ear Ladies and Gentlemen,

For the first time since the incorporation of Globalvía Infraestructuras in January 2007, it is my pleasure to present you this ANNUAL REPORT, going over the development of our activity during 2008 showing the fulfilment of our growth strategy based on the search for better investment opportunities and in the efficient management thereof, thanks to our experience and that of our partners (Fcc and Caja Madrid).

Currently, Globalvía Infraestructuras manages 41 infrastructure concessions (real toll highways, shadow toll highways, metropolitan railways, ports, marinas, airports and hospitals) distributed in 7 countries: Ireland, Portugal, Andorra, Mexico, Costa Rica, Chile and Spain.

At present, Globalvía Infraestructuras holds the fifth place according to the world ranking prepared by the prestigious magazine Public Works Financing, with respect to number of concessions (41).

The 2008 fiscal year in Globalvía Infraestructuras has been emphasised by two distinct courses of action; on the one hand, following the guidelines indicated in the partners' agreement, the process of asset contribution to the Globalvía Infraestructuras portfolio has been continued; on the other hand, we have participated in different infrastructure bidding processes.

The latter has been concentrated on different operations like the purchase by Globalvía Infraestructuras of two highways in Chile from Bancomext (Scada and Scadi) and the award of the Transmontana Highway in Portugal. These purchases/awards follow the strategy decided by Globalvía Infraestructuras since its creation, that is, strengthen its international ranking and expansion.

Another important event occurring this year has been the portfolio rearrangement involving the take-over mergers of five companies, following our Strategic Plan.

United States continues being a priority country for Globalvía Infraestructuras, together with Mexico, Chile and Europe, without forgetting the opportunities, which may arise in other emerging countries and regions, such as Eastern Europe nations and specific countries of Latin America.

The prevailing conditions in which we and the international markets find ourselves especially affecting our business, indicate less optimism although we have to remember that despite the economic deceleration, Globalvía Infraestructuras has met in the last months of 2008 the financial conclusion of important acquisitions like Scada and Scadi, both in Chile, the Transmontana Highway in Portugal or the Sol Highway in Costa Rica, with a total turnover greater than 1.2 million Euros.

We have strengthened our presence in strategic and priority markets opening new offices in United States (New York, Miami and Houston), Chile and Ireland.

The Globalvía Infraestructuras indicators referring to the 2008 fiscal year included in this report show a positive and upward tendency in all business lines.

Together with traffic maintenance on our highways (in Spain and in the 6 countries mentioned above) the data pertaining to metropolitan railways (light and heavy underground and trams) for public passenger transport has to be mentioned. During 2008 we reached almost 42 million passengers among all the lines managed by Globalvía Infraestructuras, in lesser or greater participation.

According to geographical distribution, more than 33% of our income came from assets that Globalvía Infraestructuras manages abroad. With respect to the type of infrastructure, highways, with almost 51%, continue to be the main sector in turnover, followed by metropolitan railways with 23.18% and airports with 18.94%.

This situation permits us to confront 2009 with optimism and enthusiasm, with the confidence that it will be another successful year for Globalvía Infraestructuras, including international expansion and a favourable consolidation of the business portfolio.



**Jesús Enrique Duque Fernández del Rivero**

*Chairman of Globalvía Infraestructuras*







# 1

## GOVERNING BODIES



# GOVERNING BODIES

## 1.1 BOARD OF DIRECTORS

As at December 31st 2008, the members of the Board of Directors of Globalvía Infraestructuras are as follows:

Chairman	<b>JESÚS ENRIQUE DUQUE FERNÁNDEZ DEL RIVERO</b>
Members	<b>Francisco Javier Falces Valle</b>
	<b>José Mayor Oreja</b>
	<b>Victor Pastor Fernández</b>
	<b>Ildelfonso José Sánchez Barcoj</b>
	<b>Enrique de la Torre Martínez</b>
	<b>Antonio Román González</b>
	<b>Esther Alcocer Koplowitz</b>
	<b>Gerard Ries</b>
	<b>Francisco García Martín</b>
	<b>Mariano Pérez Claver</b>
	<b>María de los Desamparados Larrondo Climent</b>
Secretary (non-member)	<b>José Felipe Gómez de Barreda Tous de Monsalve</b>

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## 1.2 DELEGATED MANAGEMENT

### EXECUTIVE COMMITTEE

Chairman	<b>Jesús Enrique Duque Fernández del Rivero</b>
Members	<b>Francisco Javier Falces Valle</b> <b>Francisco José García Martín</b> <b>Mariano Pérez Claver</b> <b>Gerard Ries</b>
President	<b>Ildfonso José Sánchez Barcoj</b>
Secretary (non-member)	<b>José Felipe Gómez de Barreda Tous de Monsalve</b>

### APPOINTMENT AND REMUNERATION COMMITTEE

President	<b>Ildfonso José Sánchez Barcoj</b>
Member	<b>José Mayor Oreja</b>
Secretary	<b>Jesús Enrique Duque Fernández del Rivero</b>



### 1.3 EXECUTIVE COMMITTEE

Executive Committee as at December 31st 2008

#### STEERING COMMITTEE

Chairman	<b>Jesús Enrique Duque Fernández del Rivero</b>
Director	<b>Francisco Javier Falces Valle</b>
General Secretary	<b>José Felipe Gómez de Barreda Tous de Monsalve</b>
Controller	<b>Carmen Rubio Laporta</b>
Operations Manager	<b>María Luisa Castro Sayas</b>
Technical and Bidding Manager	<b>Luis Matallana González</b>
Bidding Department Manager	<b>Rafael Nevado García de la Cruz</b>
Investment and Control Manager	<b>Miguel García Estrada</b>
International Development Manager	<b>Fernando del Campo García</b>

INTERNATIONAL DELEGATIONS  
AND CONCESSION MANAGEMENT COMPANIES  
CONTROLLED BY GLOBALVIA INFRAESTRUCTURAS

Mexico	<b>Héctor Ruiz Bouchot</b>
United States	<b>Michael Lapolla</b>
Ireland (through the M-50 Ltd. concession management company)	<b>Francisco Javier Galera Bretones</b>
Chile (through the concession management companies Autopista del Aconcagua and Autopista de Itata)	<b>Pablo Anguita Mackay</b>
Metro de Barajas, S.A.	<b>Ricardo Vera Gutiérrez</b>
Madrid 404, Concesiones de Madrid M-45, Ruta de los Pantanos, SS.AA.	<b>Faustino Ramos Pérez</b>
Túnel d'Envalira, S.A.	<b>Carles Guilemany Casadamon</b>
Terminal Polivalente de Castellón, S.A.	<b>Enrique Martínez López</b>
Tranvía de Parla, S.A.	<b>Fernando de Marcos García</b>
Hospital de Sureste, S.A.	<b>Gonzálo López De Guereño</b>
Autopista Central Gallega, C.E.S.A.	<b>Enrique Falces Rodríguez</b>
Túnel de Sóller, S.A.	<b>Jordi Ferrer Motos</b>
Marina Port Vell, S.A.	<b>Gabriel Sandoval Sarrias</b>



# 2

ASSETS  
MANAGED  
BY GLOBALVIA  
INFRAESTRUCTURAS





# 2

## ASSETS MANAGED BY GLOBALVIA INFRAESTRUCTURAS

The main parameters considered by Globalvía Infraestructuras when deciding to compete for a project are the investment size, the expected profitability and future opportunities in the area where the project considered is located.

---

### 2.1 COMPANY DESCRIPTION

Globalvía Infraestructuras is a young company created in January 2007, participated at 50% each by Fcc and Caja Madrid, both of recognised prestige in our country.

The initial asset portfolio of Globalvía Infraestructuras is the result of the combination of assets from both stockholders. At present, the asset portfolio of Globalvía Infraestructuras consists of 41 infrastructure concession projects distributed in different countries (Spain, Andorra, Portugal, Ireland, Chile, Costa Rica and Mexico) and different sectors (Highways, Metropolitan Highways, Metropolitan Railways, Airports Ports and Hospitals). For this reason, Globalvía Infraestructuras is a world leader in infrastructure concessions holding the 5th position in number of concessions.

Globalvía Infraestructuras has a staff of 46 employees in its head offices of Madrid, and the total number of employees throughout the companies controlled by Globalvía Infraestructuras amounts to 221 employees. Globalvía Infraestructuras has delegations in the following countries: United States, Mexico, Chile and Ireland. Likewise, Globalvía Infraestructuras has an executive team with more than 10 years experience in the infrastructure concession sector.

The main strategic goal of Globalvía Infraestructuras is to create value for its stockholders through a balanced and diversified portfolio whose aim is to increase the company value from 900 million Euros to 3,500 million Euros in a period of 5 to 7 years.

The growth strategy of Globalvía Infraestructuras emerges in both new developments (greenfields) and in the acquisition of existing assets to be privately managed (brownfields). The goal of Globalvía Infraestructuras is to privately manage concession projects since the beginning: design, construction, financing, operation and maintenance.

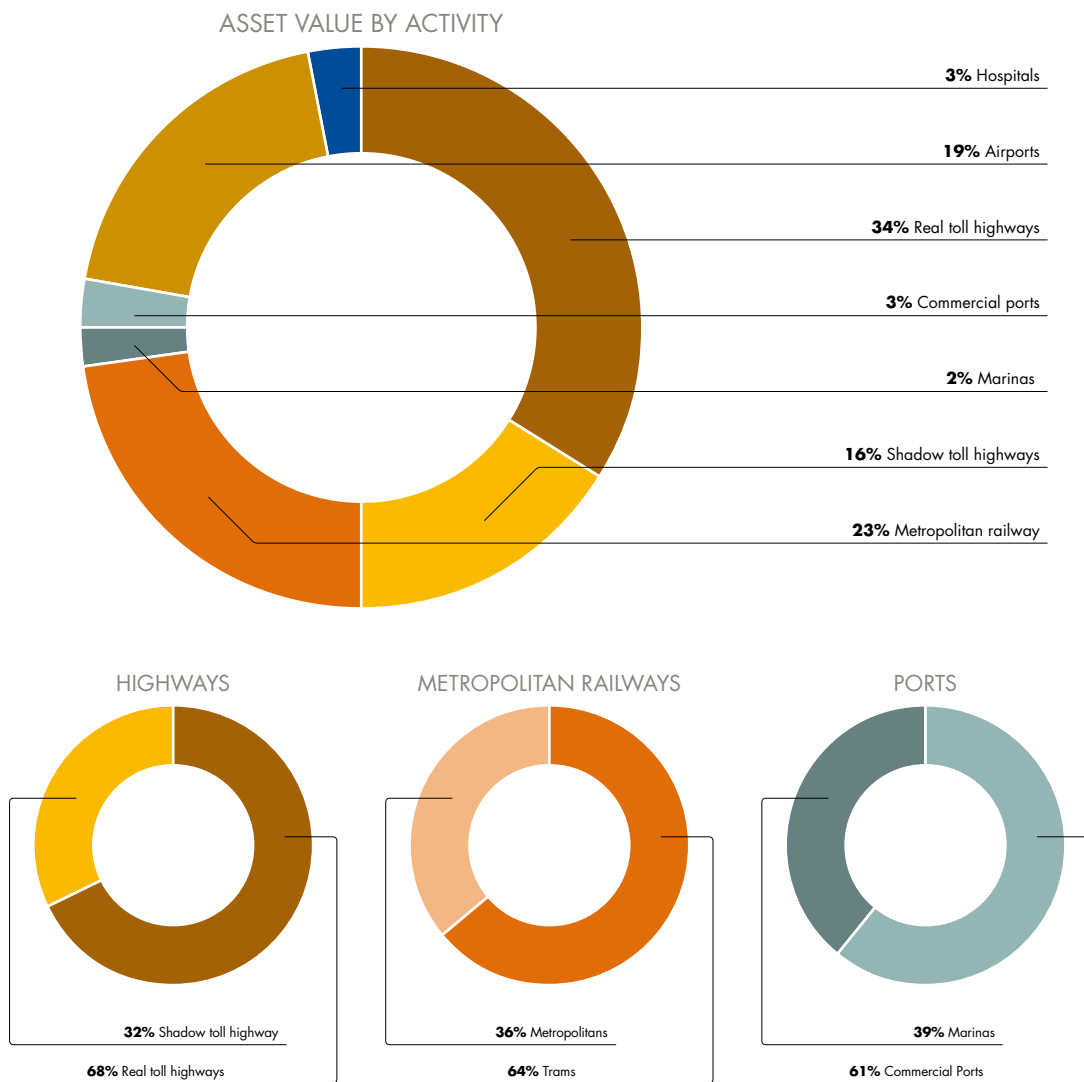
The main parameters considered by Globalvía Infraestructuras when deciding to compete for a project are investment size, profitability expected and the future opportunities in the area where the project considered is located.

Ireland, Portugal, Spain), Eastern Europe (countries belonging to the EU) and Latin America (Chile and Costa Rica).

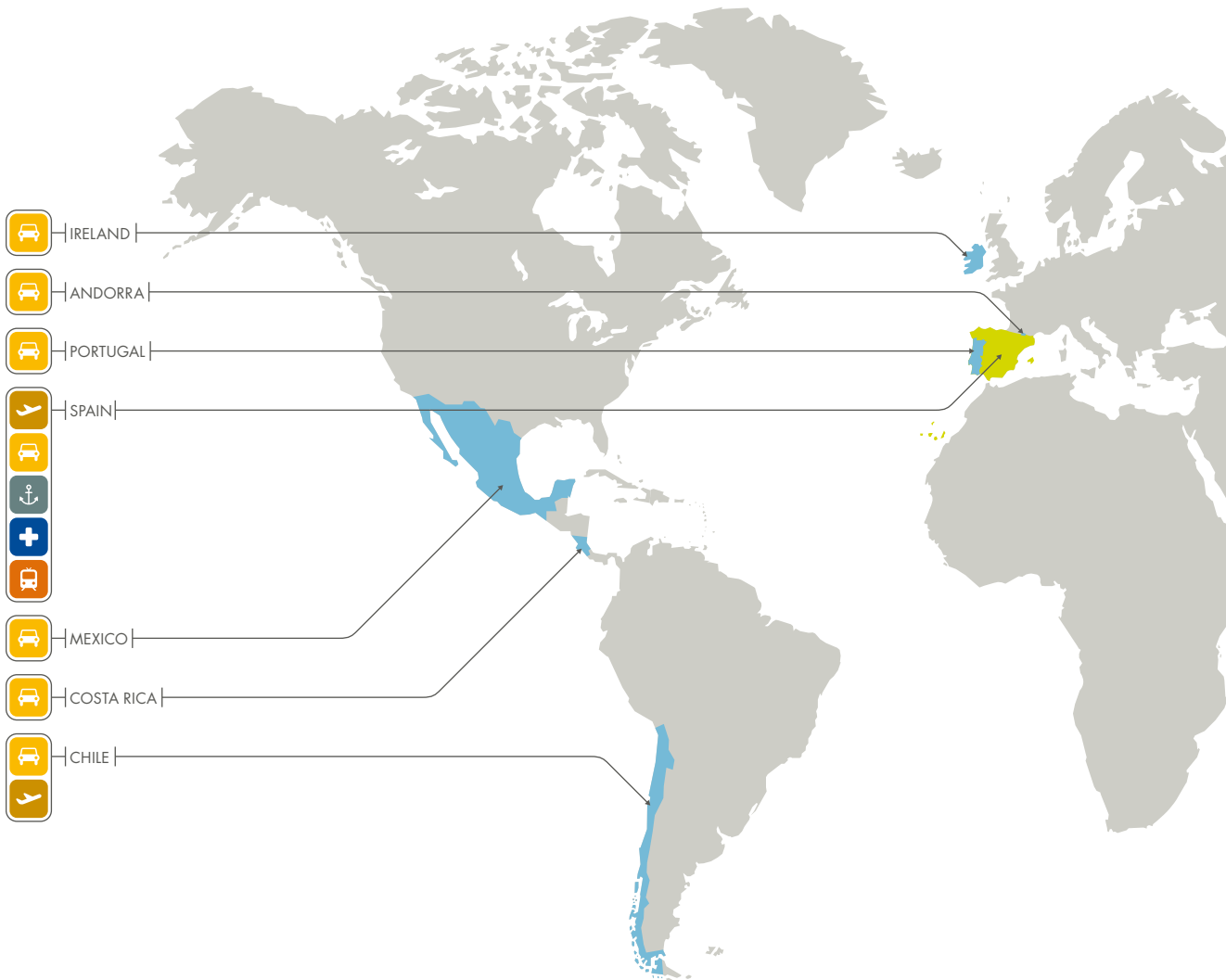
The target countries for Globalvía Infraestructuras are those with an Investment Grade solvency qualification and the strategic regions are: North America, USA, Canada and Mexico), European Mature Markets (United Kingdom,

Globalvía Infraestructuras continues with a sustainable growth strategy marked by Fcc and Caja Madrid through international expansion, taking advantage of the strong points, financial capacity and international presence of its stockholders.

**TOTAL ASSETS MANAGED BY GLOBALVÍA INFRAESTRUCTURAS BY ACTIVITY**



	NUMBER OF CONCESSIONS	NUMBER OF COUNTRIES	KEY FIGURES
HIGHWAYS	23 14 real toll 8 shadow toll 1 availability	6	1,500 km. managed
METROPOLITAN RAILWAYS	7	1	83 km. managed
AIRPORTS	2	2	9 million travellers annually
HOSPITALS	2	1	1,100 beds
PORTS	7 3 Commercial 4 Marinas	1	1,500,000 m <sup>2</sup>





■ Cartagena-Vera Highway

## 2.2 LANDMARKS DURING 2008

Continuing the implementation process of Globalvía Infraestructuras started in the 2007 fiscal year, the year of its creation, and according to its Strategic Plan, the company landmarks during the 2008 fiscal year have been:

1. Consolidation of the company incorporation process to the framework of Globalvía Infraestructuras. In this sense, and to stimulate the development growth of this new company, most of the concessions owned by Fcc and Caja Madrid are being integrated into Globalvía Infraestructuras. In this year transfers of the companies Marina Port Vell, Concesiones Aeroportuarias, Concesiones de Madrid, Nàutic Tarragona, Oligsa, Portsur Castellón, Hospital de Sureste, Scutvias Autostradas Beira Interior and Madrid 407 have been consolidated.
2. Award of new concessions. The main achievements in this field have been the award of the Transmontana Highway in Portugal and the purchase of Itata and Aconcagua Highways in Chile.
3. Take-over mergers in concession management companies, such as the purchase of parcels of shares in Tranvía de Parla, Túnel d'Envalira, Ruta de los pantanos and Transportes Ferroviarios de Madrid (TFM).

Finally, it should be mentioned that the company Globalvía Infraestructuras created in 2007 with a corporate capital of 250 million Euros, had at the beginning of 2008 a corporate capital of 350.751 million Euros and after successive capital increases by the shareholders' investment, new awards and increases in company participations, at the end of the year counting with an authorised corporate capital of 741.769 million Euros.



■ Cartagena-Vera Highway

## 2.3 HIGHWAYS

During 2008 the highway concession sector has maintained a very positive level of activity in all its concessions in Chile, Ireland, Spain, Portugal and Andorra. The traffic volume on the toll highways managed by Globalvía Infraestructuras has remained stable.

Likewise, the good execution rhythm of the remaining highways in Mexico, Ireland, Costa Rica and Portugal may be mentioned.

The highway sector represents the main activity of Globalvía Infraestructuras with an income of about 186.018 million Euros accounting for 50.45% income.

Globalvía Infraestructuras continues working in the analysis of new opportunities, mainly in North America, Latin

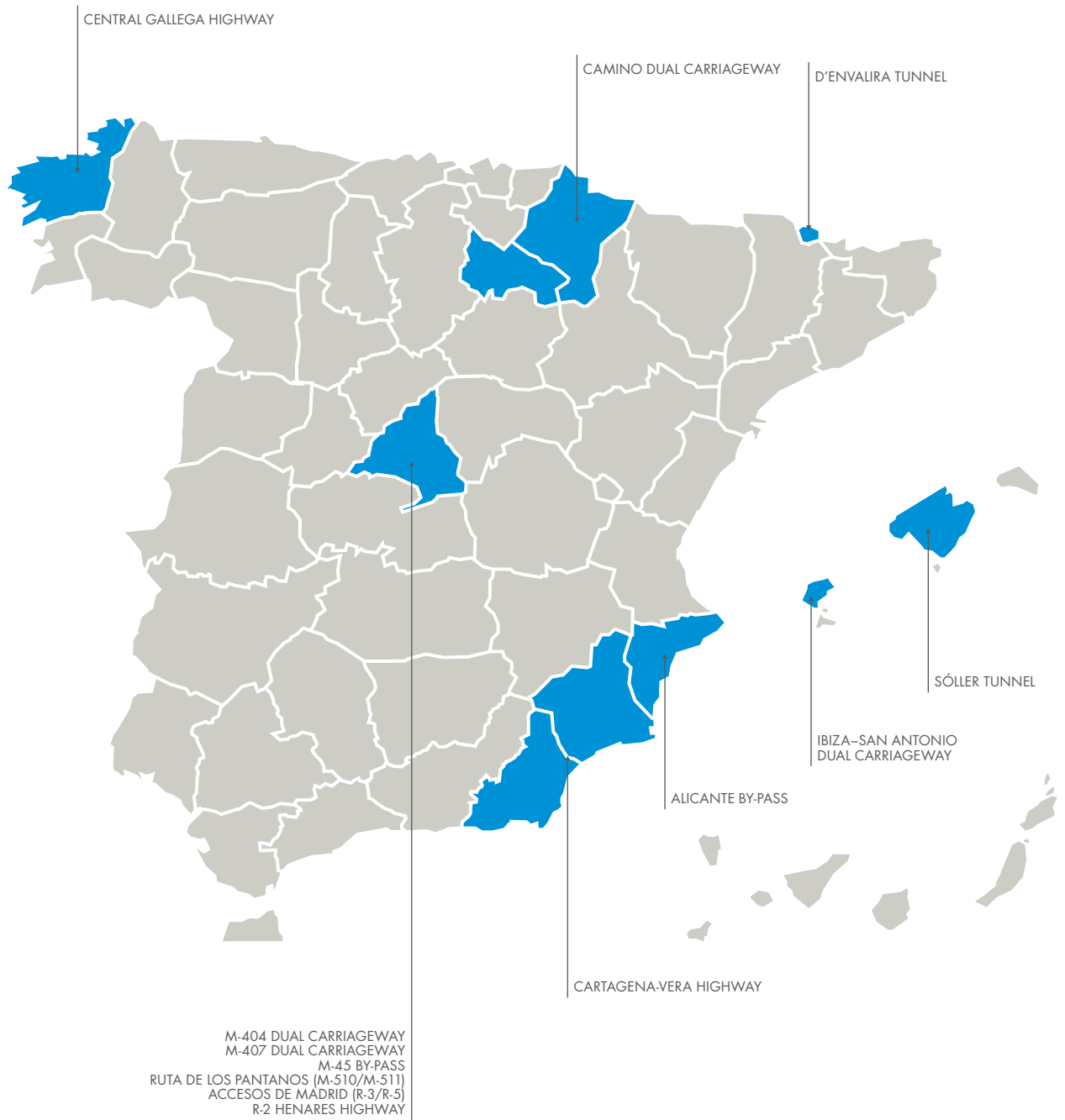
America and the European Union. Many countries foresee privatisation of their roads or constructing new ones and hence require the participation of organisation like Global Vía Infraestructuras having financial capacity, experience and global vision.

Globalvía Infraestructuras manages almost 1,500 Km. of highways worldwide.

### 2.3.1 SPAIN

In Spain, Globalvía Infraestructuras manages 433 Km., representing 13% toll roads in the country and 30% toll highways in km. (real and shadow) managed by Globalvía Infraestructuras.

CONCESSION NAME	LENGTH KM.	ADR	CONCESSION YEAR	PERCENTAGE PARTICIPATION GVI %	HIGHWAY TYPE	TURNOVER M€	IMPLEMENTATION YEAR
Autopista Central Gallega	56.80	5,683	1999	61.39	Real toll	32,500	2003
Túnel de Sóller	3.10	8,212	1988	56.53	Real toll	16,650	1997
Túnel d'Envalira	3.20	1,485	1998	80.00	Real toll	8,400	2002
Autopista Cartagena-Vera	114.00	2,553	2004	35.75	Real toll	89,956	2008
R3 y R5	6.20	13,885	1999	20.00	Real toll	223,605	2004
R-2 Autopista del Henares	62.00	10,601	2000	10.00	Real toll	115,093	2003
Circunvalación de Alicante	28.50	9,862	2004	25.00	Real toll	77,297	2008
M-45	14.10	82,048	1999	100.00	Shadow toll	28,800	2002
Ruta de los Pantanos M-501/M-511	21.80	36,100	1999	66.66	Shadow toll	3,581	2003
Autovía Pamplona-Logroño	70.25	11,807	2002	40.00	Shadow toll	41,950	2004
M-407	11.60	27,932	2005	50.00	Shadow toll	11,325	2007
Autovía Ibiza-San Antonio	14.00	Under construction	2005	50.00	Shadow toll	20,901	Implementation stage
M-404	27.00	Under construction	2007	100.00	Shadow toll	5,861	Under construction





**AUTOPISTA CENTRAL GALLEGA ESPAÑOLA, S.A.**  
**61.39%**

The above is the holder of the construction and exploitation for 75 years of the Santiago de Compostela-Alto de Santo Domingo toll highway, having a total length of 56.8 km. The average daily rate of traffic in 2008 was 5,683 vehicles. The highway is a basic trunk road communicating the south of Galicia (Orense) with its capital, Santiago. It consists of 9 road links.



**COMPAÑÍA CONCESIONARIA DEL TÚNEL DE SÓLLER, S.A.**  
**56.53%**

Two-way toll tunnel crossing Sierra de Alfabia in the Palma de Mallorca-Sóller corridor. The average traffic rate in 2008 was 8,212 vehicles. The concession length is 3.1 km.



**TÚNEL D'ENVALIRA, S.A.**  
**80%**

The concession management company for the construction and exploitation during 50 years of 3 km. long toll tunnel, joining the winter station of Grau Roig and Pass de la Casa and connecting the trunk road between Andorra and France within the Barcelona-Toulouse road. In the 2008 Fiscal Year, 1,485 vehicles average daily used it.



**MADRID 404, SOCIEDAD CONCESIONARIA, S.A.**  
100%

The successful bidder of the concession for the design, construction, conservation and exploitation of 27 km. of the M-404 dual carriageway between the M-407 and M-406 in shadow toll system. The concession was awarded in December 2007 and implementation is foreseen for 2011.



**AUTOPISTA DE LA COSTA CÁLIDA C.E.A., S.A.**  
35.75%

The successful bidder of the administrative concession during 36 years for the construction, exploitation and conservation of the Cartagena-Vera toll highway of 98 km. and the 16 km. toll free dual carriageway for internal by-pass traffic from Cartagena. In 2008 it was implemented with an average daily traffic of 2,553 vehicles. It consists of 7 road links and toll posts.





**MADRID 407, SOCIEDAD CONCESIONARIA, S.A.**  
**50%**

This is the concession management company for the design, construction, conservation and exploitation of 11.6 km. of the M-407 highway between the M-404 and the M-505 in shadow toll system. The concession was awarded in August 2005 and implemented in 2007. In 2008, the average daily rate was 27,932 vehicles. It is a very important trunk road in the southern metropolitan rim of Madrid, between Leganés and Griñón.



**CONCESIONES DE MADRID, S.A.**  
**100%**

Administrative concession for a section of the M-45 by-pass road to Madrid, between the O'donell trunk road and the N-II, with a length of 14.1 km., for a period of 25 years under the shadow toll system. During the 2007 fiscal year, it had an average daily rate of 82,048 vehicles.


**RUTA DE LOS PANTANOS, S.A.**
**66.66%**

The purpose of this concession is the construction, management and conservation for 25 years of lane duplication of the roads M-511 and M-501 between the M-40 and the M-522 in the Community of Madrid, with a length of 21.8 km. Said road connects the high development areas of the west with Madrid Capital. The average daily rate in 2008 was 36,100 vehicles.


**AUTOVÍA DEL CAMINO, S.A.**
**40%**

The successful bidder for the construction and exploitation of the Pamplona-Logroño dual carriageway under the shadow toll system. The section is divided in five execution stages, with a total of 70.25 km. It was implemented at the end of 2004. The average daily rate in 2008 was 11,807 vehicles.


**IBISAN SOCIEDAD CONCESIONARIA, S.A.**
**50%**

Concession for 25 year of the design, construction, conservation and exploitation for the splitting off in the Ibiza-San Antonio road of 14 km. During 2008, the works were at a pre-implementation stage.



**ACCESOS DE MADRID, CESA.**

20%

This is the successful winner of a contract for the exploitation of R-3 and R-5 toll highways. The R-3 is a 33.9 km. long toll highway between the M-40 and Arganda del Rey, parallel to the alternative toll-free A-3. The R-5 is also a 28.3 km. long toll highway between the M-45 and Navalcarnero, parallel to the A-5. Both are operating since 2004 and the concession is for 50 years. The average daily rate during 2008 was 13,885 vehicles. The R-5 consists of 11 road links and the R-3, 10.



**AUTOPISTA DEL HENARES, S.A.**

10%

Henarsa is the successful winner of a contract for the construction and exploitation of the R-2 toll highway, of 62 km. long between the M-40 and Guadalajara. It consists of two sections. The inner section from the M-40 to the M-50 is the alternative to avoid traffic jams on the A-1 at the level of S.S. de los Reyes and Alcobendas. The outer section is the alternative to the heavy traffic of the A-2 between Guadalajara and the M-50. The concession is for 24 years. The average daily rate last year was 10,601 vehicles. It consists of 16 road links and 8 toll areas.



**CIRALSA, S.A.**

25%

CIRALSA is the concession management company of the construction and exploitation of the Alicante by-pass highway. It consists of 28.5 km. and the concession is for 36 years. It is in operation since December 2008, with an average daily rate of 9,862 vehicles. It consists of 8 road links.

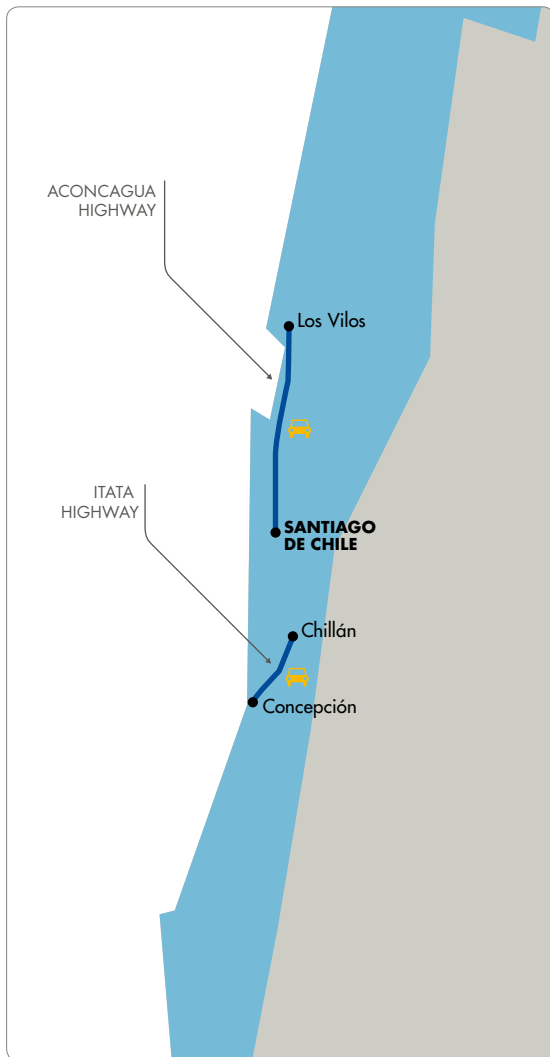
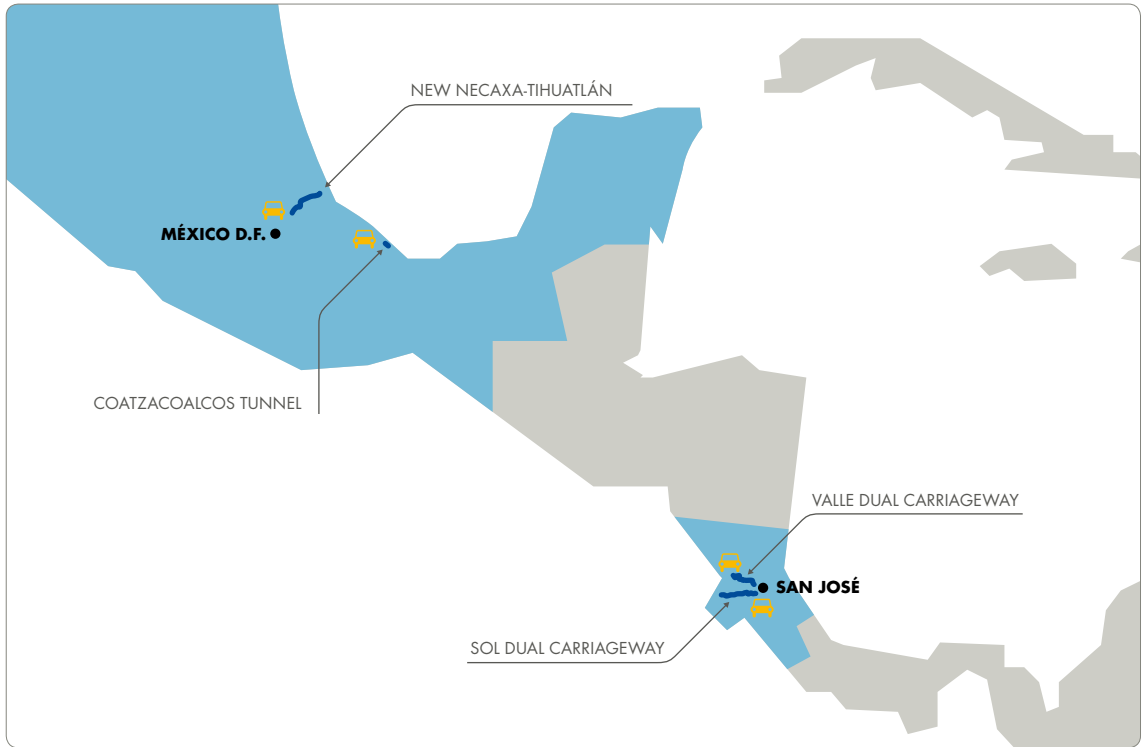


■ SCADI, Itata Highway

### 2.3.2 REST OF THE WORLD

Globalvía Infraestructuras manages 1,030 Km. highways in Costa Rica, Chile, Mexico and Ireland representing 70% of the total Km. of toll highways (real and shadow) managed by Globalvía Infraestructuras worldwide.

CONCESSION NAME	COUNTRY	LENGTH KM.	ADR	CONCESSION YEAR	PARTICIPATION PERCENTAGE GVI %	TURNOVER M€	IMPLEMENTATION YEAR
SCADI, Autopista del Itata	Chile	98.20	7,300	2008	100.00	16,384	1998
SCADA, Autopista del Aconcagua	Chile	218.24	35,400	2008	100.00	36,818	2002
Autopista Beira Interior, Abrantes-Guarda	Portugal	198.00	10,527	1999	8.33	Under construction	Under construction
Auto-Estrada Transmontana	Portugal	191.00	Under construction	2008	50.00	Under construction	Under construction
N6 Galway	Ireland	56.00	Under construction	2006	45.00	Under construction	Under construction
M-50 LTD	Ireland	43.30	Under construction	2007	45.00	Implementation	Implementation
Autopista San José-San Román	Costa Rica	60.00	Under construction	2004	48.00	Under construction	Under construction
Autopista San José-Caldera	Costa Rica	76.80	Under construction	2006	48.00	Under construction	Implementation
Túnel sumergido de Coatzacoalcos. Estado de Veracruz	Mexico	2.20	Under construction	2004	70.00	Under construction	Under construction
Nueva Necaxa-Tehuacán	Mexico	85.00	Under construction	2007	50.00	Under construction	Under construction




**AUTOPISTA DEL ITATA S.A.**
**100%**

Autopista del Itata S.A., is the concession management company of the administrative concession for the construction and exploitation of the Concepción-Chillan toll highway in the south of Chile. Located at 600 km. from Santiago it captures the flow from route 5 coming from the North leading towards Concepción. It consists of 3 trunk toll areas, which are exploited both ways, with a daily flow of 7,300 vehicles. The concession term terminates in 2023.


**AUTOPISTA AUTOPISTA DEL ACONCAGUA S.A.**
**100%**

Autopista del Aconcagua S.A., is the concession management company commissioned with the administrative concession for the construction and exploitation under a toll system for the highway from the North of Chile communicating the limit of Peru with Los Vilos, length 218.24 km. Consisting of 3 trunk toll areas exploited in both ways with an average daily rate of 35,400 vehicles. The concession finishes in 2021.


**SCUTVIAS, AUTOESTRADAS DA BEIRA INTERIOR, S.A.**
**8.33%**

Shadow toll highway in the Beira Aera, Inland Portugal. The road is divided in 8 sections with a total of 198 km. The average daily rate in 2008 was 10,527 vehicles.



**AUTO-ESTRADAS XXI S.A.**  
50%

This is the successful winner of the construction and exploitation for 30 years of the mixed toll highway between Vilareal and Braganza, having a total length of 191 km. Currently, being designed and constructed.



**AUTOVÍA NECAXA-TIHUATLÁN, S.A.**  
50%

AUNETI, S.A. de C.V. is the successful winner of the concession for the construction and exploitation of the highway starting in Nueva Necaxa and finishing in Tihuatlán, in the states of Puebla and Veracruz, Mexico, having an approximate length of 85 km., for 30 years. Under construction.



**AUTOPISTA DEL SOL, S.A.**  
48%

This is the successful winner for the construction and exploitation for 25 years of a toll highway with access to the capital city San Jose, from the west of the country, from the municipality of Caldera in Costa Rica. The road consists of three sections with a total length of 76.8 Km., communicating the country's capital with one of the main Pacific ports. The implementation is foreseen throughout 2009.



**AUTOPISTA DEL VALLE, S.A.**  
48%

This was the successful winner in June 2004 of the concession for the construction and exploitation under toll system for the San Jose-San Ramon highway in Costa Rica for 25 years. The highway is 60 Km. long. Under construction.



**CONCESIONARIA TÚNEL  
DE COATZACOALCOS, S.A. DE C.V.**  
70%

This is the successful winner for the construction and exploitation under toll system, for 30 years, of the underwater tunnel of Coatzacoalcos, in the State of Veracruz, Mexico. This tunnel is 2,200 m. long, of which 1,200 m. are submerged, constructed by means of six prestressed concrete ring stones, prefabricated in a dry dock. The works started in 2007 and implementation is foreseen at the end of 2010.



**N6 GALWAY**  
45%

The successful winner for the construction of the N-6 GALWAY-BALLINASLOE Highway within the strategic east-west corridor from Galway to Dublin, meeting the requirements of the National Development Plan. It consists of a 56 km. long toll highway between Galway and Ballinasloe, a 7 km. road link to the Loughrea by-pass (single-lane) and approximately 32 km. access road. The concession is for 30 years and the implementation is foreseen for 2010. Currently under construction.



**M-50 CONCESSIONS LTD**  
45%

This is the successful winner of the concession for the construction and exploitation of the M-50 highway in Dublin, for 35 years, main bypass of the city. The project consists of extending 24 km. of highway and operating and maintaining said length, together with another 19.3 km. The works are being executed maintaining the maintenance jobs of complete highway ring.





■ Camino Dual Carriageway

### 2.3.3 MAIN PARAMETERS AND SECTOR ACTIVITIES

Globalvía Infraestructuras manages 13% of Spanish toll highways and 29.6% kilometres of toll highways managed by Globalvia Infraestructuras worldwide (70% of the highways are distributed among 6 countries).

According to assets managed, the toll highway business (real and shadow) in Spain represents 132.817 million euros, 36% of the total assets managed by Globalvia Infraestructuras as of December 31st 2008. Likewise, it represents 71.4% of the total turnover of the Globalvia Infraestructuras highway sector.

The turnover of highway management abroad amounts to 53.201 million euros representing 28.6% of the turnover of the Globalvía Infraestructuras highway sector and 15% of the total turnover of Globalvia Infraestructuras.



M-45 By-pass ■

#### 2.3.4 RELEVANT EVENTS OF THE SECTOR

Within the fiscal year, the following should be mentioned:

- The purchase of the Aconcagua and Itata highways from Bancomext, both in Chile. The Aconcagua Highway (218 Km. long) joining the cities of Santiago and Los Vilos and part of the Pan-American Route, the most important trunk road in Chile, crossing most of the urban centres of the country. The Itata Highway (89 km. long) between Chillan and Concepcion and capturing most of the traffic coming from the north (Santiago) to Concepción.
- The award and financial conclusion of the concession, for the construction and exploitation for a period of 30 years of the Transmontana highway, IP-4 between Vila Real and Bragança, in Portugal (194 Km. long). The project involves the improvement of the connection of North-East Portugal with Spain and includes 32 km. new construction, 106 km. splitting and 56 km. improvement of roads already existing.
- Increase of the investment in Concesiones de Madrid, reaching 100% control, Ruta de los Pantanos, reaching 66.66% and The Envalira Tunnel with 80% control.
- The financial conclusion of the Sol Highway in which Globalvía Infraestructuras together with its partner obtained in Costa Rica financing of 247 million dollars. The construction is in progress with a foreseen implementation in 2009.
- The exploitation of the M-407 Sociedad Concesionaria S.A., Shadow toll dual carriageway has been started, located in the Community of Madrid. Ciralsa, S.A. a State concessionaire, Alicante by-pass highway, 28.5 km. long and Ibisán Sociedad Concesionaria S.A., Ibiza-San Antonio road (Balearic Islands).
- The M-404 in the Community of Madrid, the Transmontana highway in Portugal, the Nuevo Necaxa-Tihuatlán highway and the underwater tunnel of Coatzacoalcos in Mexico, N6 Galway-Ballinasloe and the M-50 in Ireland, all continue at an acceptable rate of construction.



Besòs Tramway ■

## 2.4 METROPOLITAN RAILWAYS

During 2008, Globalvia Infraestructuras has managed 83 km. metropolitan railway infrastructure destined for public passenger transport, representing 79% of the total km. managed in 2008 by the Administrative concession system. Likewise, it has transported almost 42 million passenger.

This data places Globalvia Infraestructuras as leader in the private management of passenger railway transport, trying to increase its participation both in Spain and in countries defined as strategic.



CONCESSION NAME	LENGTH KM.	PASSENGERS/ YEAR	CONCESSION YEAR	PERCENTAGE PARTICIPATION GVI %	TURNOVER M€	IMPLEMENTATION YEAR
Tramvia de Parla	8.50	4,458,040	2005	75.00	2,308	2007
Transportes Ferroviarios de Madrid	20.00	6,760,000	1997	49.37	8,066	1999
Metro Barajas Sociedad	2.50	2,958,407	2006	100.00	2,793	2007
Metro Ligero San Chinarro	5.40	4,148,395	2006	42.40	19,631	2007
Tramvia del Baix Llobregat	14.80	15,659,554	2000	19.03	15,342	2004
Tramvia Metropolitana del Besòs	15.00	7,496,273	2002	19.03	37,369	2004
Metro Málaga	16.50	Under construction	2004	24.50	Under construction	Under construction




**METRO BARAJAS SOCIEDAD CONCESIONARIA S.A.**
**100%**

Concession for 20 years for the construction and exploitation of the new metro line joining the old Barajas terminals with the new T-4 terminal, with a length of 2,5 km. It connects the airport by means of line 8 with the complete metro network of Madrid. In 2008 it had an average of 246,015 passengers per month.


**TRANVÍA DE PARLA, S.A.**
**75%**

The successful winner for 40 years for the construction, mobile material supply, exploitation, operation and maintenance of 8.5 km dual track of the Parla tram (Madrid), with 15 stations. This concession was awarded in 2005 and exploitation started in July 2007, with an annual transit of 4,458,040 passengers in 2008.



**TRANSPORTES FERROVIARIOS DE MADRID, S.A.**  
**49.37%**

The holder of the concession for 32 years of the extension of Line 9 of the Madrid Metro, between Vicalvaro and Arganda having a total length of 20 km. and 3 intermediate stations. During 2009 it was used by 6,760,000 passengers.



**METRO LIGERO DE SAN CHINARRO**  
**42.5%**

In 2006 Metro Ligero de Madrid, S.A. was awarded the contract for the operation and maintenance of the Pinar de Chamartin-San Chinarro-Las Tablas light metro line, 5.4 km. long connecting with lines 1 and 4 of Madrid Metro with 9 stations. This line is being exploited since May 2007 and the concession period is 30 years. In 2008 4,148,395 passengers used the light metro.



**TRAMVIA METROPOLITÀ, S.A.**  
**19.03%**

The successful winner for the construction and exploitation, for 25 years, of a transport infrastructure joining the south of Barcelona with the municipalities of the Baix Llobregat area. It is in service since 2005 with 29 stations. During 2008, 15,659,554 passengers used the line.



**TRAMVIA METROPOLITÀ DEL BESÒS, S.A.**  
**19.03%**

This is the successful winner of the construction, operation and maintenance, for 27 years, of the tram joining the North Station and the Olympic Village of Barcelona with Sant Adrià de Besòs and Badalona, length 15 km. and 28 stations. During 2008 it was used by 7,496,273 passengers.



**METRO MÁLAGA, S.A.**  
**24.50%**

The concession management company for 35 years for the design, construction, supply of mobile material and operation of lines 1 and 2 of the Malaga Metro. Total length 16.5 km., of which, 11.7 km. are subterranean. 19 stations will be constructed along its length. During 2008, the works were under construction.



■ Line 9 of the Madrid Metro

#### 2.4.1 MAIN PARAMETERS AND SECTOR ACTIVITY

The turnover of the public passenger railway transport sector amounted to 85.844 million euros, representing 23.18% of the total turnover of assets managed by Globalvia Infraestructuras as of December 31st 2008.

In 2008, the Globalvia Infraestructuras railway concessions have transported almost 42 million passengers, the Baix Llobregat tram having carried most passengers in 2008.

78.69% of the total Km. of railway infrastructures destined to public passenger transport and managed privately correspond to Globalvia Infraestructuras.

This data places Globalvia Infraestructuras as the leader in Spain in the management of passenger railway transport infrastructure concessions.

#### 2.4.2 RELEVANT EVENTS

During 2008:

- The management of the concessions implemented in 2007 were consolidated: Parla Tramway and Madrid Light Metros.
- In November, Tranvia de Parla, S.A. was transferred meaning that Globalvia Infraestructuras manages 75% of the concession management company.
- The good execution of the Málaga Metro is underway.

■ Parla Tramway







Castellón Bulk Terminal ■

## 2.5 PORTS

Globalvía Infraestructuras manages, only in Spanish territory 3 commercial ports and 4 marinas. It moves more than 3.5 millions tons and manages a total of 2,200 moorings.



### 2.5.1 COMMERCIAL PORTS

CONCESSION NAME	SURFACE IN M <sup>2</sup>	TONS	CONCESSION YEAR	PERCENTAGE PARTICIPATION GVI %	TURNOVER M€	IMPLEMENTATION YEAR
Puerto de Gijón, explanada de Aboño	168,000	2,800,000	2002	20	3,964	2002
Terminal Polivalente de Castellón	120,000	652,813	2003	45	6,332	2006
Terminal de graneles de Castellón	77,000	100,678	2005	30	542	2008



**TERMINAL POLIVALENTE DE CASTELLÓN, S.A.**  
45%

The successful winner of the construction and exploitation of a 9.5 hectare terminal in the Port of Castellón, for handling of containers and general merchandise. Exploited since 2006. In 2008, it moved more than 650,000 tons.



**OPERADOR LOGÍSTICO INTEGRAL DE GRANELES, S.A.**  
20%

Oligsa is the concession management company for the construction and exploitation for 30 years of the bulk terminal in Gijón Port with a surface of 168,000 m<sup>2</sup>. During 2008, it moved 2.8 million tons.



**PORTSUR CASTELLÓN, S.A.**  
30%

The concession management company, for 35 years, for the construction and exploitation of the heavy solid terminal in the southern extension of Castellón Port with 300 linear m. of dock and 60,000 m<sup>2</sup> of adjacent yard. Awarded in September 2005 and implemented in 2008.



Marina Port Vell ■

## 2.5.2 MARINAS

CONCESSION NAME	MOORINGS	CONCESSION YEAR	PERCENTAGE PARTICIPATION GVI %	TURNOVER M€	IMPLEMENTATION YEAR
Marina Port Vell	413	1991	60.49	5,045	1992
Nàutic Tarragona	417	1994	25.00	91	2006
Port Torredembarra	820	1992	24.08	1,870	1995
Marina de Laredo	550	2005	42.50	Under construction	Under construction



### MARINA PORT VELL, S.A.

60.49%

The administrative concession of the Port Authorities of Barcelona, with capacity for 413 moorings of great length and 4,800 m<sup>2</sup> of commercial premises. Occupation during the fiscal year has been total.





**NÀUTIC TARRAGONA, S.A.**  
25%

This is the concession management company for the construction and exploitation for 30 years in the Tarragona Marina. The port has 417 moorings of great length, of which in 2007 95% were rented or sold, as well 8,000 m<sup>2</sup> commercial premises, all sold.



**PORT TORREDEMBARRA, S.A.**  
24.08%

The concession management company for the construction and exploitation for 30 years of the Torredembarra Marina. It consists of 820 moorings, of which more than 95% were occupied during 2008. Whilst all its 4,000 m<sup>2</sup> for commercial premises were rented.



**MARINA DE LAREDO, S.A.**  
42.5%

Administrative concession for the construction and exploitation of 540 moorings, 497 m<sup>2</sup> commercial premises, a car park and a dry marina in Laredo Port (Cantabria), awarded in July 2005 for 440 years. Currently under construction.

### 2.5.3 MAIN ECONOMIC PARAMETERS AND SECTOR ACTIVITY

The turnover of the commercial ports managed by Globalvía Infraestructuras as of December 31st 2008 amounted to 17.844 million euros, representing almost 5% of the total turnover of assets controlled by Globalvía Infraestructuras as of December 31st 2008.

The occupation of the marinas controlled by Globalvía Infraestructuras exceeded 95% during 2008, reaching the management of 2,200 moorings.

Regarding commercial ports with a surface of 365,000 m<sup>2</sup> and 100% destined to rented commercial premises, more than 3.5 million tons were moved.

Castellón Multipurpose Terminal ■





Marina Port Vell ■

#### 2.5.4 RELEVANT EVENTS

During 2008:

- The Castellon bulk terminal has been implemented.
- Globalvía Infraestructuras has taken control of the company Port Vell Marina.
- The Laredo Marina works have continued their good execution rate, with an early implementation.

## 2.6 AIRPORTS AND HOSPITALS

Globalvía Infraestructuras manages two airports, one in Spain and the other in Chile, transporting more than 9 million travellers a year and two hospitals, both in Spain with a total of 1,100 beds.



### 2.6.1 AIRPORTS

CONCESSION NAME	TRAVELLERS/ YEAR	CONCESSION YEAR	PERCENTAGE PARTICIPATION GVI %	TURNOVER M€	IMPLEMENTATION YEAR
Aeropuerto Internacional Arturo Merino Benítez SCL	9,017,718	1997	14.78	69,833	1997
Aeropuerto de Castellón	Under construction	2004	45.00	Under construction	Under construction

#### ■ Arturo Merino Benítez International Airport




**CONCESIONES AEROPORTUARIAS, S.A.**
**45%**

The successful winner for the construction and exploitation for 50 years of Castellon Airport. The future airport will be located between Benloch and Villanueva de Alcolea, a privileged enclave at less than 50 km. from anywhere in the province. At the end of 2007 fiscal year the work rate reached almost 67% and forecasts indicate that the works will finish during 2009 to start the first operations in the second six month period of the year.


**S.C.L. TERMINAL AÉREO DE SANTIAGO, S.A.**
**14.78%**

Concession for the operation and exploitation for 21.5 years of the Arturo Merino Benitez International Airport of Santiago de Chile. During 2008, 9,017,718 passenger were carried.



## 2.6.2 HOSPITALS

CONCESSION NAME	BEDS	SURFACE	CONCESSION YEAR	PERCENTAGE PARTICIPATION GVI %	TURNOVER M€	IMPLEMENTATION YEAR
Hospital de Arganda	110	37,000	2005	66.66	9,581	2008
Hospital Son Dureta	987	193,088	2007	32.00	Under construction	Under construction

### ■ Arganda Hospital





**HOSPITAL DEL SURESTE, S.A.**

**66.66%**

The successful bidder of the construction and integral management of the new hospital in Arganda del Rey (Madrid) for 30 years. In operation since 2007.



**HOSPITAL DE SON DURETA**

**32%**

The successful bidder for the construction and exploitation of the new University Hospital of Son Dureta in Palma de Mallorca. The new hospital has a capacity for 987 beds with a concession term of 30 years. Currently under construction.



Arganda Hospital ■

### 2.6.2 MAIN PARAMETERS AND SECTOR ACTIVITY

The total turnover of the hospital sector amounted to 9.581 million euros, representing 2.60% of the total assets managed by Globalvia Infraestructuras as of December 31st 2008.

With respect to airports, the turnover amounted to 69.833 million euros, 18.9% of the total turnover.

Likewise, during 2008 1,100 beds have been managed on a total surface of 230,000 m<sup>2</sup>.

Of the two airports managed by Globalvia Infraestructuras, only one is in service, the Santiago Air Terminal (Chile), with more than 9 million travellers only in 2008.

### 2.6.3 RELEVANT EVENTS OF THE SECTOR

During 2008:

- The management of the Sureste Hospital, implemented in 2007 was consolidated.
- The execution works of the Castellon Airport and the Son Dureta Hospital (Palma de Mallorca) continue at a good rate.

Son Dureta Hospital ■





# 3

ECONOMIC  
FINANCIAL  
INFORMATION

# 3

## ECONOMIC FINANCIAL INFORMATION

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# 3.1.

AUDIT REPORT  
ON THE CONSOLIDATED  
ANNUAL ACCOUNTS

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## INFORME DE AUDITORÍA DE CUENTAS ANUALES CONSOLIDADAS

A los Accionistas de  
GLOBAL VÍA INFRAESTRUCTURAS, S.A.:

1. Hemos auditado las cuentas anuales consolidadas de Global Vía Infraestructuras, S.A. y Sociedades dependientes que comprenden el balance de situación consolidado al 31 de diciembre de 2008, la cuenta de pérdidas y ganancias consolidada, el estado de flujos de efectivo consolidado, el estado de cambios en el patrimonio neto consolidado y la memoria de las cuentas anuales consolidadas correspondientes al ejercicio anual terminado en dicha fecha, cuya formulación es responsabilidad de los Administradores de la Sociedad Dominante. Nuestra responsabilidad es expresar una opinión sobre las citadas cuentas anuales consolidadas en su conjunto, basada en el trabajo realizado de acuerdo con normas de auditoría generalmente aceptadas en España, que requieren el examen, mediante la realización de pruebas selectivas, de la evidencia justificativa de las cuentas anuales consolidadas y la evaluación de su presentación, de los principios contables aplicados y de las estimaciones realizadas. Nuestro trabajo no ha incluido el examen de las cuentas anuales del ejercicio 2008 de determinadas sociedades dependientes y asociadas, cuyos activos, importe neto de la cifra de negocios y resultados netos agregados, en valor absoluto, representan, respectivamente, un 56%, 72% y un 65% de los correspondientes totales consolidados. Las cuentas anuales de dichas sociedades han sido auditadas por otros auditores (véanse los Anexos I y II de la memoria consolidada). Nuestra opinión expresada en este informe sobre las cuentas anuales consolidadas de Global Vía Infraestructuras, S.A. y Sociedades Dependientes se basa, en lo relativo a dichas sociedades, en los informes de los otros auditores.
2. De acuerdo con la legislación mercantil, los Administradores de la Sociedad Dominante presentan, a efectos comparativos, con cada una de las partidas del balance de situación, de la cuenta de resultados, del estado de flujos de efectivo, el estado de cambios en el patrimonio neto consolidado y de la memoria de las cuentas anuales, además de las cifras consolidadas del ejercicio 2008, las correspondientes al ejercicio anterior. Nuestra opinión se refiere exclusivamente a las cuentas anuales consolidadas del ejercicio 2008. Con fecha 1 de junio de 2008 emitimos nuestro informe de auditoría de las cuentas anuales consolidadas del ejercicio 2007, en el que expresamos una opinión favorable.
3. En nuestra opinión, basada en nuestra auditoría y en los informes de otros auditores mencionados en el párrafo 1 anterior, las cuentas anuales consolidadas del ejercicio 2008 adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio consolidado y de la situación financiera consolidada de Global Vía Infraestructuras, S.A. y Sociedades Dependientes al 31 de diciembre de 2008 y de los resultados consolidados de sus operaciones, de los cambios en el patrimonio neto consolidado y de sus flujos de efectivo consolidados correspondientes al ejercicio anual terminado en dicha fecha y contienen la información necesaria y suficiente para su interpretación y comprensión adecuada, de conformidad con las normas internacionales de información financiera adoptadas por la Unión Europea que guardan uniformidad con las aplicadas en el ejercicio anterior.
4. El informe de gestión consolidado adjunto del ejercicio 2008 contiene las explicaciones que los Administradores de la Sociedad Dominante consideran oportunas sobre la situación del Grupo, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales consolidadas. Hemos verificado que la información contable que contiene el citado informe de gestión concuerda con la de las cuentas anuales consolidadas del ejercicio 2008. Nuestro trabajo como auditores se limita a la verificación del informe de gestión consolidado con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de Global Vía Infraestructuras, S.A. y Sociedades Dependientes

DELOITTE, S.L.  
Inscrita en el R.O.A.C. nº 50692

Javier Parada Pardo  
16 de marzo de 2009

# 3.2.

## CONSOLIDATED ANNUAL ACCOUNTS

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### **GLOBAL VÍA INFRAESTRUCTURAS, S.A. AND SUBSIDIARIES**

CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR  
ENDING ON 31ST DECEMBER 2008, PREPARED IN  
ACCORDANCE WITH THE INTERNATIONAL FINANCIAL  
REPORTING STANDARDS AND CONSOLIDATED  
MANAGEMENT REPORT

**GLOBAL VÍA INFRAESTRUCTURAS, S.A. AND SUBSIDIARIES**

CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE YEARS ENDING ON 31ST DECEMBER 2008 AND 2007 (IN THOUSANDS OF EUROS)

	2008	2007
Net turnover (Note 19 a)	51,294	1,691
Own work capitalised	168	-
Other income	1,250	60
Overprovision	67	-
Provisions and other external costs (Note 19 b)	(6,792)	(8,498)
Staff costs (Note 19 c)	(10,398)	(2,731)
Other operating charges	(30,873)	(6,862)
Fixed asset depreciation (Notes 5 and 6)	(30,658)	(372)
Grants released to income during the year	2,747	-
Deterioration and results on disposal of fixed assets	2,233	-
<b>OPERATING LOSS</b>	<b>(20,962)</b>	<b>(16,712)</b>
Financial income (Note 19)	6,486	1,255
Financial expenses (Note 19)	(27,165)	-
Exchange differences (Note 19)	(4,023)	-
<b>FINANCIAL LOSS</b>	<b>(24,702)</b>	<b>1,255</b>
Results from undertakings carried by the participation method (Note 8)	(11,974)	-
<b>LOSS BEFORE TAXES ON CONTINUED ACTIVITIES</b>	<b>(57,638)</b>	<b>(15,457)</b>
Profit tax charge (Note 16)	11,398	4,586
<b>CONSOLIDATED LOSS</b>	<b>(46,240)</b>	<b>(10,871)</b>
LOSS ATTRIBUTED TO THE PARENT COMPANY	(43,763)	(10,871)
LOSS ATTRIBUTED TO EXTERNAL PARTNERS	(2,477)	-
<b>Profit per share</b>	-	-
Basic	-	-
Diluted	-	-

Notes 1 to 24 and appendices I and II attached hereto form part of the consolidated statements, comprising together therewith the consolidated annual accounts for 2008.

## GLOBAL VÍA INFRAESTRUCTURAS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS AT 31ST DECEMBER 2008 AND 2007 (IN THOUSANDS OF EUROS)

ASSETS	31ST DEC 2008	31ST DEC 2007
<b>FIXED ASSETS:</b>		
Tangible fixed assets (Notes 5 and 7)	1,762,345	497,389
Intangible assets (Notes 6 and 7)	651	225
Investments entered applying the participation method	159,857	122,846
Fixed financial assets (Note 9)	192,370	1,023
Deferred tax assets (Note 16)	47,433	19,601
<b>Total fixed assets</b>	<b>2,162,656</b>	<b>641,084</b>

### CURRENT ASSETS:

Stocks (Note 10)	1,360	28
Debtors and other accounts receivable (Notes 11 and 16)	50,502	10,681
Other current financial assets (Note 9)	121,259	24,935
Other current assets	5,308	-
Cash and other liquid assets (Note 12)	45,636	130,492

### Total current assets

224,065

166,136

### TOTAL ASSETS

2,386,721

807,220

Notes 1 to 24 and appendices I and II attached hereto form part of the consolidated statements, comprising together therewith the consolidated annual accounts for 2008.

LIABILITIES AND EQUITY	31ST DEC 2008	31ST DEC 2007
<b>EQUITY (Note 13):</b>		
Share capital	677,952	350,751
Accumulated profits and other reserves	126,135	23,197
Adjustments for change in value	(36,722)	-
Loss for the year	(43,763)	(10,871)
Total equity attributable to the parent company	723,602	363,077
Minorities	58,111	51,901
<b>Total equity</b>	<b>781,713</b>	<b>414,978</b>
<b>FIXED LIABILITIES:</b>		
Long-term bank loans (Note 14)	856,327	197,828
Provisions (Note 15)	1,237	-
Grants (Note 14)	292,150	56,430
Other fixed financial liabilities (Note 14)	91,238	65,990
Deferred tax liabilities (Note 16)	171,888	42,380
<b>Total fixed liabilities</b>	<b>1,412,840</b>	<b>362,628</b>
<b>CURRENT LIABILITIES:</b>		
Bank loans and overdrafts (Note 14)	69,114	12,062
Other financial liabilities	4,228	-
Trade creditors	111,526	9,847
Tax and Social Security contributions (Note 16)	5,319	1,046
Current provisions	1,859	769
Other current liabilities	122	5,890
<b>Total current liabilities</b>	<b>192,168</b>	<b>29,614</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,386,721</b>	<b>807,220</b>

## GLOBAL VÍA INFRAESTRUCTURAS, S.A. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN THE CONSOLIDATED EQUITY FOR  
THE YEARS ENDING ON 31ST DECEMBER 2008 AND 2007 (IN THOUSANDS OF EUROS)

	CAPITAL		ISSUE PREMIUM	RESERVES	ADJUSTMENTS FOR CHANGE IN VALUE
	PAID OUT	UNCALLED			
<b>Opening balance</b>	-	-	-	-	-
Incorporation	250,000	-	-	-	-
First capital increase	7,951	-	-	-	-
Second capital increase	92,800	-	23,200	-	-
Translation differences	-	-	-	(3)	-
Entries to the consolidation perimeter	-	-	-	-	-
Net result for 2007	-	-	-	-	-
<b>BALANCES AS AT 31ST DECEMBER 2007</b>	<b>350,751</b>		<b>23,200</b>	<b>(3)</b>	<b>-</b>
Net result for 2008	-	-	-	-	-
Capital increase 15th July 2008	23,530	-	5,882	-	-
Business combinations (Note 3)	-	-	-	-	-
Acquisition of own shares	-	-	-	-	-
Sale of own shares	-	-	-	-	-
Cash capital increase 19th September 2008	219,750	(63,727)	73,250	-	-
Non-cash capital increase 22nd September 2008	100,608	-	25,152	-	-
Non-cash capital increase 3rd November 2008	46,027	-	11,507	-	-
Non-cash capital increase 3rd December 2008	1,013	-	253	-	-
Capital increase expenses after taxes	-	-	-	(2,051)	-
Changes in perimeter	-	-	-	(184)	-
Distribution of 2007 results	-	-	-	(10,871)	-
Conversion differences and derivatives	-	-	-	-	(36,722)
<b>BALANCES AS AT 31ST DECEMBER 2008</b>	<b>741,679</b>	<b>(63,727)</b>	<b>139,244</b>	<b>(13,109)</b>	<b>(36,722)</b>

Notes 1 to 24 and appendices I and II attached hereto form part of the consolidated statements, comprising together therewith the consolidated annual accounts for 2008.

RESULT	WEALTH ATTRIBUTED TO PARENT CO.	MINORITIES	TOTAL WEALTH
-	-	-	-
-	250,000	-	250,000
-	7,951	-	7,951
-	116,000	-	116,000
-	(3)	-	(3)
-	-	51,901	51,901
(10,871)	(10,871)	-	(10,871)
<b>(10,871)</b>	<b>363,077</b>	<b>51,901</b>	<b>414,978</b>
(43,763)	(43,763)	(2,476)	(46,239)
	29,412	1,023	30,435
	-	-	-
	-	(679)	(679)
	-	-	-
	229,273	-	229,273
	125,760	-	125,760
	57,534	-	57,534
	1,266	-	1,266
	(2,051)	-	(2,051)
	(184)	12,383	12,199
10,871	-	-	-
	(36,722)	(4,041)	(40,763)
<b>(43,763)</b>	<b>723,602</b>	<b>58,111</b>	<b>781,713</b>

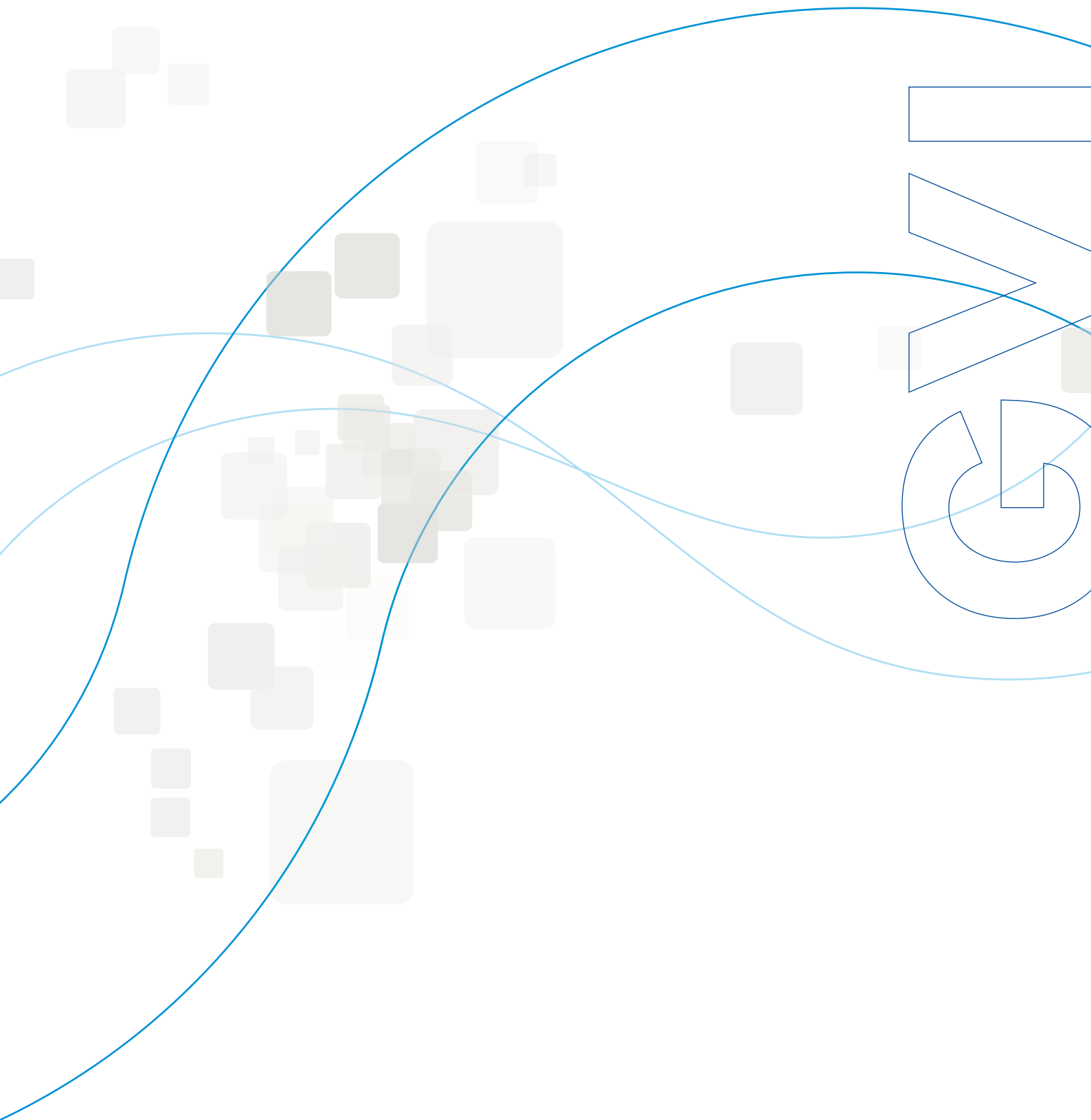


## GLOBAL VÍA INFRAESTRUCTURAS, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR CORRESPONDING TO THE PERIOD OF ELEVEN MONTHS AND TWO DAYS ENDING AS AT 31ST DECEMBER 2007

	31ST DEC 2008	31ST DEC 2007
Result before taxes of continued operations	(57,638)	(15,457)
Resources generated by operations (before interest and taxes)	66,313	(1,159)
Operating loss	-	-
Fixed asset depreciation	30,658	24
Tax on profits paid during the year	-	(367)
Other adjustments of the result (net)	35,655	(1,183)
Changes in working capital	101,645	-
Other cash flow from operating activities	(2,733)	-
Collections /(payments) of profit tax	(3,225)	-
Other collections /(payments) of operating activities	492	-
(Increase) decrease of stocks and debtors	-	(3,039)
Increase (decrease) of creditors	-	8,767
<b>TOTAL CASH FLOWS FROM OPERATIONS</b>	<b>107,587</b>	<b>(11,255)</b>
Investment payments	(393,915)	(273)
Tangible fixed assets	(33,710)	(273)
Group and associated companies and business units	(358,103)	-
Other financial assets	(2,102)	-
Shares and other financial assets	-	(162)
Other collections (payments) from investment transactions	(37,265)	(103,080)
Variation in cash and equivalent from changes in the perimeter	-	12,720
Collections from divestments	9,923	-
<b>TOTAL CASH FLOWS FROM INVESTMENT TRANSACTIONS</b>	<b>(421,257)</b>	<b>(90,795)</b>
Increase (decrease) of financial debt/indebtedness	-	43,275
Fixed	-	43,275
Collections from member contributions	212,917	214,249
Collections (payments) from financial liability instruments	9,184	-
Net interest	(31,599)	7
Collected	(31,599)	32
Paid	-	(25)
Other collections (payments) arising from financing transactions	-	(24,989)
<b>TOTAL CASH FLOWS FROM FINANCING OPERATIONS</b>	<b>190,502</b>	<b>232,542</b>
Effect of changes in the exchange rate and others	43,175	-
<b>TOTAL NET CASH FLOWS FOR THE YEAR</b>	<b>(79,994)</b>	<b>130,492</b>
Opening balance of cash and equivalents	125,629	-
<b>CLOSING BALANCE OF CASH AND EQUIVALENTS</b>	<b>45,636</b>	<b>130,492</b>

Notes 1 to 24 and appendices I and II attached hereto form part of the consolidated statements, comprising together therewith the consolidated annual accounts for 2008.



# 3.3.

## NOTES ON THE CONSOLIDATED ANNUAL ACCOUNTS

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## GLOBALVIA INFRAESTRUCTURAS AND SUBSIDIARIES

Consolidated Report for 2008

### 1. GROUP'S BUSINESS ACTIVITY

Globalvia Infraestructuras, S.A. was incorporated on 29th January 2007 for an open-ended term and its registered office is located at Paseo de la Castellana, number 141 Madrid.

The company's corporate purpose is comprised basically of the following activities:

- The management, promotion, development and operation of public infrastructures, both national and foreign, obtained from different governments and international bodies and institutions under the system of concession arrangement or under any other legal figure with characteristics similar to those of concession arrangements.
- Any activities that might be appropriate to a concession, at the present time or in the future, such as the operation of public works, their construction and maintenance, adaptation, renovation and modernizing and so on and so forth. These activities may be conducted by the company either directly or by any other manner permitted by law, such as through an interest in the capacity as shareholder in other companies having the same or similar corporate purpose.

### 2. BASES OF PRESENTING THE ANNUAL ACCOUNTS

#### a) BASES OF PRESENTATION

The accompanying financial statements and the notes on same that comprise this report and that definitively comprise these consolidated annual accounts were prepared as at the year-end close in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union in compliance with EC Regulation number 1606/2002 of the European Parliament and the Council on 19th July 2002 as well as the provisions and interpretations thereon.

The consolidated annual accounts for the year were prepared from the accounting records obtained from Globalvia Infraestructuras, S.A. and their associated companies. Said records that are compiled in accordance with the Spanish regulations, reference to which is made in the next paragraph, have been adapted to the IFRS standards by each of the

companies comprising the group in accordance with the procedures and operative systems established which enable the development and justification of the consolidation in compliance with the requirements set forth by the IFRS.

With respect to Spanish law, we would point out that the companies residing in Spain are governed by Spanish Accountancy Law which, with respect to the accounting regulations to be applied to the individual companies, is based on Royal Decree 1514/2007, by virtue of which the General Accounting System (PGC) was passed, and on the sectoral accounting systems, regulated by the old General Accounting System to the extent that they do not contravene the current regulations.

Moreover, pursuant to current Spanish tax law, the payment of corporate income tax is determined in accordance with the result calculated as per the General Accounting System, adapted by certain valuation standards applicable for the sole purpose of obtaining the tax base of said tax.

The consolidated annual accounts of the Globalvia Infraestructuras Group for 2008 were prepared by the board of directors of Globalvia Infraestructuras, S.A. and will be submitted for the approval of the general shareholders' meeting. It is not expected, however, that amendments will have to be made to said accounts as a consequence of complying with said requirement.

For the purpose of uniformly presenting the different entries comprising these consolidated accounts we have applied uniform accounting criteria to the individual annual accounts of the companies included in the perimeter of the consolidation. Over 2007 and 2008, the date of the year-end close of the annual accounts of the companies included in the perimeter of the consolidation was in general the same as that of the parent company, namely 31st December.

The consolidated annual accounts are expressed in thousands of euros.

## **b) PRINCIPLES OF CONSOLIDATION**

### SUBSIDIARIES

The consolidated annual accounts were prepared using the full consolidation method for the subsidiaries indicated in Appendix I, in which Globalvia Infraestructuras, S.A. controls the financial and operative policies of said subsidiaries either directly or through other companies controlled in their turn by Globalvia Infraestructuras, S.A.

The value of the holding of the minority shareholders in the wealth and the results of the consolidated companies is presented under the heading "Minorities" on the liabilities side of the accompanying consolidated balance sheet and of the accompanying profit and loss account respectively.

Where necessary, the good will is determined in accordance with what is indicated in Note 3 of this report.

### ASSOCIATED COMPANIES

The companies listed in Appendix II, which Globalvia Infraestructuras, S.A. does not control, but over which it has significant influence, are included in the accompanying consolidated balance sheet under the heading "Investments entered applying the participation method", consolidating them using the participation method. The participation in the results after taxes of these companies is indicated under the heading "Result of companies valued by the participation method" of the accompanying profit and loss account.

### OPERATIONS BETWEEN GROUP COMPANIES

In transactions between consolidated companies, the results from internal transactions are eliminated, being differentiated until operations are conducted with third parties outside the group.

The credits and debits between subsidiaries have been eliminated from the consolidated annual accounts, and in the

corresponding proportion, the debits and credits existing between said subsidiaries and the jointly managed business as well as the intercompany income and expenses of the consolidated companies.

#### DIFFERENCES ON FIRST CONSOLIDATION

The Group considers that as at the date of acquisition, the assets and liabilities as well as the contingent liabilities of a subsidiary are calculated at their fair values on the date of their acquisition. Any excess of the cost with respect to the fair values of the identifiable net assets acquired is entered as goodwill. Any defect in the acquisition cost with respect to the fair values of the identifiable net assets acquired (i.e., a discount in the acquisition) is entered in the profit and loss account in the period of acquisition.

The differences on first consolidation have all been entered as a greater price of the fixed assets designated for the concessions. The market value (determined by valuation techniques based on audited balance sheets and expected cash flow provisions) is greater than the net book value in the balance sheet as at the date of first consolidation. This difference on first consolidation is entered into the profit and loss account, in the first case, while the concession to which said capital gain was assigned is being amortised.

#### c) VALUATION STANDARDS

##### ESTIMATES DONE

In the Group's consolidated financial statements for 2008, occasionally estimates have been used to quantify some of the assets, liabilities, income, expenses and commitments that are recorded therein. Basically these estimates refer to:

- Distribution of the cost of the business combinations (Note 3)
- Losses arising from decline in value of certain assets (Notes 5 and 6)
- The useful life of tangible and intangible assets (Notes 5 and 6)
- The allocation of goodwill (Note 3)
- The price of certain provisions (Note 15)

The Group's consolidated annual accounts have been prepared such that they give a true and fair view of the wealth and financial position as at 31st December 2008 as well as the results of the transactions, of the changes in equity and of the consolidated cash flows that have occurred in the Group during said year.

#### DETERIORATION TEST OF THE TANGIBLE FIXED ASSETS AND THE INTANGIBLE ASSETS

The intangible assets, the useful lives of which are defined, and the tangible fixed assets are subjected to a deterioration test in the event that there are signs of a decline in value thereof for the purpose of adjusting their net book value to their value in use when the latter is less.

The good will and the intangible assets with an indefinite useful life are subjected, of necessity, at least once a year, to a deterioration test for the purpose of recognising possible declines in value.

The declines in value recognised in prior years of assets, other than the goodwill, may be reversed in the event that the estimates used in the deterioration test show a recovery of their value. The net book value of the assets that recover their value on no account exceeds the value that would have been obtained had the declines in prior years not have been produced.

The deteriorations or deterioration reversals of the assets are entered in the profit and loss account under the heading "Result from (deterioration)/reversal of tangible and intangible assets.

To determine the salvage value of the assets subjected to the deterioration test, the current value of the net cash flows originated by the cash generating units to which said assets are associated, excepting those cash flows related to payments or collections of financing transactions and the payments of profit tax, as well as those that might derive from future improvements or renovations envisaged for the assets of said cash generating units. To update the cash flows we used a discount rate before taxes that includes the current market evaluations of the temporary value of money and the risks specific to each cash generating unit.

The estimated cash flows were obtained from the projections done by the management of each cash generating unit (UGE) that include growth rates envisaged by the different business plans approved, which are reviewed periodically and which are supported on the different Financial Economic Models (FEM) of said business. The cash flows from the cash generating units located abroad were calculated in the functional currency of said cash generating units and were updated by discount rates that take into account the risk premiums pertinent to said currencies. The current value of the net cash flows thus obtained was converted to the closing exchange rate of said currency.

#### TRANSLATION DIFFERENCES

The annual accounts of foreign companies expressed in another currency were converted to euros in general according to the closing exchange rate with the exception of:

- Capital and reserves that were converted to the historical exchange rates.
- The entries of the profit and loss account of foreign companies, prepared using the full consolidation method, were converted by applying the average exchange rates of the period.

The conversion differences of the foreign companies of the consolidation perimeter, generated by applying the closing exchange rate method, are included after taxes in the equity of the accompanying consolidated balance sheet, as is indicated in the accompanying statement of changes in equity.

#### EXCHANGE DIFFERENCES

Accounts payable and accounts receivable denominated in foreign currencies are converted into euros by applying the exchange rates applicable as at the date of the consolidated balance sheet while the differences generated are entered in the profit and loss account.

The differences produced as a consequence of fluctuations in the exchange rate between the date of collection or payment and the date on which the transactions were made or their value was updated are entered in the profit and loss account for the year.

Moreover, any exchange differences that might be produced in relation to the financing of investments in foreign companies, where both the investment and the financing are denominated in the same currency, are directly entered in the equity account as conversion differences that offset the difference of the conversion to euros of the foreign company.

#### EFFECTIVE STANDARDS AND INTERPRETATIONS IN THIS PERIOD

The interpretation of the Interpretations Committee of the IFRS (ICIFRS) 11 of the IFRS 2 "Transactions with own shares and of the Group" and the amendment to the IAS 39/IFRS 7 "Reclassification of financial instruments" are effective for the first time in this financial year ending 2008. The adoption of these new interpretations and amendments were adequately considered in the Group's consolidated annual accounts and had no significant impact thereon.

## STANDARDS AND INTERPRETATIONS ISSUED NOT YET IN FORCE

As at 31st December 2008 those listed below are the most relevant standards and interpretations that had been published by the International Accounting Standard Board (IASB), but had not yet taken effect either because their effective date was subsequent to the date of the consolidated annual accounts or because they had not yet been adopted by the European Union:

		MANDATORY APPLICATION FINANCIAL YEARS INITIATING AS OF
<b>Standards and amendments to standards:</b>		
IFRS 8	Operating segments	1st January 2009
Review of IAS 23	Borrowing costs	1st January 2009
Review of IAS 1	Presentation of financial statements	1st January 2009
Review of IFRS 3 (1)	Business combinations	1st July 2009
Amendment to IAS 27 (1)	Consolidated and separate financial statements	1st July 2009
Amendment to IFRS 2	Vesting conditions and cancellations	1st January 2009
Amendment to IAS 32 and IAS 1 (4)	Puttable instruments and obligations arising on liquidation	1st January 2009
Amendment to IFRS 1 and IAS 27 (4)	Cost of investment in separate financial statements	1st January 2009
Amendment to IAS 39 (1)	Eligible hedged items	1st July 2009
<b>Interpretations</b>		
IFRIC 12 (1)	Service concession arrangements	(3)
IFRIC 13	Customer loyalty programmes	1st January 2009 (2)
IFRIC 14	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1st January 2009 (2)
IFRIC 15 (1)	Agreements for the construction of real estate	1st January 2009
IFRIC 16 (1)	Hedges of a net instrument in a foreign operation	1st October 2008
IFRIC 17 (1)	Distribution of non-cash assets to owners	1st July 2009

(1) Standards and interpretations not adopted by the European Union as at 31st December 2008.

(2) Date of mandatory application in accordance with its approval in the European Union Official Gazette.

(3) This interpretation is pending endorsement. In accordance with what is published by the Accounting Regulatory Committee (ARC) of the EU it is anticipated that said interpretation will be approved for its use in the EU with a new date of effect that would defer its mandatory application until 2010 (in theory, the date of effect established by the IASB was 1st January 2008).

(4) Endorsed on 21st and 23rd January respectively.

The directors have evaluated the potential impacts of the future application of these standards and they deem that their taking effect will not have a significant effect on the consolidated annual accounts excepting for IFRIC 12, the impact of which is being evaluated by the Group.



### 3. THE MOST SIGNIFICANT ACQUISITIONS

Over 2008 the parent company transacted five capital increases by both cash and non-cash funding, as is indicated in Note 13 of this report.

Said non-cash funding is embraced in the agreement signed between the company's shareholders by virtue of which they undertake to fund their shareholdings in 36 concessionary infrastructure companies.

The values of the contributions were calculated in accordance with the estimated market price of the majority and minority holdings acquired.

The acquired companies were incorporated into the accompanying financial statements in accordance with the provisions of IFRS 3 "Business combinations", of which we point to the following content:

- a. The date the acquired company is incorporated into the consolidated balance sheet is the date on which the effective control of said company is produced, which normally coincides with the date of acquisition.
- b. On the date of acquisition the acquired company's financial statements as at said date are incorporated into the Group as well as those of its subsidiaries.
- c. The assets and liabilities of the acquired companies are entered in the consolidated balance sheet at their fair value while the corresponding allocations are made, including the deferred taxes deriving from them. In compliance with the IFRS standards, these allocations may be reviewed within the twelve months of the date of their acquisition provided that there are no new data to be considered.
- d. The positive difference between the acquisition cost and the percentage of equity of the subsidiary, adjusted by the fair pricing of the assets and liabilities after taxes, is entered as goodwill.
- e. In the event that control is taken of a business combination in more than one transaction (successive purchases), the goodwill deriving from each transaction is treated separately while the reserves deriving from the fair pricing of the transaction are entered in the equity account on the date of taking the control corresponding to the shares held prior thereto.

Detailed below are the acquisitions transacted over the year and indicated for each one are the name, date of taking control, percentage of interest, cost of investment, financial statements incorporated from the business combination, allocation of fair value and good will.

2008

FINANCIAL STATEMENTS INCORPORATED FROM THE BUSINESS COMBINATION	CONCESIONES DE MADRID, S.A.	HOSPITAL DEL SURESTE, S.A.	MADRID 404 SOCIEDAD CONCESIONARIA, S.A.	TÚNEL D'ENVALIRA, S.A.	TRANVÍA DE PARLA, S.A.	S.C.A. ACONCAGUA, S.A.	S.C.A. ITATA, S.A.
Acquisition date	September 2008	July 2008	July 2008	November 2008	November 2008	September 2008	September 2008
Nominal interest	100%	66.67%	100%	80%	75%	100%	100%
<b>ASSETS</b>							
<b>Fixed Assets</b>	<b>180,063</b>	<b>80,440</b>	<b>1,671</b>	<b>46,664</b>	<b>311,166</b>	<b>318,132</b>	<b>153,825</b>
Net Tangible fixed assets and intangible assets	170,119	76,507	1,671	46,408	134,505	307,326	145,469
Fixed financial Assets	278	3,806	-	256	174,298	10,806	8,276
Other fixed assets	9,666	128	-	-	2,363	-	80
<b>Current Assets</b>	<b>19,743</b>	<b>6,291</b>	<b>4,463</b>	<b>1,925</b>	<b>24,030</b>	<b>42,985</b>	<b>12,604</b>
Stocks	10	-	18	112	995	-	-
Debtors and other accounts receivable	5,877	1,903	-	204	21,186	6,279	444
Other current financial assets	8,051	46	-	440	-	28,332	11,759
Other current assets	-	272	1	91	72	8,373	400
Cash and equivalent	5,805	4,700	4,444	1,078	1,777	1	1
<b>TOTAL ASSETS</b>	<b>199,806</b>	<b>87,361</b>	<b>6,134</b>	<b>48,589</b>	<b>335,196</b>	<b>361,117</b>	<b>166,429</b>
<b>LIABILITIES</b>							
<b>Net worth</b>	<b>28,444</b>	<b>8,895</b>	<b>5,861</b>	<b>19,876</b>	<b>11,796</b>	<b>60,195</b>	<b>59,217</b>
<b>Non-current liabilities</b>	<b>156,772</b>	<b>74,004</b>	<b>-</b>	<b>27,865</b>	<b>300,732</b>	<b>290,895</b>	<b>98,886</b>
Subsidies	17,257	-	-	1,113	220,688	-	-
Debts with credit institutions and others	-	-	-	26,680	258	283,621	94,752
Non-current financial liabilities	139,515	72,878	-	-	79,194	-	-
Other non-current liabilities	-	1,126	-	72	592	7,274	4,134
<b>Current liabilities</b>	<b>14,590</b>	<b>4,462</b>	<b>273</b>	<b>848</b>	<b>22,668</b>	<b>10,027</b>	<b>8,326</b>
Current non-current provisions	-	-	225	-	-	-	-
Debts with credit institutions and others	6,069	504	-	600	9,832	5,184	6,836
Current financial liabilities	4,194	125	-	-	6,187	-	-
Trade creditors and other current liabilities	4,327	3,833	48	248	6,649	4,843	1,490
<b>TOTAL LIABILITIES</b>	<b>199,806</b>	<b>87,361</b>	<b>6,134</b>	<b>48,589</b>	<b>335,196</b>	<b>361,117</b>	<b>166,429</b>

GOODWILL	CONCESIONES DE MADRID, S.A.	HOSPITAL DEL SURESTE, S.A.	MADRID 404 SOCIEDAD CONCESIONARIA, S.A. (a)	TÚNEL D'ENVALIRA, S.A.	TRANVÍA DE PARLA, S.A.	S.C.A. ACONCAGUA, S.A.	S.C.A. ITATA, S.A.
Acquisition price	144,000	4,435	23,443	32,500	13,924	92,184	204,389
Equity attributed to parent co.	28,444	5,930	23,443	15,900	8,846	60,195	59,217
<b>Acquisition difference</b>	<b>115,556</b>	<b>(1,495)</b>	-	<b>16,600</b>	<b>5,078</b>	<b>31,989</b>	<b>145,172</b>
Allocation of assets	165,080	-	-	29,643	9,672	45,698	207,389
Tax effect	49,524	-	-	8,893	2,902	13,709	62,217
Capital gain allocated	115,556	-	-	20,750	6,770	31,989	145,172
<b>Attributable to parent co.</b>	<b>115,556</b>	-	-	<b>16,600</b>	<b>5,078</b>	<b>31,989</b>	<b>145,172</b>
<b>Attributable to Minorities</b>	-	-	-	<b>4,150</b>	<b>1,692</b>	-	-

(a) It was funded by pending payments amounting to 17,582 thousand euros.

(b) In all cases a higher value of fixed assets was allocated.

Minority interests in associated companies were also incorporated in the operation indicated in the first paragraph of this Note, namely Operador Logístico Graneles, S.A., Nautic Tarragona, S.A., Concesiones Aeroportuarias, S.A., Portsur Castellón, S.A. and Scut Vías A Beira Interior, S.A.. The assets and the liabilities of the acquired associated companies were entered at their fair price while making the pertinent allocations necessary, and the deferred taxes deriving therefrom were considered for the purpose of identifying the fair value of the Group's interest in said companies, which is indicated under the heading "Investments entered applying the participation method" of the accompanying balance sheet.

We would also point to the increase of the holding in the company Tacel Inversiones S.L. (the holder of 100% of the capital of Autopista Central Gallega, SCE, S.A.) of 6.75% at the price of 6,635 thousand euros, which did not involve any increase in the goodwill, the current interest standing at 61.39%.

The entry of these business combinations is considered to be provisional since the valuation of the assets acquired is in progress. The Group has a time schedule of twelve months from the date of their acquisition to decide whether said entry has been completed.

The sales of said companies over all of 2008 and the profit thereof are detailed below, in compliance with IFRS 3:

	CONCESIONES DE MADRID, S.A.	HOSPITAL DEL SURESTE, S.A.	MADRID 404 SOCIEDAD CONCESIONARIA, S.A.	TÚNEL D'ENVALIRA, S.A.	TRANVÍA DE PARLA, S.A.	S.C.A. ACONCAGUA, S.A.	S.C.A. ITATA, S.A.
Net turnover	23,712	9,581	-	3,418	2,309	10,097	4,215
Year-end result	7,145	(1,050)	-	(1,061)	403	(7,875)	(1,776)

2007

FINANCIAL STATEMENT INCORPORATED FROM COMBINED BUSINESS	CIA TÚNEL DE SÓLLER, S.A.	TACEL INVERSIONES, S.L.	METRO BARAJAS SDAD CIA, S.A.	OPERALIA INFRAESTRUCTURAS, S.A.
Acquisition date	December 2007	December 2007	October 2007	December 2007
Nominal interest	56.53%	54.64%	100.00%	95.00%
<b>ASSETS</b>				
<b>Fixed assets</b>	<b>32,272</b>	<b>239,012</b>	<b>49,668</b>	<b>-</b>
Net tangible fixed assets and intangible assets	27,981	227,643	49,354	-
Fixed financial assets	-	955	-	-
Other fixed assets	4,291	10,414	314	-
<b>Current assets</b>	<b>4,008</b>	<b>8,120</b>	<b>11,541</b>	<b>224</b>
Stocks	29	-	-	-
Debtors and other accounts receivable	53	237	7,430	180
Other current financial assets	2,358	2,401	4,002	-
Cash and equivalent	1,568	5,482	109	44
<b>TOTAL ASSETS</b>	<b>36,280</b>	<b>247,132</b>	<b>61,209</b>	<b>225</b>
<b>LIABILITIES</b>				
<b>Equity</b>	<b>9,037</b>	<b>11,359</b>	<b>7,300</b>	<b>60</b>
<b>Fixed liabilities</b>	<b>21,964</b>	<b>224,772</b>	<b>-</b>	<b>-</b>
Bank loans and other fixed financial liabilities	21,195	224,772	-	-
Other fixed liabilities	769	-	-	-
<b>Current liabilities</b>	<b>5,279</b>	<b>11,001</b>	<b>53,909</b>	<b>165</b>
Bank loans and overdrafts and other current financial liabilities	4,612	-	1,483	3
Trade creditors and other current liabilities	667	11,001	52,426	162
<b>TOTAL LIABILITIES</b>	<b>36,280</b>	<b>247,132</b>	<b>61,209</b>	<b>225</b>

The goodwill and its corresponding allocation is shown below:

GOODWILL	CIA TÚNEL DE SÓLLER, S.A.	TACEL INVERSIONES, S.L.	METRO BARAJAS SDAD CIA, S.A.	OPERALIA INFRAESTRUCTURAS, S.A.
Acquisition price	9,550	53,670	7,951	60
Equity attributed to the parent company	5,108	6,207	7,300	60
<b>Acquisition difference</b>	<b>4,442</b>	<b>47,463</b>	<b>651</b>	<b>-</b>
Allocation of assets (a)	11,225	124,093	930	-
Tax effect	3,367	37,228	279	-
Capital gain allocated	7,858	86,865	651	-
<b>Attributable to the parent company</b>	<b>4,442</b>	<b>47,463</b>	<b>651</b>	<b>-</b>
<b>Attributable to Minority interests</b>	<b>3,416</b>	<b>39,402</b>	<b>-</b>	<b>-</b>

(a) In all cases it was allocated at a greater value of the tangible fixed assets.

With respect to the requirements included in IFRS 3, the effect of the business combinations on the Group's turnover and consolidated result would not have been significant if said combinations had been conducted at the commencement of 2007.

#### 4. DISTRIBUTION OF THE PARENT COMPANY'S PROFIT

The proposal for distributing the profit submitted by the parent company's directors and pending approval by the shareholders' general meeting is indicated as follows:

THOUSANDS OF EUROS	
<b>Distribution base</b>	
Profit and loss	(9,118)
<b>Distribution</b>	
To losses of prior years	(9,118)

#### 5. TANGIBLE FIXED ASSETS

##### ACCOUNTING PRINCIPLES AND POLICIES

- a. Tangible fixed assets are stated at cost.
- b. Own work capitalised is stated at production cost.
- c. Maintenance and conservation costs that do not extend the useful life or productive capacity of the pertinent assets are expensed in the profit and loss account in the year in which they are incurred.
- d. In cases where the construction and commissioning of the fixed assets might require an extended construction period, the interest deriving from their financing accrued during said period is capitalised. Interest was not capitalised over the year 2008 since, with the exception of the concessionary company M 404, for which there is yet no specific financing, the remaining concessionaries are at an operation stage.
- e. Grants received are indicated on the liabilities side of the accompanying consolidated balance sheet, most of which grants relate to elements included under the heading "Buildings and constructions" and they are expensed in the profit and loss account over the useful lives of said assets while the annual depreciation of each asset is reduced.
- f. The companies depreciate their tangible fixed assets using the straight line method, distributing the cost of the asset over the years of their estimated useful lives as follows:
  - Buildings and other construction 25-50
  - Plant and machinery 5-10
  - Other installation, equipment and furniture 5-10
  - Information processing equipment 4
  - Other fixed assets 4-10

In cases of tangible fixed assets designated exclusively for certain contracts in particular, the elements are depreciated using the straight line method distributing the cost of the assets over the years of their useful lives indicated above or over the term of said contract should said period be less. The fixed assets designated for concessions are depreciated according to their use pattern, which is usually already determined in cases of motorways by the traffic volume anticipated for each year (Note 7).

- g. The residual value, useful life, and depreciation method of the assets of the companies are periodically reviewed to guarantee that the depreciation pattern applied is coherent with the consumption pattern of the profits derived from the operation of the tangible fixed assets.
- h. The companies periodically ascertain, at least at each year-end close, whether there are signs of deterioration of any asset or set of assets of the tangible fixed assets for the purpose of proceeding, where necessary, as indicated in Note 2, to the allocation or reversal of the provisions due to the deterioration of the assets in order to adjust their net book value to their value in use.
- i. The companies deem that the periodical maintenance plans of their facilities, the cost of which is expensed in the year in which they are incurred, are sufficient to ensure that the assets designated for reversion are delivered in good conditions of use at the end of the term of the concessions and that, consequently, no major expenses will derive from the reversion.
- j. Any interest deriving from the financing of fixed assets by financial leasing are entered in the consolidated profit and loss account for the year in accordance with the criterion of effective interest according to the repayment of the debt.

Details of the balance sheet headings as at 31st December 2008 and 2007 are as follows:

	COST	DESIGNATION FOR ASSETS	ACCUMULATED DEPRECIATION	NET VALUE
<b>2007</b>				
<b>Buildings, plant and equipment</b>	<b>403,855</b>	<b>136,248</b>	<b>(42,997)</b>	<b>497,106</b>
Fixed assets in projects awarded	387,464	136,248	(40,237)	483,475
Plant	15,874	-	(2,463)	13,411
Machinery and vehicles	517	-	(297)	220
<b>Other tangible fixed assets</b>	<b>431</b>	<b>-</b>	<b>(148)</b>	<b>283</b>
Remaining tangible fixed assets	431	-	(148)	283
	<b>404,286</b>	<b>136,248</b>	<b>(43,145)</b>	<b>497,389</b>
<b>2008</b>				
<b>Buildings, plant and equipment</b>	<b>1,819,025</b>	<b>314,395</b>	<b>(388,140)</b>	<b>1,745,280</b>
Fixed assets in projects awarded	1,627,334	314,395	(375,339)	1,566,390
Plant	151,366	-	(10,025)	141,341
Machinery and vehicles	40,325	-	(2,776)	37,549
<b>Other tangible fixed assets</b>	<b>18,721</b>	<b>-</b>	<b>(1,656)</b>	<b>17,065</b>
Remaining tangible fixed assets	18,721	-	(1,656)	17,065
	<b>1,837,746</b>	<b>314,395</b>	<b>(389,796)</b>	<b>1,762,345</b>

The movements of the different fixed asset entries over 2008 are as follows:

	BALANCE AS AT 31ST DEC 2007	ADDITIONS	WITHDRAWALS	CONVERSION DIFFERENCES, CHANGE IN PERIMETER AND OTHERS	BALANCE AS AT 1ST DEC 2008
Fixed assets in projects awarded	523,713	5,519	(543)	1,303,040	1,831,729
Plant	15,874	17,429	-	118,063	151,366
Machinery and vehicles	516	6,950	(42)	32,901	40,325
<b>Buildings plant and equipment</b>	<b>540,103</b>	<b>29,898</b>	<b>(585)</b>	<b>1,454,004</b>	<b>2,023,420</b>
Remaining tangible fixed assets	431	3,072	(194)	15,412	18,721
<b>Other tangible fixed assets</b>	<b>431</b>	<b>3,072</b>	<b>(194)</b>	<b>15,411</b>	<b>18,721</b>
<b>Accumulated depreciation</b>	<b>(43,145)</b>	<b>(30,658)</b>	<b>-</b>	<b>(205,993)</b>	<b>(279,796)</b>
<b>TOTAL TANGIBLE FIXED ASSETS</b>	<b>497,389</b>	<b>2,312</b>	<b>(779)</b>	<b>1,263,423</b>	<b>1,762,345</b>

Included in the heading above, the most significant change of the year is the effect of the assets contributed in the different capital increases of the parent company as well as the designation of the funding value for the concessionary assets contributed (see Note 3).

Depreciation for 2007 and 2008 is indicated in the accompanying consolidated profit and loss account under the heading "Fixed asset depreciation".

The group companies contract any insurance policies that they might deem necessary to cover the possible risks to which the elements comprising the tangible fixed assets are subject.

As at 31st December 2008, the net tangible fixed assets outside Spain amounts to 661 million euros, most of which are designated for concessions in Chile (585 million euros).

The amount of tangible fixed assets fully depreciated, although they are used in the group's productive activity since they are in good conditions of use, totals 504 thousand euros.

#### ASSETS WITH RESTRICTIONS OF TITLE

Of the tangible assets entered in the consolidated balance sheet as at 31st December 2008, 1,566,390 thousand euros are subject to restrictions of title since they are revertible assets designated for the operation of concessions in accordance with the following:

	COST	ACCUMULATED DEPRECIATION	NET VALUE
<b>2007</b>			
Buildings, plant and equipment	523,712	(40,237)	483,475
	<b>523,712</b>	<b>(40,237)</b>	<b>483,475</b>
<b>2008</b>			
Buildings, plant and equipment	1,831,729	(265,339)	1,566,390
Other plant	151,366	(10,025)	141,341
	<b>1,983,095</b>	<b>(275,364)</b>	<b>1,707,731</b>

These assets are designated as guarantees of the financing of the associated concessions.

The increase of the assets with ownership restrictions with respect to the previous financial year is a consequence, mainly, of the incorporation of the new companies to the Group.

#### COMMITMENTS OF ACQUISITION OF FIXED ASSETS

Note 7 also indicates the investment commitments in tangible fixed assets to be fulfilled in future financial years in accordance with the contractual conditions established in the concessions operated by companies of the Group.

#### 6. INTANGIBLE ASSETS

The intangible assets and their corresponding accumulated depreciation as at 31st December 2008 are comprised of the following:

	COST	ACCUM. DEPRECIATION	NET VALUE
<b>2007</b>			
Levy on concessions	240	(17)	223
Other intangible assets	11	(9)	2
	<b>251</b>	<b>(26)</b>	<b>225</b>
<b>2008</b>			
Levy on concessions	459	(189)	270
Other intangible assets	535	(154)	381
	<b>994</b>	<b>(343)</b>	<b>651</b>

The intangible assets are stated at cost, which is reduced by their accumulated depreciation, and declines in value where applicable.

None of the intangible assets entered have been generated internally and they all have finite useful lives, the reason for which they are depreciated using the straight line method over their useful lives, i.e., the period during which it is estimated that they will generate income.

Fixed asset depreciation over 2008 and 2007 is entered in the accompanying profit and loss account under the heading "Fixed asset depreciation".

As at 31st December 2008, there are no intangible assets with restrictions of title.

#### CONCESSIONS AND OTHER INTANGIBLE ASSETS

The movements in these accounts of the consolidated balance sheet over 2008 are as follows:

	OPENING BAL.	ADDITIONS	WITHDRAWALS	TRANSL DIF, VAR. IN PERIMETER AND OTHERS	BALANCE AS AT 13TH DEC 2008
Levy on concessions	240	45	(18)	192	459
Other intangible assets	11	157	-	367	535
Depreciations	(26)	(43)		(274)	(343)
<b>TOTAL</b>	<b>225</b>	<b>159</b>	<b>(18)</b>	<b>285</b>	<b>651</b>

The levies paid for the concessions are depreciated using the straight line method according to their award period, which on average is between 25 and 50 years.



## 7. INVESTMENT IN CONCESSIONAIRES

Investments in concession operations are materialised in different assets that are indicated under several headings of the consolidated balance sheet, and are discussed in different notes of this report. A vision of all of the Group's investments is presented in this note.

These investments include the concession right and the investments made in the tangible fixed assets necessary to develop the service pertinent to the concession operation as well as any investments in concessions consolidated by the participation method.

The concession arrangements involve agreements between an awarding entity, generally state, and Group companies for the construction and operation of infrastructures, such as motorways, tunnels, ports, airports railways, hospitals, and so on and so forth.

The concession right generally involves the monopoly of the operation of the service awarded for a certain period of time, after which the fixed assets designated for the concession necessary to develop the service revert to the awarding entity. It is also customary that the concession arrangement includes the obligation to acquire or construct part or all of said fixed assets and to maintain them.

It is also customary that investments in concessions are financed under the model "Project Financing", which usually has as the only guarantee the cash flows and the assets designated for the project.

The income deriving from the rendering of the service may be received directly from the users or, on occasion, through the awarding entity itself. The prices of rendering the service are regulated by the awarding entity.

### ACCOUNTING PRINCIPLES AND POLICIES

In 2006, the International Accounting Standard Board (IASB) issued a definitive interpretation on the accounting treatment of concessions, which will be applicable once it has been adopted by the European Union and which at the year-end close of this report is still in the process of adoption (Note 2 d). Both this year and last, the Group applied the most relevant aspects of the accounting principles and policies contained in said interpretation, which are indicated below, excepting the indication on the qualification of assets as fixed intangibles or financial assets.

- a) In cases where the construction and bringing into use of the fixed assets designated for the concession might require an extended period of time, the interest accrued deriving from the financing is capitalised during said period.
- b) As of the start-up, the financial expenses accrued are entered in the profit and loss account.
- c) The tangible and intangible assets comprising the investment in concessions are depreciated in accordance with the use pattern, regulated by IAS 38 "Intangible assets" while being guaranteed by the financing associated therewith.
- d) In the event that the concessionary assets are constructed by Group or associated companies, the income and expenses of the work is entered in accordance with the level of progress according to the general valuation standards.

## DETAIL OF THE CONCESSIONS

The chart below shows all the investments that the Group companies have made in concessions as at 31st December 2008:

	INTANGIBLE ASSETS	TANGIBLE FIXED ASSETS	ASSOCIATED CONCESSIONAIRE COMPANIES	TOTAL
Motorways and tunnels	469	1,697,438	142,258	1,840,165
Railways	24	201,715	-	201,739
Ports	135	63,668		63,803
Others	366	79,029	17,599	96,994
Depreciation	(343)	(279,731)	-	(280,074)
	<b>651</b>	<b>1,762,119</b>	<b>159,857</b>	<b>1,922,627</b>

Generally speaking, the agreements include clauses for reviewing prices, renewal and/or rescission options of the agreement, obligations to repair and maintain the goods designated for the concession and clauses for re-establishing the economic-financial balance.

The concessionaire companies in which the Group has a holding are also obliged by the concession agreements to acquire or construct elements of tangible fixed assets designated for the project to the amount of 133,860 thousand euros for the duration of the concession corresponding to the concessionaire company M404, and over 2007 they were not significant.

Likewise, among the obligations assumed by the concessionaire companies is the obligation to maintain unavailable cash balances, referred to as reserve accounts included under the heading "Other fixed financial assets" (see Note 9).

The main characteristics of the concessionaire companies comprising the Globalvia Group are those indicated as follows:

CONCESSION	TYPE	STATUS	DURATION COMMEMENCEMENT (YEARS)	AWARD YEAR	YEAR
<b>ROAD NETWORKS (MOTORWAYS, TUNNELS)</b>					
Compañía Concesionaria del Túnel de Sóller, S.A.	User	Operative	28	1988	1989
Túnel d'Envalira, S.A.	User	Operative	50	1998	2002
Concesiones de Madrid, S.A.	Shadow	Operative	25	1999	2002
Autopista Beira Interior, S.A.	Shadow	Operative	30	1999	2005
Autopista Concesionaria Central Gallega, CEA, S.A.	User	Operative	75	1999	2005
Autopista de la Costa Calida, CEA, S.A.	User	Operative	36	2004	2007
Madrid 404 Sociedad Concesionaria, S.A.	Shadow	Construction	30	2007	2010
E A XXI Subconcesionaria Transmontana, S.A.	Shadow/Avail.	Construction	30	2008	2012
Sociedad Concesionaria Autopista Aconcagua, S.A.	User	Operative	13	2008	2008
Sociedad Concesionaria Autopista Itata, S.A.	User	Operative	15	2008	2008
<b>RAILWAYS (LOCAL AND COMMUTER TRAINS)</b>					
Tranvía de Parla, S.A.		Operative	40	2005	2007
Metro Barajas Sociedad Concesionaria, S.A.		Operative	20	2006	2007
<b>PORTS</b>					
Marina Port Vell, S.A.		Operative	30	1991	1992
Nautic Tarragona, S.A.		Operative	30	1994	1996
Operador Logístico de Graneles, S.A.		Operative	30	2002	2003
Terminal Polivalente de Castellón, S.A.		Operative	30	2003	2005
Port Sur Castellón, S.A.		Operative	35	2005	2008
<b>AIRPORTS</b>					
Concesiones Aeroportuarias, S.A.		Construction	50	2004	2010
<b>BUILDINGS</b>					
Hospital del Suroeste, S.A.		Operative	30	2005	2007

CONCESSION	SHARE CAPITAL MILLIONS OF EUROS	EXPECTED INVESTMENT MILLIONS OF EUROS	OWNERSHIP GVI %	UNITS
<b>ROAD NETWORKS (MOTORWAYS, TUNNELS)</b>				
Compañía Concesionaria del Túnel de Sóller, S.A.	16.65	51.03	56.53	3.10 km
Túnel d'Envalira, S.A.	8.40	54.04	80.00	3.20 km
Concesiones de Madrid, S.A.	28.80	213.51	100.00	14.10 km
Autopista Beira Interior, S.A.	49.20	932.88	22.22	198.00 km
Autopista Concesionaria Central Gallega, CEA, S.A.	32.25	302.80	61.39	56.80 km
Autopista de la Costa Calida, CEA, S.A.	113.00	649.30	35.75	114.00 km
Madrid 404 Sociedad Concesionaria, S.A.	23.44	161.95	100.00	27.10 km
E A XXI Subconcesionaria Transmontana, S.A.	0.05	870.00	46.00	194.00 km
Sociedad Concesionaria Autopista Aconcagua, S.A.	146.94	457.06	100.00	218.24 km
Sociedad Concesionaria Autopista Itata, S.A.	76.42	197.95	100.00	98.20 km
<b>RAILWAYS (LOCAL AND COMMUTER TRAINS)</b>				
Tranvía de Parla, S.A.	13.50	138.40	75.00	8.50 km
Metro Barajas Sociedad Concesionaria, S.A.	7.95	46.50	100.00	2.50 km
<b>PORTS</b>				
Marina Port Vell, S.A.	4.36	15.40	29.83	413 berths/4,800 m <sup>2</sup> LC
Nautic Tarragona, S.A.	1.20	12.48	25.00	417 berths/800 m <sup>2</sup> LC
Operador Logístico de Graneles, S.A.	5.00	16.52	20.00	168,000 m <sup>2</sup>
Terminal Polivalente de Castellón, S.A.	15.75	44.84	78.68	9.5 Ha
Port Sur Castellón, S.A.	4.86	29.57	30.00	300 ml 60,000 m <sup>2</sup>
<b>AIRPORTS</b>				
Concesiones Aeroportuarias, S.A.	33.50	126.60	45.00	
<b>BUILDINGS</b>				
Hospital del Suroeste, S.A.	6.57	71.00	66.67	110,148 beds /37,000 m <sup>2</sup>

## 8. INVESTMENT ENTERED APPLYING THE PARTICIPATION METHOD

Under this heading is the value of investments in companies that are consolidated by the participation method, which includes both the participation and the long-term loans granted to said companies.

The participation is initially stated at cost and subsequently it is updated by the amount of the participation in the results generated by said companies that are not distributed by dividends. The value of the participation is also adjusted to reflect the proportion of the changes in the equity of these companies that have not been entered in their results. It should be pointed out that in compliance with what is set forth in IAS 39 "Financial instruments: recognition and valuation", adjustments are entered in the reserves originated by the changes in the fair value of cash flow coverage financial derivatives acquired by the companies themselves using the equity method.

In the year closing on 31st December 2008 there are no losses arising from deterioration since the salvage value is the same as or greater than the values obtained in accordance with the explanation given in the preceding paragraph.

	AUTOPISTA DE LA COSTA CÁLIDA, CEA S.A.	TERMINAL POLIVALENTE CASTELLÓN, S.A.	OPERADOR LOGÍSTICO GRANELES, S.A.	NAUTIC TARRAGONA, S.A.	CONCESIONES AEROPOR- TUARIAS, S.A.	PORTSUR CASTELLÓN, S.A.
Opening balance	-	-	-	-	-	-
Changes in the consolidation perimeter	113,406	9,440	-	-	-	-
<b>BALANCE AS AT 31ST DECEMBER 2007</b>	<b>113,406</b>	<b>9,440</b>	-	-	-	-
Changes in the consolidation perimeter	-	-	1,698	683	8,685	1,434
Results	(11,703)	-	(11)	1	-	(261)
Changes in capital	-	-	-	-	6,412	-
Changes in value	(3,705)	-	-	-	-	(566)
Loans	9,652	-	-	-	-	-
Transfers	(18,240)	(9,440)	-	-	-	-
Payments pending	-	-	-	-	(2,362)	-
Other variations	-	-	(32)	(34)	-	(123)
<b>BALANCE AS AT 31ST DECEMBER 2008</b>	<b>89,410</b>	-	<b>1,655</b>	<b>650</b>	<b>12,735</b>	<b>484</b>

	SCUT VÍAS A BEIRA INTERIOR, S.A.	MARINA PORT VELL, S.A.	EXPOESTRADAS XXI-AE TRANS- MONTANA, S.A.	AUTOESTRADAS XXI-SUB, TRANSMONTANA	OPERESTRADAS XXI, S.A.	TOTAL
Opening balance	-	-	-	-	-	-
Changes in the consolidation perimeter	-	-	-	-	-	122,846
<b>BALANCE AS AT 31ST DECEMBER 2007</b>	-	-	-	-	-	<b>122,846</b>
Changes in the consolidation perimeter	46,185	2,002	-	-	-	60,687
Results	-	-	-	-	-	(11,974)
Changes in capital	-	-	25	24	23	6,484
Changes in value	-	-	-	-	-	(4,271)
Loans	6,609	-	-	-	-	16,261
Transfers	-	-	-	-	-	(27,680)
Payments pending	-	-	(18)	-	-	(2,380)
Other variations	-	73	-	-	-	(116)
<b>BALANCE AS AT 31ST DECEMBER 2008</b>	<b>52,794</b>	<b>2,075</b>	<b>7</b>	<b>24</b>	<b>23</b>	<b>159,857</b>

(\*) Of the total participation of the Costa Cálida, CEA, S.A., 60,850 thousand euros relate to the investment and 43,968 thousand euros relate to the participative loan, the due date of which is 15th January 2013.

The most significant changes in 2008 mainly correspond to the companies contributed in the different capital increases undertaken by the parent company during the year, foremost among which are those corresponding to Scut Vías with a global acquisition price and funding value of 46,185 thousand euros and Concesiones Aeroportuarias, S.A. with a funding value of 8,685 thousand euros, as is indicated in Note 13.

In 2008 the process of contributing the concession operation to Goblavia Infraestructuras, S.A. was continued by its shareholders, FCC Construcción, S.A. and Corporación Financiera Caja Madrid, S.A., embraced within the framework agreement signed in 2006 that identified a total value of the shares to be transferred and an anticipated time schedule, which is expected to be concluded in 2009. As part of this process and within the term of 12 months from the acquisition date during which the entered values are considered to be provisional, the Company has re-designated the value of some of the shares that comprised a concession packet contributed in the last month of 2007 and once new shares were contributed that comprise the whole value of the Group contributed to date, the sum of 18,240 thousand euros was re-distributed as a greater holding value in the company Sociedad Concesiones de Madrid, S.A. while the holding value in Sociedad Autopista de la Costa Cálida C.E.A., S.A. was reduced.

The fixed assets, current assets, fixed liabilities, current liabilities and year-end result for 2008 are shown below in proportion to the percentage of holding in the capital of each associated company:

	2008
Fixed assets	479,126
Current assets	34,567
Fixed liabilities	418,449
Current liabilities	46,551
Results	(22,042)
Net turnover	31,819
Operating result	26
Result before taxes	(12,184)
Result attributed to the parent company	(8,175)

## 9. LONG-TERM FINANCIAL ASSETS AND OTHER CURRENT FINANCIAL ASSETS

The financial assets are initially entered at fair value, which generally coincides with their acquisition price, adjusted by the expenses of the transaction directly deriving therefrom excepting in cases of negotiable financial assets that are entered in the profit and loss account for the year.

All acquisitions and sales of investments are entered on the date the transaction is contracted.

The financial assets held by the Group companies are classified in accordance with the following criteria:

- Negotiable financial assets are those acquired for the purpose of making a profit in the short term from the price variations. In the accompanying balance sheet they are entered as "Other current financial assets" and their maturity date is estimated to be less than 12 months.
- The negotiable financial assets, which are expected to mature in a term of three months or less and that are considered not to involve significant expenses are included in the adjoining consolidated balance sheet under the heading "Cash and equivalents".

- The financial assets held until they mature are those that earn a fixed or ascertainable amount and that reach redemption at a fixed date. They are classified as current and long-term depending on their maturity date, and those that do not mature until after 12 months are considered to be long-term.
- Loans are classified as short-term or long-term depending on their due-date, long term being understood as those that fall due after more than 12 months.
- Financial assets available for sale are those securities that were not acquired for operation purposes nor are qualified as investments held until maturity. They are classified as long-term in the accompanying consolidated balance sheet since they were acquired with the idea of permanence.

Investments at maturity, credits, loans and accounts receivable originated by the Group are stated at their updated cost, i.e., initial cost less collections of principal plus yields accrued depending on their type of effective interest pending collection or their market value when the latter is less. The effective interest rate consists of the rate that equalizes the initial cost with the total cash flows estimated for all the items over the remaining life of the investment. Where necessary, adjustments are made to their value when said financial assets show signs of decline in value.

The most relevant entries of the accompanying consolidated balance sheet under the headings "Long-term financial assets" and "Other current financial assets" are broken down as follows:

#### a) LONG-TERM FINANCIAL ASSETS

The long-term financial assets are broken down as follows:

	2008	2007
Assets available for sale	568	-
Long-term loans to third parties	367	-
Long-term loans to public entities	172,699	-
Assets from financial derivatives (Note 21)	381	951
Long-term deposits and guarantees	18,355	72
<b>TOTAL</b>	<b>192,370</b>	<b>1,023</b>

The heading "assets available for sale" mainly comprises the investment held in Madrid 407 Sociedad Concesionaria, S.A. to the amount of 280 thousand euros, corresponding to 2.45% of the share capital acquired as a non-cash contribution in the process of subscribing the capital increases.

Long-term loans to public entities is the right to collect in the long term the capital grant equivalent to 33% of the total investment and expenses capitalised (see Note 14 b) from the company Tranvía de Parla. Additionally on 31st December 2008 the sum of 20,696 thousand euros was transferred to debtors in the short term corresponding to the collection right of 2009 (Note 11).

The heading "long-term deposits and guarantees" mainly comprises 18,217 thousand euros corresponding to the Chilean companies, S.C. Aconcagua, S.A. and Sociedad de A. Itata, S.A. as the reserve fund for replacements and substitutions of elements of fixed assets.

**b) OTHER CURRENT FINANCIAL ASSETS**

The balance as at 31st December 2008 and 2007 is broken down as follows:

	2008	2007
Loans to associated companies	323	237
Loans to third parties	440	-
Short-term interest	23	-
Short-term deposits and guarantees	120,473	24,698
<b>TOTAL</b>	<b>121,259</b>	<b>24,935</b>

The deposit and guarantee account mainly comprises a balance of 77,442 euros corresponding to the deposit in guarantee of 20% of the purchase price of the Chilean motorways by the companies Sociedad de A. Itata, S.A and S.C. Aconcagua, S.A., which matures on 19th September 2009. It also includes a reserve fund for the bank loans of said Chilean companies to the amount of 40,483 thousand euros, which will be paid in the period of one year.

There is no limit to the availability of these assets except for the "deposits and guarantees" since the latter correspond to amounts delivered as guarantees of certain contracts as indicated in the preceding paragraph. The average rate of yield obtained from these items is at market yields depending on the term of each investment.

**10. STOCKS**

Stocks are stated at the average acquisition or average production cost while the necessary adjustments are made to the value of the goods in order to adapt said costs to the net realizable value if this were less.

Any goods accepted as accounts received are stated at the amount that was entered as accounts receivable corresponding to the goods received either at the production cost or the net realizable value, whichever is the lower.

As at 31st December 2008 the most significant amount corresponds to the stocks of Tranvía de Parla, S.A. to the amount of 860,000 euros in spare parts.

**11. DEBTORS AND OTHER ACCOUNTS RECEIVABLE**

This heading in the accompanying consolidated balance sheet includes the current value of any amounts of the turnover, stated as is indicated in Note 19, pending collection arising from the transactions conducted by different Group companies.

The balance of debtors as at 31st December 2008 and 2007 is broken down as follows:

	2008	2007
Certified production pending collection and trade debtors	33,113	238
Production invoiced to related companies and associates	226	1,399
Debtors	10,093	14
Taxes refundable (Note 16)	7,070	9,030
<b>TOTAL</b>	<b>50,502</b>	<b>10,681</b>





The heading "Production certified pending collection and trade debtors" indicates the amount on the invoices issued to trade debtors for services rendered pending collection as at the date on the balance sheet, It mainly refers to the account receivable in the short term of the grant mentioned in Note 9 from the concessionaire company Tranvía de Parla to the amount of 20,696 thousand euros.

## 12. CASH AND OTHER EQUIVALENT LIQUID ASSETS

This heading in the accompanying consolidated balance sheet includes the current value of any amounts of the turnover, stated as is indicated in Note 19, pending collection arising from the transactions conducted by different Group companies.

The composition of said balance as at 31st December 2008 and 2007 is detailed as follows:

	2008	2007
Cash	23,425	25,629
Financial assets with maturity date of less than 3 months	22,211	104,863
	<b>45,636</b>	<b>130,492</b>

According to geographic location, the position of cash and equivalents for 2008, also including current financial assets, is as follows:

	2008
Europe	42,132
Latin America	3,379
United States	125
<b>TOTAL</b>	<b>45,636</b>

## 13. EQUITY

The accompanying statement of changes in equity as at 31st December 2008 and 2007 shows the evolution of the wealth attributed to the shareholders of the parent company and the minorities during the respective financial years.

## I. WEALTH ATTRIBUTED TO THE SHAREHOLDERS OF THE PARENT COMPANY

### a) SHARE CAPITAL

The share capital of Globalvia is represented by 741,679,368 shares, each with a nominal value of 1 euro, 86% of which are paid out and they are completely subscribed, the shareholders of which are the following:

SHAREHOLDER	NO. OF SHARES	HOLDING
FCC Construcción, S.A.	370,839,684	50%
Corporación Financiera Caja de Madrid, S.A.	370,839,684	50%
<b>TOTAL</b>	<b>741,679,368</b>	<b>100%</b>

There were five capital increases over 2008:

- On 15th July 2008 the first capital increase was undertaken to an amount of 23,529,920 euros and an issue premium of 5,882,480 euros by virtue of non-cash and cash funding of the investments below by FCC Construcción and Corporación Financiera Caja Madrid, S.A.:
  - FCC Construcción made the following non-cash contributions: 30% of Concesiones Aeroportuarias, S.A. (representing 5,790,100 euros), 33.33% of Hospital del Sureste S.A. (representing 2,217,500 euros), 20% of Operador Logístico, S.A. (representing 1,663,000 euros), 25% of Nautic Tarragona, S.A. (representing 1,456,800 euros), 50% of Madrid 404 Sociedad Concesionaria (representing 2,930.400 euros), and 25% of Nautic Tarragona (representing 648,400 euros).
  - Corporación Financiera Caja Madrid, S.A. made the following non-cash and cash contributions: 6.75% of Tacel Inversiones, S.A. (representing 6,635.300 euros), 15% of Concesiones Aeroportuarias S.A. (representing 2,895,000 euros), 33.33% of Hospital del Sureste, S.A. (representing 2,217,500 euros), 50% of Madrid 404 Sociedad Concesionaria (representing 2,930,400 euros) as well as cash funding of 28,000 euros.
- On 19th September 2008 there was a second capital increase to the amount of 219,750,000 euros with an issue premium of 73,250,000 euros by virtue of cash funding by Corporación Financiera Caja Madrid and FCC Construcción, S.A., who paid out 60.06% of the capital and all of the issue premium. Subsequently, capital calls were settled with the following outlays: on 3rd November 2008, 4.93% of the capital was paid out to the amount of 10,837,500 euros and on 11th December, 6% of the capital was paid out to the amount of 13,185,000 euros.
- On 22nd September 2008 there was a third capital increase to the amount of 100,608,000 euros with an issue premium of 25,152,000 euros by virtue of non-cash contribution of the 50% holding that FCC Construcción, S.A. and Corporación Financiera Caja Madrid, S.A. each had in the company Concesiones de Madrid (125,760,000 euros).
- On 3rd November 2008 there was a fourth capital increase to the amount of 46,026,560 euros with an issue premium of 11,506,640 euros by virtue of a non-cash contribution by Corporación Financiera Caja Madrid and FCC Construcción, S.A., details of which are given as follows:

- FCC Construcción made the following non-cash contributions: 39.8% of Túnel de d'Envalira, S.A. (representing 12,540,000 euros), 8.33% of Scutvias Autoestradas de Beira Interior, S.A. (representing 12,094,200 euros) and 30.33% of Tranvía de Parla, S.A. (representing 4,132,400 euros).
- Corporación Financiera Caja Madrid, S.A. made the following non-cash contributions: 40% of Túnel de d'Envalira S.A. (representing 19,900,000 euros) and 39.66% of Tranvía de Parla, S.A. (representing 8,866,600 euros).
- On 3rd December 2008 there was a fifth capital increase to the amount of 1,013,440 euros and an issue premium of 253,360 euros by virtue of a non-cash contribution by Corporación Financiera Caja Madrid and FCC Construcción, S.A., details of which are as follows:
  - FCC Construcción made the following non-cash contributions: 0.19% of Túnel de d'Envalira, S.A. (representing 60,400 euros), 2.45% of Madrid 407 Concesionaria, S.A. (representing 280,500 euros) and 2.166% of Tranvía de Parla, S.A. (representing 292,500 euros).
  - Corporación Financiera Caja Madrid, S.A. made the following non-cash contribution: 2.83% of Tranvía de Parla, S.A. (representing 633,400 euros).

With respect to the capital increases subscribed by non-cash contributions, adjustments were made to the value of said investments by independent experts, as is explained in the regulations operative at present.

All of the shares comprising the share capital enjoy the same rights and there are restrictions on their transfer (preferential acquisition right) by the company's by-laws. They are not listed on the securities market.

#### b) ACCUMULATED PROFITS AND OTHER RESERVES

This heading in the accompanying consolidated balance sheet as at 31st December 2008 and 2007 is broken down as follows:

	2008	2007
Parent company's reserves	126,996	23,200
Reserves on consolidation	(861)	-
<b>TOTAL</b>	<b>126,135</b>	<b>23,200</b>

**b1) THE PARENT COMPANY'S RESERVES**

These are all of the reserves set up by the company Globalvia Infraestructuras, S.A., the Group's parent company, mainly deriving from retained profits, and where necessary, compliance with the different legal provisions applicable.

As at 31st December 2008 and 2007, the reserves are comprised of the following:

	2008	2007
Issue premium	139,244	-
Voluntary reserves	(2,051)	-
Losses from prior years	(10,197)	-
<b>TOTAL</b>	<b>126,996</b>	<b>-</b>

**ISSUE PREMIUM**

The consolidated text of the Ley de Sociedades Anónimas (Spanish Public Companies Limited by Shares Act) expressly permits the use of the issue premium balance to increase capital and it does not set forth any specific restriction with respect to the availability of its balance for other purposes.

**LEGAL RESERVE**

Pursuant to the consolidated text of the Spanish Public Companies Limited by Shares Act, 10% of the year-end profit must be allocated to the legal reserve until it represents at least 20% of the share capital. The legal reserve may not be distributed among shareholder, excepting in cases of winding up.

The part of the balance of the legal reserve exceeding 10% of the capital already increased may be used to increase the available capital.

Except for the aforesaid purpose and provided that it does not exceed 20% of the share capital, the reserve may only be used to offset losses in the event that no other reserves are available.

**VOLUNTARY RESERVES**

These are reserves on which there is no type of limitation or restriction with respect to their availability and that are freely set up with the parent company's profits once the dividends have been distributed and the legal reserve and other reserves of an unavailable nature pursuant to the law in force have been replenished.

**b2) RESERVES ON CONSOLIDATION**

This entry in the accompanying consolidated balance sheet includes the reserves in companies, the account of which are prepared by using the full consolidation method and the participation method, which reserves are generated in the year of their acquisition. The most significant amounts comprising this item for each of the companies as at 31st December 2008, including as necessary their subsidiaries, are:

	2008
Metro Barajas, S.A.	(672)
Concesiones de Madrid, S.A.	(186)
The other companies	(3)
<b>TOTAL</b>	<b>(861)</b>

#### c) VALUE ADJUSTMENTS

This heading of the accompanying consolidated balance sheet as at 31st December 2008 and 2007 comprises the following:

	2008	2007
Changes in the fair value of the financial instruments	(13,424)	-
Translation differences	(23,298)	3
<b>TOTAL</b>	<b>(36,722)</b>	<b>3</b>

#### c1) CHANGES IN THE FAIR VALUE OF FINANCIAL INSTRUMENTS

Included under this heading are the changes in the fair value of the cash flow coverage derivatives (see Note 21).

The adjustments from changes in the fair value of the financial instruments as at 31st December 2008 comprise the following:

	2008
Concesiones de Madrid, S.A.	(1,846)
Terminal Polivalente Castellón, S.A.	23
Hospital de Sureste, S.A.	(2,312)
Tranvía de Parla, S.A.	(2,204)
Autopista Central Gallega, S.A.	(2,823)
Túnel d'Envalira, S.A.	9
Autopista de la Costa Cálida, S.A.	(3,705)
Portsur Castellón, S.A.	(566)
<b>TOTAL</b>	<b>(13,424)</b>

## c2) TRANSLATION DIFFERENCES

The most significant amounts comprising this item for each of the companies as at 31st December 2008 are as follows:

	2008
Chilena de Globalvia, S.A.	31,458
Globalvia Infraestructuras Chile, S.A.	(11,214)
S.C. Aconcagua, S.A.	(12,760)
Sociedad de A. Itata, S.A.	(30,722)
The other companies	(60)
<b>TOTAL</b>	<b>(23,298)</b>

In 2008 the devaluation of the Chilean peso gave rise to practically a complete negative development of the exchange differences.

## d) RESULT

Details of the consolidated result attributed to the parent company according to subsidiaries are as follows:

COMPANY	THOUSANDS OF EUROS
Túnel d'Envalira, S.A.	(291)
Concesiones de Madrid, S.A.	1,310
Cia Concesionaria Túnel de Sóller, S.A.	421
Operador Logístico graneles, S.A.	(8)
Nautic Tarragona, S.A.	1
Terminal Polivalente Castellón, S.A.	(2,608)
Autopista de la Costa Cálida, C.E.A., S.A.	(11,702)
Hospital del Sureste, S.A.	853
Tranvía de Parla, S.A.	(394)
Portsur Castellón, S.A.	(260)
Tacel Inversiones, S.A.	(3)
Autopista Central Gallega, S.A.	(3,677)
Metro de Barajas S.C., S.A.	(1,812)
Globalvia Infraestructuras, S.A.	(9,118)
N6 Operations Limited	(4)
Mexicana de GVI, S.A.	(1,045)
GVI USA corp.	(361)
Chilena de GVI, S.A.	(81)
GVI Chile, S.A.	(2,017)
Sociedad de inversiones GVI Chile, Limitada	(106)
S.C. Autopistas Aconcagua	(8,530)
S.C. Autopistas Itata	(4,331)
<b>TOTAL</b>	<b>(43,763)</b>

## II. MINORITIES

This heading in the accompanying balance sheet comprises the proportional part of the equity and the year-end results after taxes of those companies in which the minority shareholders of the group hold an interest.

The balance of the minorities as at 31st December 2008 and 2007 is comprised as follows:

	CAPITAL AND RESERVES	RESULT	TOTAL
<b>2007</b>			
Compañía Concesionaria del Túnel de Sóller, S.A.	7,238	105	7,343
Autopista Central Gallega, S.A.	14,629	29,926	44,555
Operalia Infraestructuras, S.A.	3	-	3
<b>TOTAL</b>	<b>21,870</b>	<b>30,031</b>	<b>51,901</b>
<b>2008</b>			
Túnel de Sóller	7,344	324	7,668
Terminal Polivalente Castellón, S.A.	4,576	(707)	3,869
Túnel d'Envalira	8,127	(73)	8,054
Hospital del Sureste, S.A.	1,061	427	1,488
Autopista Central Gallega, S.A.	35,571	(2,313)	33,258
The others	3,907	(135)	3,774
<b>TOTAL</b>	<b>60,588</b>	<b>(2,477)</b>	<b>58,111</b>

The main movements in this heading, which are presented in the accompanying statement of changes in equity, are produced by the additions to the consolidation perimeter, details of which are in Note 3.

### 14. CURRENT AND FIXED FINANCIAL LIABILITIES

Bank loans and other current and fixed financial liabilities are classified according to their due dates as at the date of the balance sheet, where current liabilities are considered to be any debts the due-date of which falls within the 12 months following the close of accounts and the long-term loans are those that exceed said period.

Said debts are valued according to the capital drawn down, increased by the interest accrued but not yet due while the interest is expensed in the profit and loss account according to the principal pending repayment.

In certain types of financing transactions and especially non-recourse structured financing, it is mandatory to obtain some type of interest rate coverage while studying the best coverage instrument according to the cash flow of the project as well as the term of the debt.

Whenever the financial transaction so requires, the Group contracts interest rate risk coverage while attending to the type and structuring of each transaction (Note 21).

**a) CURRENT AND LONG-TERM BANK DEBTS**

Details of this account as at 31st December 2008 and 2007 are as follows:

	LONG-TERM	CURRENT	TOTAL
<b>2007</b>			
Loans and credit facilities	45,779	7,451	53,230
Limited recourse debts for project financing	152,049	4,611	156,660
	<b>197,828</b>	<b>12,062</b>	<b>209,890</b>
<b>2008</b>			
Loans and credit facilities	109,995	48,470	158,465
Limited recourse debts for project financing	746,332	20,644	766,976
	<b>856,327</b>	<b>69,114</b>	<b>925,441</b>

The balance of the heading "Limited recourse debts for project financing" mainly corresponds to the amounts pending payment related to the investments made in the operation concession of Concesiones de Madrid, S.A. (143,738 thousand euros), Autopista Central Gallega (155,319 thousand euros), S.C. Aconcagua, S.A. (166,555 thousand euros) and Sociedad de A.Itata, S.A. (81,498 thousand euros). The debts are repaid with the income generated from the operation of the corresponding services without there existing, if the terms of the contracts are complied with, liability for the Group companies in the event that the funds generated during the life of the debt do not cover all of the loan plus the interest. The average interest rate of these debts is based on the Euribor plus an additional point depending on the market.

The limit of the credit facilities and loans granted to the Group as at 31st December 2008 amounts to 923,331 thousand euros, of which 2,000 euros were available.

The average interest rate of the bank loans and overdrafts is basically the result of the terms of the different interbank markets with respect to the MIBOR and the Euribor.

With respect to this financing, during the term of the credit facility agreement, different financial ratios must be adhered to, which are complied with at the 2008 year-end close.

The details of the major debts with lending institutions are as follows:



COMPANY	AMOUNT IN THOUSANDS OF CHILEAN PESOS		COMMENCEMENT DATE	DUE DATE	INTEREST RATE
		AMOUNT			
Sociedad de A. Itata, S.A.	74,498,228	81,948	21st Dec 2005	6th Sep 2021	TAB UF 180 days + 1.6
Túnel d'Envalira, S.A.	-	26,682	1st Jan 2006	1st Jan 2030	Euribor 6 months + 0.925
Concesiones de Madrid, S.A.	-	143,783	29th Nov 2004	31st Oct 2030	Euribor 6 months + 0.90
Terminal Polivalente Castellón, S.A.	-	33,038	28th Sep 2004	15th Jan 2025	Euribor 6 months + 1.25
Hospital de Sureste, S.A.	-	62,006	13th June 2006	31st Dec 2032	Euribor 6 months + 0.95
Tranvía de Parla, S.A.	-	77,002	12th July 2006	30th June 2037	Euribor 6 months + 1.05
Autopista Central Gallega, S.A.	-	155,320	31st July 2003	31st July 2013	Euribor 6 months + 1.75
Globalvía Infraestructuras, S.A.	-	43,250	28th Dec 2007	28th Dec 2010	Euribor 12 months + 0.485
S.C. Aconcagua, S.A.	151,413,970	166,555	21st Dec 2005	10th Sep 2019	Fixed rate 5.54%
Globalvía Infraestructuras Chile, S.A.	-	59,573	23rd Sep 2008	23rd Sep 2010	TAB UF 180 days - 0.10

#### b) GRANTS

The grants are broken down according to item as follows:

	2008
Capital grants for plant	219,344
Capital grants for constructions	72,806
	<b>292,150</b>

Included in the heading "capital grants for plant" are mainly the grants received by the company Tranvía Parla to the amount of 193,395,000 euros, accounting for 33% of the total investment, including expenses capitalised to the amount of 219,344 thousand euros. Said collection right is entered as a current and long-term financial asset in accordance with the expectation of recovering same at some point over the grant period of 30 years, indicated in the preceding year.

With respect to capital grants the main amount corresponds to the company Concesiones de Madrid, S.A., amounting to 17,157,000 euros for the purpose of getting it back on track after the considerable construction work done and expropriations, and 55,648 euros to the company Autopistas Central Gallega.

#### c) OTHER FIXED FINANCIAL LIABILITIES

	2008	2007
Long-term financial debts	61,632	65,990
Long-term fixed asset suppliers	9,747	-
Derivatives	14,523	-
Others	5,336	-
	<b>91,238</b>	<b>65,990</b>

The balance of "Other fixed financial liabilities" mainly corresponds to a state participative loan granted to the Acega Group to the amount of 60,101,000 euros to be repaid at the end of the concession in 2074. The remuneration of the participative loan is linked to certain levels of traffic volume for each of the years, which if surpassed would earn 50% of the toll income deriving from the part of the traffic surpassed.

#### d) DUE DATE SCHEDULE

The due date schedule of the bank loans and overdrafts and other fixed financial liabilities is planned as follows:

	2010	2011	2012	2013	2014 AND SUBSEQUENT YEARS	TOTAL
Bank loans and overdrafts	105,517	-	-	-	4,478	109,995
Debts with limited recourse for project finance	14,097	18,536	24,032	178,290	511,377	746,332
Other fixed financial liabilities	3,809	6,062	1,019	6,941	73,407	91,238
	<b>123,423</b>	<b>24,598</b>	<b>25,051</b>	<b>185,231</b>	<b>589,262</b>	<b>947,565</b>

#### e) SUPPLIERS

Under this heading, 77,242 thousand euros correspond to the amount pending payment for the shares of SCADA and SCADI, which is guaranteed with a deposit in the assets equivalent to 20% of the total price agreed for the shares of the Group companies Concesionaria de Autopistas S.C. Aconcagua, S.A. and Sociedad de A.Itata, S.A. (see note 9b).

#### 15. FIXED AND CURRENT SUPPLIES

The Group companies have set up provisions entered on the liabilities side of the accompanying balance sheet to meet any obligations recorded therein arising from past events, on the due date of which and to discharge them the companies consider it likely that an outflow of financial resources will be produced.

These provisions are set up when the corresponding obligation arises and the amount entered is the best estimate as at the date of the accompanying financial statements of the current value of the future payment necessary to discharge the obligation while the change in the financial year corresponding to the financial updating will have a repercussion on the financial results.

As at 31st December 2008 and 2007 the provisions comprise the following:

	2008	2007
<b>Fixed</b>	<b>1,237</b>	
Deriving from liabilities	745	-
Other guarantees	492	
<b>Current</b>	<b>1,859</b>	
Deriving from trade operations	1,859	769
<b>TOTAL</b>	<b>2,604</b>	<b>769</b>

The heading of "current provisions" mainly comprises a provision set up by the Chilean company Concesionaria de Autopistas S.C. Aconcagua, S.A. to meet a possible penalty payment for failure to comply with the skid indicators on the motorway (technical deficiencies of the road), though at the present time said company is in a process of conciliation.

## 16. TAX SITUATION

This note explains entries in the accompanying balance sheet and profit and loss account relating to the tax obligation of each of the Group companies, such as deferred tax assets and liabilities, taxes refundable as well as tax and social security contributions and the profit tax charge.

The passage of Act 35/2006 of 28th November 2006, which partially amends the corporate income tax of resident companies in Spain, sets forth, inter alia, that in 2008, the tax rate is 30%.

The tax returns in general of Globalvia Infraestructuras, S.A. and the subsidiaries comprising the Group are subject to inspection by the tax authorities for the taxes that are applicable to the Group for each year that has not been time barred. Tax liabilities of a contingent nature not liable to objective quantification could derive from the criteria that the tax authorities might adopt with respect to the tax returns subject to inspection. With respect to the tax returns that have been inspected, in certain cases, the different criteria applied by said tax authorities have given rise to claims that have been submitted by the Group companies affected. Nonetheless the directors of the parent company deem that any liabilities that might ensue, both for the tax returns subject to inspection and the claims submitted, will not significantly affect the Group's wealth.

### a) DEFERRED TAX ASSETS AND LIABILITIES

The temporary differences between the book result and the tax base for corporate tax as well as the differences between the book value entered in the consolidated balance sheet of assets and liabilities and their pertinent value for tax purposes give rise to deferred taxes that are entered as fixed assets or liabilities, calculated at the tax rates that are expected to be applied in the years in which they predictably revert.

The Group has capitalised the tax advances pertinent to the different temporary changes and negative tax bases to be offset excepting in cases in which there are reasonable doubts about said tax being refunded.

The deferred tax assets mainly arise from the differences between the amortizations and provisions entered which will be deductible from the tax base of the corporate income tax in future years. As a general rule each year the Group companies deduct the allowances from the tax liability that are permitted by Spanish tax law, the reason for which there are no significant amounts between the deferred tax assets as deductions to be made.

The deferred tax liabilities arise primarily from the differences between the tax and book assessment resulting from the fair pricing of assets deriving from the company acquisitions in the Group, as is indicated in Note 3. As a general rule these liabilities will not involve future outflows of cash since they revert at the same rhythm as the depreciation of the re-valued assets.

The due dates of the deferred taxes are indicated as follows:

	2010	2011	2012	2013	2014 AND SUBSEQUENT YEARS	TOTAL
Assets	12,150	9,281	93	210	25,699	47,433
Liabilities	303	303	303	303	170,676	171,888

#### b) TAX DEPARTMENTS

As at 31st December 2008 and 2007 the current assets and liabilities under the heading "Tax departments" comprise the following:

##### CURRENT ASSETS

	2008	2007
Value added tax	3,894	9,029
Indirect taxes	844	-
Remaining tax items and others	56	1
Tax payments on account	286	-
Different items	1,990	-
	<b>7,070</b>	<b>9,030</b>

##### CURRENT LIABILITIES

	2008	2007
Withholdings	1,187	659
Corporate income tax	3,113	(79)
Tax and Social Security Contributions	196	-
Remaining tax items and others	823	466
	<b>5,319</b>	<b>1,046</b>

#### c) PROFIT TAX CHARGE

The profit tax charge indicated in the accompanying consolidated profit and loss account is calculated in terms of the year's consolidated profit before tax as adjusted for permanent differences between the tax base of said tax and the book result. The tax rate is applied to said book result pursuant to the law that is applicable to each company and the allowances and rebates accrued during the year are deducted from said result while adding any positive or negative differences between the tax calculated for the year-end close of the past year and the subsequent liquidation of the tax within the required time.

The profit tax charge accrued over the year amounts to 11,398,000 euros, as is indicated in the accompanying profit and loss account. The conciliation between the tax charge and the tax rate accrued is indicated as follows:

	2008	2007
Consolidated Book result adjusted	(57,638)	(15,457)
Profit of the companies carried by the participation method	11,974	-
Consolidated accounting result adjusted	(45,664)	(15,457)
Profit tax rate	(11,262)	(5,024)
Allowances and rebates	-	-
Adjustments arising from change in tax rate	-	387
Other adjustments	(136)	51
<b>PROFIT TAX</b>	<b>(11,398)</b>	<b>(4,586)</b>

The tax returns of Globalvia Infraestructuras, S.A. and the subsidiaries comprising the Group are subject to inspection by the tax authorities for the taxes that are applicable to the Group for each year that has not been time barred. Tax liabilities of a contingent nature not liable to objective quantification could derive from the criteria that the tax authorities might adopt with respect to the tax returns subject to inspection. The directors of the parent company deem that any liabilities that might ensue for the tax returns subject to inspection will not significantly affect the Group's wealth.

#### 17. PENSION PLANS AND SIMILAR OBLIGATIONS

The Group companies do not subscribe pension plans complementary to those of the Spanish Social Security system.

#### 18. GUARANTEES FURNISHED TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

As at 31st December 2008, the Group had guaranties and bonds furnished to third parties, most of which were state bodies and private debtors to guarantee the good performance of the execution of the works and operation in the concessionaire companies as well as those furnished provisionally in the concession bids to an amount of 65,455 thousand euros.

Globalvia Infraestructuras, S.A. and the Group subsidiaries act as defendant in certain lawsuits for the liabilities appropriate to the Group's diverse activities in the development of the contracts awarded and for whom provisions are set up (see Note 15). Considered separately, said lawsuits are not very relevant and none of them are especially serious. For this reason, based on proven experience and the existing provisions, the resulting liabilities will not significantly affect the Group's wealth.

#### 19. INCOME AND EXPENSES

The income and expenses are entered according to the accrual criterion, i.e., in terms of the real flow of goods and services that they represent regardless of the moment in which the financial flow or flow of funds arising from said goods and services becomes effective.

#### a) NET TURNOVER

The companies enter the operating income under the heading "Net turnover" excepting own work capitalised and the operation grants, which are entered as "Other income" in the accompanying consolidated profit and loss account.

Details of the net turnover according to companies for the year 2008 are as follows:

COMPANY	2008
Túnel d'Enlira, S.A.	557
Concesiones de Madrid, S.A.	6,608
CIA Concesionaria del Túnel de Sóller, S.A.	6,528
Terminal Polivalente Castellón, S.A.	6,091
Hospital del Sureste, S.A.	4,023
Tranvía de Parla, S.A.	435
Tacel Inversiones, S.L.	9,264
Metro Barajas S.C., S.A.	2,739
Mexicana de Global Via Infraestructuras, S.A.	173
GVI Globalvia Ireland Limited	408
Soc. Concesionaria Autopista Aconcagua	10,097
Soc. Concesionarias Autopista Itata	4,215
The other companies	157
<b>TOTAL</b>	<b>51,294</b>

The other income earned over 2008 and 2007 comprises the following:

	2008	2007
Income from leasing	91	-
Income from services rendered	1,012	-
Income from casualty insurance	18	-
Grants	129	60
<b>TOTAL</b>	<b>1,250</b>	<b>60</b>

Information is not presented according to activity segments or geographic markets due to the fact that the Globalvia Group exercises one single main activity that consists in developing and operating infrastructures and some accessory activities of rendering services of which, the turnover, the profits and the assets on no account reach 10% of the total imports.

Details of the balance sheet of the Globalvia Group according to geographic areas are as follows:

	SPAIN	EUROPEAN UNION	USA	LATIN AMERICA	ANDORRA	TOTAL
<b>ASSETS</b>						
<b>Fixed Assets</b>	<b>1,434,057</b>	<b>46,257</b>	-	<b>606,391</b>	<b>75,951</b>	<b>2,162,656</b>
Intangible assets	645	1	-	5	-	651
Tangible fixed assets	1,101,243	-	-	585,423	75,679	1,762,345
Real estate investment	-	-	-	-	-	-
Investments entered by applying the participation method	113,600	46,256	-	-	-	159,857
Fixed financial assets	173,528	-	-	18,586	257	192,371
Deferred tax assets	45,041	-	-	2,377	15	47,433
Other fixed assets	-	-	-	-	-	-
<b>Current Assets</b>	<b>86,377</b>	<b>239</b>	<b>136</b>	<b>135,106</b>	<b>2,207</b>	<b>224,065</b>
Stocks	1,244	-	-	-	117	1,360
Trade debtors and other accounts receivable	41,124	188	-	8,954	237	50,502
Other current financial assets	2,881	-	12	117,926	440	121,259
Other current assets	391	-	-	4,847	67	5,305
Other current assets	40,737	51	124	3,379	1,346	45,637
<b>TOTAL ASSETS</b>	<b>1,520,434</b>	<b>46,496</b>	<b>136</b>	<b>741,497</b>	<b>78,158</b>	<b>2,386,721</b>
<b>LIABILITIES</b>						
<b>Equity</b>	<b>462,951</b>	<b>46,458</b>	<b>155</b>	<b>230,752</b>	<b>41,397</b>	<b>781,713</b>
<b>Fixed liabilities</b>	<b>995,238</b>	-	-	<b>382,006</b>	<b>35,596</b>	<b>1,412,840</b>
Grants	292,150	-	-	-	-	292,150
Fixed provisions	746	-	-	492	-	1,237
Fixed financial liabilities	603,059	-	-	317,824	26,682	947,565
Deferred tax liabilities	99,283	-	-	63,690	8,914	171,887
<b>Current liabilities</b>	<b>62,245</b>	<b>38</b>	<b>(19)</b>	<b>128,739</b>	<b>1,165</b>	<b>192,168</b>
Liabilities linked to fixed assets stocked for sale	-	-	-	-	-	-
Current provisions	224	-	-	1,634	-	1,859
Current financial liabilities	30,588	-	-	42,865	863	74,316
Trade creditors and other accounts payable	31,433	38	(19)	84,122	298	115,872
Other current liabilities	-	-	-	118	4	122
<b>TOTAL LIABILITIES</b>	<b>1,520,434</b>	<b>46,496</b>	<b>136</b>	<b>741,497</b>	<b>78,158</b>	<b>2,386,721</b>

Details of the net turnover according to geographic location are as follows:

	2008
Spain	35,720
Chile	14,312
Andorra	557
Ireland	451
Mexico	254
<b>TOTAL</b>	<b>51,294</b>

#### b) SUPPLIES

The balance of Supplies and other external expenses as at 31st December 2008 and 2007 comprises the following:

	2008	2007
Purchases and supplies	37	-
Work done for other companies	6,755	8,498
<b>TOTAL</b>	<b>6,792</b>	<b>8,498</b>

#### c) STAFF COSTS

The balance of this entry in the accompanying profit and loss account as at 31st December 2008 and 2007 is broken down as follows:

	2008	2007
Wages and salaries	8,891	2,370
Social Security expenses	1,507	361
<b>TOTAL</b>	<b>10,398</b>	<b>2,731</b>

The average number of employees on the Group's staff over 2008 was as follows:

CATEGORY	MEN	WOMEN	AVERAGE NUMBER OF EMPLOYEES
Directors/degree graduates	66	22	88
Diploma graduates	21	5	26
Administrative staff and sim.	29	49	78
Other staff	92	41	133
	<b>208</b>	<b>117</b>	<b>325</b>



#### d) OTHER OPERATING CHARGES

"Other operating charges" of the accompanying profit and loss account for the period ending on 31st December 2008 and 2007 is broken down as follows:

	2008	2007
Leases and rates	5,769	394
Repair and maintenance	1,932	417
Professional services	12,897	865
Transport	201	-
Insurance premiums	797	2
Bank services and similar	1,228	64
Advertising, publicity and public relations	251	974
Supplies and cleaning	1,168	10
Other services	4,075	3,556
Other taxes	2,502	580
Other management expenses	53	-
<b>TOTAL</b>	<b>30,873</b>	<b>6,862</b>

#### e) FINANCIAL RESULTS

Both the income and the financial expenses, as the case may be, are calculated using the effective interest rate method and are entered in the accompanying consolidated profit and loss account as soon as they accrue.

Details of the financial income, according to the assets that generates said income, over 2008 and 2007 are indicated as follows:

	2008	2007
Assets held until maturity	1,124	179
Fixed and current loans	3,715	-
Cash and equivalent	1,647	1,076
<b>TOTAL</b>	<b>6,486</b>	<b>1,255</b>

Financial expenses over 2008 and 2007 are comprised as follows:

	2008	2007
Credit facilities and loans	2,399	-
Debts with limited recourse to project financing	24,766	-
Exchange differences	4,023	-
<b>TOTAL</b>	<b>31,118</b>	<b>-</b>

## 20. INFORMATION ON THE ENVIRONMENT

The companies of the Group adopt environmental practices in the execution of the construction work and in the operation and maintenance of the infrastructures that are respectful of the environment, minimizing their environmental impact by reducing the emission of dust to the atmosphere, the noise level and vibrations, by the control of discharge of water with special emphasis on the treatment of the liquids that the work generates, the maximum reduction of generation of waste, protection of the biological diversity of animals and plants, protection of the urban environment due to occupancy, pollution or loss of soil and the development of specific training programs for the technicians involved in the decision-making process with environmental impact.

Furthermore, it is considered that there are no significant contingencies related to the protection and improvement of the environment as of 31 December 2008 that might have a significant impact on the attached financial statements.

As regards the possible contingencies that could occur in relation to the environment, the Directors consider that they are sufficiently covered by the civil liability policies that the companies of the group have contracted.

## 21. FINANCIAL RISK MANAGEMENT POLICIES

The Group is exposed to diverse risks of a financial nature regarding the variations in the interest rates or the exchange rates, the liquidity risk or credit risk.

The risks derived from the variation of the interest rates in the cash flows are mitigated by ensuring the rates by financial instruments that absorb their fluctuation.

Risk management of variations in the exchange rate is accomplished by taking debt in the same operating currency as that of the assets that the Group finances in other countries. To hedge the net positions in currencies other than the euro, the Group contracts different financial instruments for the purpose of absorbing the exposure to the exchange rate risk.

In order to manage the liquidity risk, produced by the temporary differences between the need for funds and the their generation, a balance is maintained between the due date and the flexibility of the indebtedness contracted through the use of scaled financing that fits in with the Group's needs for funds.

### RISK CAPITAL MANAGEMENT

The Group manages its capital in order to ensure that the companies of the Group will be capable of continuing as profitable businesses while they maximizing the return for the shareholders through the optimal balance of debt and own funds.

### EXCHANGE RATE RISK

The current positioning of the Group in the international markets makes the exchange rate risk, in the overall context of the Group, have a low impact. However, and independently of its material impact, the policy of the Group is to reduce, as far as possible, the negative effect that this risk could produce on the financial statements, for transactional movements as well as purely net worth variations.

### CREDIT RISK

Given the characteristics of the Group's business, the credit risk is not very significant since a substantial part of the income is collected in cash.

### INTEREST RATE RISK

Given the nature of our activities in which the management of working capital plays an essential role, it is a generalized practice of the Group to determine, as a reference of our financial debt, the index that shows the evolution of inflation with greatest reliability. For this reason the policy of our company is to try for both the current financial assets, which provide to a great extent natural hedging of our current financial liabilities, and the Group's debt to be referenced to floating interest rates.

### SOLVENCY RISK

Below is presented the breakdown of net financial indebtedness on 31 December 2008 and 2007:

	2008	2007
Debts with credit institutions	856,327	197,828
Other remunerated financial debts	91,238	65,990
Current financial assets	(121,259)	(27,935)
Cash and Bank and equivalents	(45,638)	(130,492)
<b>NET FINANCIAL INDEBTEDNESS</b>	<b>780,668</b>	<b>105,391</b>
<b>ATTRIBUTED NET WORTH</b>	<b>781,713</b>	<b>414,978</b>
<b>RATIO</b>	<b>100%</b>	<b>25%</b>

The Group understands that this indebtedness ratio is sustainable considering the capital-intensive activity with the need for financial leverage to which is dedicated.

### LIQUIDITY RISK

In considering the stable financial market situation at present and the financial indebtedness situation that the Group presents, there are no indications that the group could have the liquidity problems.

### FINANCIAL DERIVATIVES FOR HEDGING RISK

A financial derivative is a financial instrument or other contract that meets the following conditions:

- Its value changes in response to the changes of certain variables, such as the interest rate, the price of a financial instrument, the exchange rate, a qualification or index of a credit nature or according to another variable that may not be financial.
- It does not require a net initial investment.
- It will be liquidated on a future date.

The financial derivatives, besides producing profits or losses, can under certain conditions compensate all or part of the risk of the exchange rate, interest rates or the value associated to balances and transactions.

In order to be considered hedging, a financial derivative must necessarily:

- Hedge one of the three following risks:
  - a. changes in the reasonable value of assets and liabilities.
  - b. alterations in the planned cash flow of financial assets and liabilities.
  - c. net investment in a business in another country.
- Effectively eliminate the risk inherent to the element or hedge position during the entire planned hedging period. It is considered that the hedging is effective when the variation in the expected cash flow or in the reasonable value of the hedge element is compensated by those of the derivative in a margin that remains within the 80% - 125% interval.
- The effectiveness of the hedging must be able to be measured reliably; and
- There must be formal documentation at the start and during that hedging period that permits clearly identifying the items to hedge, the hedging instruments and the nature of the risk that is hedged.

On 31 December 2008 the Group has closed hedging transactions in the overall amount of 468,684 thousand euros, basically materialized in interest rate swaps where the companies of the Group pay a fixed rate and receive floating rates. Below is a breakdown of the cash flow hedging and of its reasonable value, in which the amounts corresponding to the associated companies are shown in proportion to the percentage of participation.

	RATE	REASONABLE VALUE 2008	2008 NOTIONAL	DUE DATE
<b>Companies consolidated by global integration</b>				
Autopista Central Gallega Concesionaria Española, S.A.U.		(6,223)	192,500	31st July 2013
Concesiones de Madrid, S.A.	F.E.	(2,637)	154,000	15th Dec 2013
Terminal polivalente Castellón, S.A.	F.E.	124	29,750	28th July 2009
Hospital del Sureste, S.A.	F.E.	(1,205)	62,850	31st Dec 2032
Túnel d'Envalira, S.A.	F.E.	257	29,497	20th Jan 2022
Tranvía de Parla, S.A.	F.E.	(4,458)	87	30th Dec 2022
<b>Associated Companies</b>				
Autopista de la Costa Cálida Concesionaria Española de Autopistas, S.A.	F.E.	(4,628)	450,000	15th Dec 2012
Portsur de Castellón, S.A.	F.E.	(2,747)	29,755	31st Oct 2031
Scut Vías a Beira Interior, S.A.	F.E.	(38,876)	387,750	31st Oct 2018

The changes in the reasonable value of the hedging of cash flows are attributed, net of any tax effect, to reserves and are recognized in the results of the financial year to the extent in which the hedge item affects the profit and loss statement.

The assessment of the financial derivatives has been made by experts in the subject, independently of the Group and of the entities that finance them, through generally accepted techniques and methods.

Those interest rate swaps were assessed discounting all the planned cash flows in the contract in accordance with their characteristics, such as the notional amount and the schedule of collections and payments. For such assessment the zero coupon yield curve is used, determined from the deposits and swaps that are quoted at every moment through a "bootstrapping" process; the discount factors used in the assessments are obtained by means of this zero coupon yield curve under a supposition of Absence of Opportunity for Arbitration (AOA). In the cases in which the derivatives consider upper and lower limits (cap and floor) or combinations thereof, sometimes linked to special requisites, the interest rates used have been the same as in the swaps, although to give entry to the randomness component in exercising the options, the generally accepted Black methodology was used.

#### DERIVATIVES THAT DO NOT MEET THE CONDITIONS OF HEDGING

Under this heading are included in the financial derivatives that the company has contracted with the financial purpose of hedging, but that are not considered as such according to the NIC 39 by not being able to pass the tests of effectiveness that it requires. The changes in the reasonable value that these derivatives undergo are attributed to the heading of the attached consolidated profit and loss statement "Results for variations in the value of financial instruments" or "Participation in the result of associated companies", as may be applicable.

On 31 December 2008 the Group has no transactions closed that do not meet the hedging conditions.

## 22. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

### a) TRANSACTIONS WITH RELATED PARTIES

The breakdown of the balances and transactions with related companies on 31 December 2008 is the following:

COMPANY	SHORT-TERM DEBT BALANCES	LONG-TERM CREDIT BALANCES	SHORT-TERM CREDIT BALANCES	SALES	EXPENSES	FINANCIAL INCOME	FINANCIAL EXPENSES
FCC Concessions Ireland, Ltd.	-	-	-	58	-	-	-
FCC Construcción, S.A.	8	-	1,534	44	(3,080)	-	-
M-50 Concession, Ltd.	225	-	-	345	-	-	-
Matinsa	7	-	25	-	(107)	-	-
Selsa	-	-	4	(25)	-	-	-
Corporación Financiera Caja Madrid, S.A.	-	-	-	-	-	-	-
Caja Madrid, S.A.	-	43,250	2,796	-	-	2,953	(2,309)
Limpiezas Urbanas Mallorca	-	-	-	3	-	-	-
Scut Vías, S.A.	-	-	-	-	-	762	-
Portsur Castellón, S.A.	45	-	-	-	-	-	-
<b>TOTAL</b>	<b>285</b>	<b>43,250</b>	<b>4,359</b>	<b>425</b>	<b>(3,187)</b>	<b>(6,668)</b>	<b>(2,309)</b>

### b) TRANSACTIONS WITH DIRECTORS AND SENIOR EXECUTIVES OF THE COMPANY

During this financial year, the Company did not record or accrue any amount for remunerations or other provisions for its Board of Directors. The remunerations accrued by the Senior Executives in the financial year 2008 were 1,332 thousand euros.

c) BREAKDOWN OF THE PARTICIPATION IN COMPANIES WITH SIMILAR ACTIVITIES AND ON THEIR OWN BEHALF OR FOR OTHERS OF SIMILAR ACTIVITIES BY THE DIRECTORS

DIRECTOR'S NAME OR BUSINESS NAME	DIRECT PARTICIPATION	INDIRECT PARTICIPATION	BUSINESS NAME OF THE ENTITY OF THE GROUP	ACTIVITY	POSITION
Jesús Enrique Duque Fernández del Rivero	—	—	Libusa Infraestructuras S.L.U.	Shareholder	Joint and several administrator
	—	—	Orfeo Infraestructuras S.L.U.	Shareholder	Joint and several administrator
	—	—	Dalibor Infraestructuras S.L.U.	Shareholder	Joint and several administrator
	—	—	Amfortas Infraestructuras S.L.U.	Shareholder	Joint and several administrator
	—	—	Alcina Infraestructuras S.L.U.	Shareholder	Joint and several administrator
	—	—	Valton Infraestructuras S.L.U.	Shareholder	Joint and several administrator
	—	—	Lakme Infraestructuras S.L.U.	Shareholder	Joint and several administrator
	—	—	Zerlina Infraestructuras S.L.U.	Shareholder	Joint and several administrator
	—	—	Compañía Concesionaria del Túnel de Sóller	Highway concessionaire	Physical representative of legal-person Director
	—	—	Autopista Central Gallega S.A.	Highway concessionaire	Physical representative of legal-person Director
	—	—	Concesiones de Madrid S.A.	Highway concessionaire	Physical representative of legal-person Director
	—	—	Metro Barajas Sociedad Concesionaria S.A.	Railway concessionaire	Physical representative of legal-person Director
	—	—	Nautic Tarragona S.A.	Port concessionaire	Physical representative of legal-person Director
	—	—	Operalia Infraestructuras S.A.	Transport infrastructure concession management	Physical representative of legal-person Director
	—	—	Tranvía de Parla S.A.	Railway concessionaire	Physical representative of legal-person Director
—	—	Marina Port Vell S.A.	Port concessionaire	Physical representative of legal-person Director	

DIRECTOR'S NAME OR BUSINESS NAME	DIRECT PARTICIPATION	INDIRECT PARTICIPATION	BUSINESS NAME OF THE ENTITY OF THE GROUP	ACTIVITY	POSITION
Jesús Enrique Duque Fernández del Rivero	—	—	Marina de Laredo S.A.	Port concessionaire	Physical representative of legal-person Director
	—	—	Tramvia Metropolità S.A.	Railway concessionaire	Physical representative of legal-person Director
	—	—	Tramvia Metropolità del Besòs S.A.	Railway concessionaire	Physical representative of legal-person Director
	—	—	Túnel d'Envalira S.A.	Highway concessionaire	Physical representative of legal-person Director
FCC Construcción, S.A. (José Mayor)	5.00%	47.50%	Operalia Infraestructuras S.A.	Transport infrastructure concession management	—
	70.00%	30.00%	Autovía Conquense S.A.	Dual Carriageway Concession Maintenance	—
	40.00%	—	Autovía del Camino S.A.	Dual Carriageway Concession	Director
	—	48.00%	Autopista del Sol S.A.	Motorway Concession (Costa Rica)	—
	—	48.00%	Autopista del Valle S.A.	Motorway Concession (Costa Rica)	—
	50.00%	—	Autovía Necaxa-Tehuacán, S.A. de C.V.	Dual Carriageway Concession (Mexico)	—
	27.20%	—	Cedinsa Concesionaria S.A.	Dual Carriageway Concession	—
	34.00%	—	Cedinsa Eix del Llobregat Concesionaria de la Generalitat de Catalunya S.A.	Dual Carriageway Concession	—
	—	27.20%	Cedinsa d'Aro Concesionaria de la Generalitat de Catalunya S.A. Unipersonal	Dual Carriageway Concession	—
	—	27.20%	Cedinsa Eix Transversal Concesionaria de la Generalitat de Catalunya S.A. Unipersonal	Dual Carriageway Concession	—
	—	27.20%	Cedinsa Ter Concesionaria de la Generalitat de Catalunya S.A.	Dual Carriageway Concession	—
	26.00%	59.59%	Concesionaria del Túnel de Coatzacoalcos S.A. de C.V.	Toll tunnel Concession (Mexico)	—
	100.00%	—	Concesiones Viales de Costa Rica S.A.	Construction concession & public services	—
	—	99.97%	Concesiones Viales Sociedad de Responsabilidad Ltda. de C.V.	Motorway Concession (Mexico)	—
—	50.00%	Dragados FCC Canada Inc.	Motorway Concession (Canada)	—	
100.00%	—	Fomento de Construcciones y Contratos Concessions Ireland Ltd.	Toll Road Concession (Ireland)	—	
50.00%	—	Ibisan Sociedad Concesionaria S.A.	Dual Carriageway Concession	—	
52.00%	—	Impulsa Infraestructuras S.A. de C.V.	Concessionaire Management (Mexico)	—	
47.55%	—	Madrid 407 Sociedad Concesionaria S.A.	Dual Carriageway Concession	—	

DIRECTOR'S NAME OR BUSINESS NAME	DIRECT PARTICIPATION	INDIRECT PARTICIPATION	BUSINESS NAME OF THE ENTITY OF THE GROUP	ACTIVITY	POSITION
FCC Construcción, S.A. (José Mayor)	100.00%	—	M & S Concesiones S.A.	Concessionaire Management (Costa Rica)	—
	100.00%	—	M & S DI - M & S Desarrollos Internacionales S.A.	Concessionaire Management (Costa Rica)	—
	—	45.00%	M50 (Concession) (Holding) Ltd.	Concessionaire Management (Ireland)	—
	—	45.00%	M50 (Concession) Ltd.	Dual Carriageway Concession (Ireland)	—
	—	45.00%	N6 (Concession) (Holding) Ltd.	Concessionaire Management (Ireland)	—
	—	45.00%	N6 (Concession) Ltd.	Dual Carriageway Concession (Ireland)	—
	100.00%	—	P.I. Promotora de Infraestructuras S.A.	Transport infrastructure concession management (Costa Rica)	—
	33.33%	—	Ruta de los Pantanos S.A.	Motorway Concession	—
	50.00%	50.00%	Vialia Sociedad Gestora de Concesiones de Infraestructuras S.L.	Concessionaire Management	—
	24.00%	—	Metro de Málaga S.A.	Passenger Public Transport Concessionaire	—
	19.03%	—	Tramvia Metropolità del Besòs S.A.	Passenger Public Transport Concessionaire	Director
	19.03%	—	Tramvia Metropolità S.A.	Passenger Public Transport Concessionaire	Director
	12.19%	—	Transportes Ferroviarios de Madrid S.A.	Passenger Public Transport Concessionaire	Director
	—	15.22%	Operadora del Tramvia Metropolità S.A.	Tram Operation Service Management	Director
	42.50%	—	Marina de Laredo S.A.	Marina	—
	39.72%	—	Port Premiá S.A. (en liquidación)	Marina	—
	24.08%	—	Port Torredembarra S.A.	Marina	—
31.50%	—	Terminal Polivalente de Huelva S.A.	Merchandise port	—	
32.00%	—	Concesionaria Hospital de Son Dureta S.A.	Hospital construction, preservation and operation	Director	
Teide, S.A. (Francisco García)	—	—	Autovía Conquense, S.A.	Highway Concession	Director
	—	—	Tramvia Metropolità del Besòs S.A.	Passenger Public Transport Concessionaire	Director
	—	—	Tramvia Metropolità S.A.	Passenger Public Transport Concessionaire	Director
	—	—	Nautic Tarragona S.A.	Marina	Director
	—	—	Port Torredembarra S.A.	Marina	Director
Sincler, S.A. Unipersonal (José Ramón Ruíz Carrero)	—	—	Operalia Infraestructuras, S.A.	Transport infrastructure concession management	Director
	—	—	Autovía Conquense, S.A.	Highway Concession	Director



DIRECTOR'S NAME OR BUSINESS NAME	DIRECT PARTICIPATION	INDIRECT PARTICIPATION	BUSINESS NAME OF THE ENTITY OF THE GROUP	ACTIVITY	POSITION
Sincler, S.A. Unipersonal (José Ramón Ruíz Carrera)	—	—	Cedinsa Concessionaria, S.A.	Dual Carriageway Concession	Director
	—	—	Cedinsa d'Aro Concessionaria de la Generalitat de Catalunya, S.A. Unipersonal	Dual Carriageway Concession	Director
	—	—	Cedinsa Eix del Llobregat Concessionaria de la Generalitat de Catalunya, S.A.	Dual Carriageway Concession	Director
	—	—	Cedinsa Eix Transversal Concessionaria de la Generalitat de Catalunya, S.A. Unipersonal	Dual Carriageway Concession	Director
	—	—	Cedinsa Ter Concessionaria de la Generalitat de Catalunya, S.A.	Dual Carriageway Concession	Director
	—	—	Vialia Sociedad Gestora de Concesiones de Infraestructuras S.L.	Transport infrastructure concession management	Chairman
Tulsa Inversión, S.L. (Gerard Ries)	—	—	Autovía Conquense, S.A.	Dual Carriageway Concession	Director
	—	—	Autovía del Camino S.A.	Dual Carriageway Concession	Director
	—	—	Marina de Laredo, S.A.	Marina	Director
	—	—	Terminal Polivalente de Huelva S.A.	Merchandise Port	Director
	—	—	Concesionaria Hospital Son Dureta, S.A.	Hospital construction, preservation and operation	Director
	—	—	Hospital del Sureste, S.A.	Hospital construction, preservation and operation	Director
E.A.C. Inversiones Corporativas S.L. (Esther Alcocer Koplowitz)	0.000025%	—	Fomento de Construcciones y Contratas, S.A.	Construction and Services	Director
	—	—	FCC Construcción, S.A.	Construction	Director
Valoración y Control, S.L. (Ildefonso Sánchez Barco)	—	—	Hospital del Sureste, S.A.	Hospital construction, preservation and operation	Board Member
	—	—	Realia Business, S.A.	Real Estate Business	Board Member
Participaciones y Cartera de Inversión, S.L. (Mariano Pérez Claver)	—	—	Realia Business, S.A.	Real Estate Business	Board Member
	—	—	RB Business Holding S.L.	Infrastructure stakeholding	
Mediación y Diagnósticos, S.A. (Enrique de la Torre Martínez)	—	—	Alazor Inversiones, S.A.	Infrastructure stakeholding	
	—	—	Accesos de Madrid, Concesionaria Española, S.A.	Highway concessionaire	
	—	—	RB Business Holding S.L.	Real estate stakeholding	Board Member
	—	—	Realia Business, S.A.	Real Estate Business	
Francisco Javier Falces Valle	—	—	Ciralsa, Sociedad Anónima, Concesionaria del Estado, S.A.	Highway Concessionaire	Director
	—	—	Accesos de Madrid, Concesionaria Española, S.A.	Highway Concessionaire	Physical representative of legal-person Director

DIRECTOR'S NAME OR BUSINESS NAME	DIRECT PARTICIPATION	INDIRECT PARTICIPATION	BUSINESS NAME OF THE ENTITY OF THE GROUP	ACTIVITY	POSITION
Francisco Javier Falces Valle	—	—	Ruta de los Pantanos, S.A.	Highway Concessionaire	Physical representative of legal-person Director
	—	—	Metro de Barajas, S.A.	Railway Concessionaire	Physical representative of legal-person Director
	—	—	Concesiones de Madrid, S.A.	Highway Concessionaire	Physical representative of legal-person Director
	—	—	Autopista Central Gallega Concesionaria Española, S.A.U.	Highway Concessionaire	Physical representative of legal-person Director
	—	—	Transportes Ferroviarios de Madrid, S.A.	Railway Concessionaire	Physical representative of legal-person Director
	—	—	Hospital del Sureste, S.A.	Hospital construction, preservation and operation	Physical representative of legal-person Director
	—	—	Madrid 404 Sociedad Concesionaria, S.A.	Highway Concessionaire	Physical representative of legal-person Director
	—	—	Libusa Infraestructuras, S.L.U.	Shareholder	Joint and Several Director
	—	—	Orfeo Infraestructuras, S.L.U.	Shareholder	Joint and Several Director
	—	—	Dalibor Infraestructuras, S.L.U.	Shareholder	Joint and Several Director
	—	—	Amfortas Infraestructuras, S.L.U.	Shareholder	Joint and Several Director
	—	—	Alcina Infraestructuras, S.L.U.	Shareholder	Joint and Several Director
	—	—	Valton Infraestructuras, S.L.U.	Shareholder	Joint and Several Director
	—	—	Lakme Infraestructuras, S.L.U.	Shareholder	Joint and Several Director
—	—	Zerlina Infraestructuras, S.L.U.	Shareholder	Joint and Several Director	
Inmogestión y Patrimonio, S.A. (Ramón Ferraz)	—	—	—	—	—
Sector de Participaciones Integrales, S.L. (Antonio Román González)	—	—	—	—	—

**d)** Mechanisms set up to detect, determine and resolve the possible conflicts of interest between the Dominant Company and/or its group, and its Board Members, Directors or significant shareholders.

The Group has set up precise mechanisms for detecting, determining and resolving possible conflicts of interests among the companies of the Group.

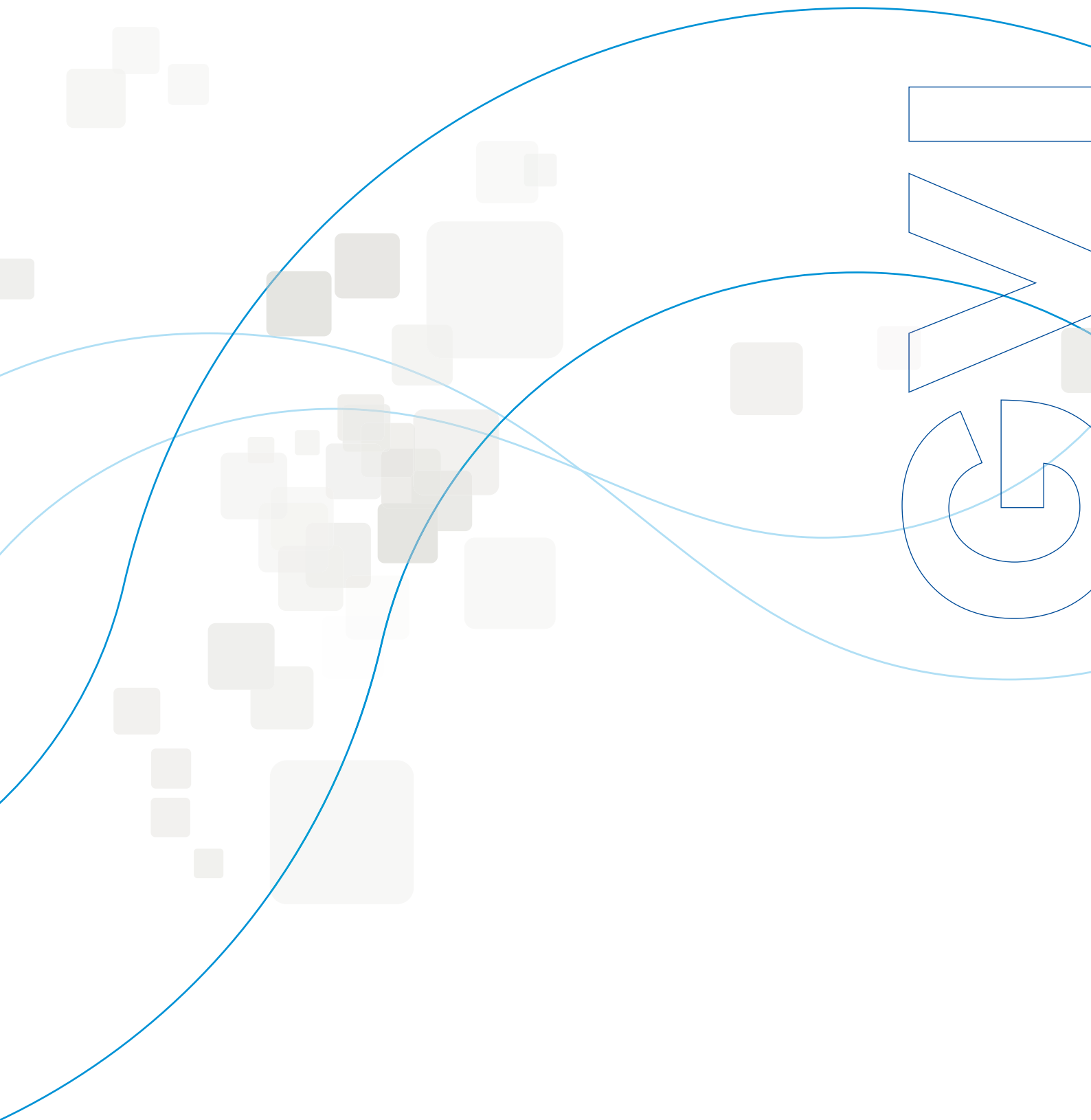
### 23. REMUNERATION TO THE AUDITORS

The fees paid to the principal auditor, corresponding to the financial year 2008, were 131 thousand euros for the audit of the accounts and 457 thousand euros for other professional services provided to the different companies of the group that make up the group. The remainder of the services provided by other auditors participating in the audit of the different companies of the group was 88 thousand euros.

### 24. EVENTS SUBSEQUENT TO THE CLOSING OF THE FINANCIAL YEAR

In the month of January, two capital increases took place by means of non-monetary contributions that are described below:

- On 28 January a capital increase was carried out in the amount of 54,999,600 euros with 43,999,680 euros corresponding to the capital and 10,999,920 euros to the issue premium. This increase was carried out by means of the following non-monetary contributions: FCC Construcción, S.A. contributed 13.94% of the share capital of Madrid 407 Sociedad Concesionaria (1,593,700 euros) and 24.375% of the capital of Transportes Ferroviarios de Madrid, S.A. (25,906,100 euros), and Caja Madrid contributed 25% of the capital of Transportes Ferroviarios de Madrid, S.A. (27,499,800 euros).
- On 30 January a capital increase was carried out in the amount of 77,664,000 euros, with 62,131,200 euros corresponding to the capital and 15,532,800 euros to the issue premium. This increase was done by means of the following non-monetary contributions: FCC Construcción, S.A. contributed 30.66% of the share capital of Marina Port Vell, S.A. (2,878,900 euros), 4.23% of the capital of Madrid 407 Sociedad Concesionaria, S.A. (484,100 euros), 24.08% of the capital of Port Torredembarra, S.A. (626,100 euros), 100% of the share capital of M&S DI-M&S Desarrollos Internacionales S.A. (3,118,800 euros), 100% of the share capital of P.I. Promotora de infraestructuras ,S.A.(8,396,800 euros), 14.77% of the share capital of SCL Terminal Aéreo Santiago Sociedad Concesionaria, S.A. (4,700,000 euros), 50% of the share capital of Autovía Necaxa Tihuatlan S.A. de CV (18,578,200 euros) and 100% of the share capital of Fomento de Construcciones y Contratas Concession Ireland Limited (49,100 euros); and Caja Madrid contributed 25% of the capital of Ciralsa Sociedad Anónima Concesionaria del Estado (38,832,000 euros).



**ANNEX I**  
DEPENDENT COMPANIES

COMPANY	REGISTERED OFFICES	COMPANY PURPOSE	AUDITORS
Compañía Concesionaria Túnel Sóller, S.A.	Puerto Pi, 8 - Palma de Mallorca (Balears)	Motorway Concessionaire	Ernst & Young
Tacel Inversiones, S.A.	Rozabella, 6 Europa Empresarial - Las Rozas de Madrid	Motorway Concessionaire	KPMG
Metro Barajas Sociedad Concesionaria, S.A.	Pedro Teixeira, 8 - Madrid	Underground Concessionaire	Deloitte
Operalia Infraestructuras, S.A.	Pedro Teixeira, 8 - Madrid	Infrastructure Management	Not audited
Libusa Infraestructuras, S.A.	Pedro Teixeira, 8 - Madrid	Professional Services	Not audited
Amfortas Infraestructuras, S.A.	Pedro Teixeira, 8 - Madrid	Professional Services	Not audited
Dalibar Infraestructuras, S.A.	Pedro Teixeira, 8 - Madrid	Professional Services	Not audited
Orfeo Infraestructuras, S.A.	Pedro Teixeira, 8 - Madrid	Professional Services	Not audited
Mexicana de Globalvia Infraestructuras, S.A. de C.V.	Mexico DF	Infrastructure Management	Not audited
GV Operalia Autopistas Mexicanas, S.A. de C.V.	Mexico DF	Infrastructure Management	Not audited
Concesiones de Madrid, S.A.	Av. Europa, 8 - Alcobendas	Motorway Concessionaire	Deloitte
Terminal Polivalente Castellón, S.A.	Muelle de Centenario - El Grao	Concessionaire Activity	Laex Nexia
Hospital del Sureste, S.A.	O'Donnell - Madrid	Concessionaire Activity	Deloitte
Madrid 404 Sociedad Concesionaria, S.A.	Paseo de la Castellana, 141 - Madrid	Motorway Concessionaire	Deloitte
Valton Infraestructuras, S.A.	Pedro Teixeira, 8 - Madrid	Professional Services	Not audited
Alcía Infraestructuras, S.A.	Pedro Teixeira, 8 - Madrid	Professional Services	Not audited
Lakme Infraestructuras, S.A.	Pedro Teixeira, 8 - Madrid	Professional Services	Not audited
GVI US Corporación	Centerville Road Delaware (USA)	Infrastructure Management	Not audited
GVI Irlanda L.T.M.	Bracken Road - Dublín	Infrastructure Management	Deloitte
Zelina Infraestructuras, S.A.	Pedro Teixeira, 8 - Madrid	Professional Services	Not audited
Globalvia Infraestructuras Chile, S.A.	Comuna de las Condes - S. de Chile	Concessionaire Activity	Deloitte
Túnel d'Envalira, S.A.	C. General 2 KM23 - Grau Roig	Concessionaire Activity	KPMG
Sociedad de Inversión Globalvia Chile, S.A.	Comuna de las Condes - S. de Chile	Infrastructure Management	Not audited
S.C. Aconcagua, S.A.	Comuna de las Condes - S. de Chile	Motorway Concessionaire	Mazars
Sociedad de A.Itata	Comuna de las Condes - S. de Chile	Motorway Concessionaire	Mazars
Chilena de Globalvia, S.A.	Comuna de las Condes - S. de Chile	Infrastructure Management	Deloitte
Tranvía de Parla, S.A.	Camino de la Cantueña - Parla	Concessionaire Activity	Deloitte
<b>TOTAL COMPANIES OF THE GROUP</b>			

EUROS				
PERCENT OF PARTICIPATION	SHARE CAPITAL	RESERVES	RESULT OF FIN. YEAR	TOTAL
56.53%	16,651	2,234	1,594	20,479
61.39%	32,250	(124)	(5)	32,121
100.00%	7,951	(708)	(802)	6,441
95.00%	60	-	-	60
100.00%	3	-	-	3
100.00%	3	-	-	3
100.00%	3	-	-	3
100.00%	3	-	-	3
100.00%	1,526	-	(895)	631
100.00%	-	-	-	-
100.00%	28,798	13,287	10,344	52,429
78.68%	15,750	(6,154)	(2,772)	6,824
66.67%	6,567	(898)	(1,206)	4,463
100.00%	5,861	(186)	-	5,675
100.00%	3	-	-	3
100.00%	3	-	-	3
100.00%	3	-	-	3
100.00%	-	496	(381)	115
100.00%	-	-	-	-
100.00%	3	-	-	3
100.00%	247,704	-	(1,716)	245,988
80.00%	8,400	12,363	(1,115)	19,648
100.00%	176,595	-	(90)	176,505
-	146,937	(94,941)	(6,699)	45,297
-	76,421	(25,269)	(1,511)	49,641
100.00%	176,583	-	(69)	176,514
75.00%	13,499	(3,448)	1,688	11,739
	<b>961,577</b>	<b>(103,348)</b>	<b>(3,635)</b>	<b>854,594</b>

## ANNEX II

### ASSOCIATED COMPANIES

COMPANY	REGISTERED OFFICES	COMPANY PURPOSE	AUDITORS
Operador Logístico Graneles, S.A.	Aboño - Gijón	Concessionaire Activity	Centium Auditores
Nautic Tarragona, S.A.	Puerto Deportivo - Tarragona	Concessionaire Activity	Tinet
Concesiones Aeroportuarias, S.A.	Hermanos Bou - Castellón	Concessionaire Activity	KPMG
Portsur de Castellón, S.A.	Muelle Serrano - El Grao	Concessionaire Activity	KPMG
Marina Por Vell, S.A.	Escar - Barcelona	Concessionaire Activity	Not audited
Exproestradas XXII-AE Transmontana S.A.	Rua Santos Pousada - Oporto	Motorway Concessionaire	Not audited
Autoestrada XXI-SU.Trans.S.A.	Rua Santos Pousada - Oporto	Motorway Concessionaire	Not audited
Scut Vías A Beira Interior, S.A.	Rua Senhora de Oporto - Oporto	Motorway Concessionaire	Deloitte
Operestradas XXI, S.A.	Pousada - Oporto	Motorway Concessionaire	Not audited
Autopista de la Costa Cálida Concesionaria Española de Autopistas, S.A.	Saturno, 1 - Pozuelo de Alarcón (Madrid)	Motorway Concessionaire	PWC
<b>TOTAL COMPANIES OF THE GROUP</b>			

<b>EUROS</b>				
PERCENT OF PARTICIPATION	SHARE CAPITAL	RESERVES	RESULT OF FIN. YEAR	TOTAL
20.00%	5,000	1,690	82	6,772
25.00%	1,202	535	11	1,748
45.00%	28,300	(136)	-	28,164
30.00%	4,856	(37)	(1,284)	3,535
29.83%	4,355	1,212	391	5,958
50.00%	50	-	-	50
46.00%	50	-	-	50
22.22%	49,200	(3,174)	-	46,026
1.00%	50	-	-	50
35.75%	113,000	(14,050)	(9,476)	89,474
	<b>206,063</b>	<b>(13,960)</b>	<b>(10,276)</b>	<b>181,827</b>



# 3.4.

## MANAGEMENT REPORT

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## BUSINESS ACTIVITY OVER 2008

### 3.4.1. THE MOST SIGNIFICANT EVENTS

Over 2008 Globalvia Infraestructuras took part in different bid processes for the award of different infrastructure projects and concessions while continuing its policy of consolidating the assets it manages and transfers of the concessionaire companies included in the portfolio of its shareholders.

In accordance with these lines of action, I would point to the following significant events:

1. Globalvia Infraestructuras has been awarded the invitation to tender for the sale contract by Bancomext of its two motorways in Chile, an operation that involved an investment of 553 million dollars, 150 million dollars of which was financed by foreign debt and the remaining part by funding from the shareholders of Globalvia Infraestructuras. The project has the following characteristics:
  - The Aconcagua motorway (218 km in length), which connects the cities of Santiago and Los Vilos, forming part of the Panamerican Route, the most important arterial road in Chile, which crosses most of the country's urban centres.
  - The Itata motorway (89 km in length), which runs between Chillán and Concepción, capturing most of the traffic coming from the north (Santiago) to Concepción.

- 2.** Globalvia Infraestructuras has been awarded the concession to construct and operate the Transmontana IP4 motorway between Vila-Real and Bragança in Portugal (194 km in length) for a period of 30 years.
- The project involves the improvement of the connection between the north east of Portugal and Spain and it comprises 32 km of new construction, 106 km of road widening and 56 km of enhancement to roads already existing. This award is part of the programme launched by the Portuguese government in early 2008 to extend its motorway network.
  - In spite of the current financial situation, the Transmontana (Portugal) contract was closed over the last quarter, a project for which Globalvia Infraestructuras together with its partner Soares da Costa obtained financing of 605 million euros by virtue of a bank club deal in which BEI, BPI, Caja Madrid, Banco Santander, La Caixa, Banesto, Banco Popular and BBVA are involved.
- 3.** To develop the strategy of concentrating holdings in concessionaire companies so that Globalvia Infraestructuras could gain majority control thereof, third parties were acquired by its shareholders to be subsequently contributed to the company as detailed below:

ACQUISITION OF THIRD PARTIES	FCCCO	CFCM/SPPE
CONCESIONES DE MADRID	25.00%	25.00%
RUTA PANTANOS	8.33%	8.33%
TUNEL D'ENVALIRA		40.00%
TRANVÍA DE PARLA		39.66%
TFM	12.19%	

Consequent with this acquisition of interest together with the holding in said companies they already had, over the last quarter of 2008 the shareholders contributed the concessions of Tranvía de Parla (75%), Concesiones de Madrid (100%) and the Túnel d'Envalira (80%). The transfer of TFM (49.38%) was transacted in January 2009 while the transfer of Ruta de los Pantanos (66.66%) was scheduled for April.

- 4.** Since its incorporation in January 2007 with a share capital of 250 million euros, Globalvia Infraestructuras has effected the company transactions indicated below by non-cash contributions thereby incorporating into Globalvia Infraestructuras the holdings of its shareholders in the concessionaire companies as well as the cash funding necessary to maintain a permanent equilibrium in the capital ownership of Globalvia Infraestructuras, as indicated in the following chart:

GLOBALVIA INFRAESTRUCTURAS	DATE	EUROS	
		SHARE CAPITAL	ISSUE PREMIUM
Incorporation of company	29th Jan 2007	250,000,000	
Expansion with Contribution of Metro Barajas	4th Oct 2007	7,951,000	
Expansion with Contribution of Túnel de Sóller - Autopista Central Gallega - Terminal Polivalente de Castellón - Autopista de la Costa Cálida, and capital call payments.	23rd Dec 2007	92,800,448	23,200,112
Expansion with Contribution of Tacel - Nautic - Oligsa - Portsur - Conaer-H Sureste-M404	15th July 2008	23,529,920	5,882,480
Capital Increase approved by shareholders' extraordinary general meeting of 31st July 2007	18th Sep 2008	219,750,000	73,250,000
Capital Increase (Contribution of Concesiones de Madrid)	22nd Sep 2008	100,608,000	25,152,000
Capital Increase (Contribution of Túnel d'Envalira, Tranvía de Parla and Scutvias)	3rd Nov 2008	46,026,560	11,506,640
Capital Increase (Contribution of Túnel d'Envalira, Tranvía de Parla and M-407)	3rd Dec 2008	1,013,440	253,360
<b>TOTALES</b>		<b>741,679,368</b>	<b>139,244,592</b>

Thus during 2008 in accordance with what was agreed in the shareholders' agreement, Globalvia Infraestructuras continued to effect all of the procedures necessary to transfer the shares held by its shareholders in the concessionaire companies, which materialised in the portfolio as at 31st December 2008 of the concessionaire companies managed by Globalvia Infraestructuras. Said portfolio is set forth below, indicating whether all of the share capital of said companies was legally transferred to Globalvia Infraestructuras or whether its shareholders already held it:

CONCESSIONS	TOTAL SHARE CAPITAL DISBURSED (MILLIONS, FOREIGN CURRENCY)	FCC %	CM %	GLOBALVIA INFRAESTRUCTURAS %
Autopista del Aconcagua (SCADA)	130,849.25 CLP			100.00%
Autopista del Itata (SCADI)	68,053.93 CLP			100.00%
Metro Barajas	7.95 €			100.00%
Madrid 404	5.86 €			100.00%
Concesiones de Madrid, S.A.	28.80 €			100.00%
Túnel d'Envalira, S.A.	8.40 €			80.00%
Terminal Polivalente Castellón	15.75 €			78.68%
Tranvía de Parla	13.50 €			75.00%
Hospital Sureste	6.57 €			66.67%
Tacel Inversiones S.A. (Acega,cesa)	32.25 €			61.39%
Túnel del Sóller, SA	16.55 €			56.53%
AE Subconcesionaria Trasmontana, S.A.	0.05 €	3.00%		47.00%
Concesiones Aeroportuarias	28.30 €			45.00%
Aucosta, S.A. (Cartagena -Vera)	113.00 €			35.75%
Port Sur Castellón	4.86 €			30.00%
Marina Port Vell, S.A.	4.35 €	30.66%	0.00%	29.61%
Nautic Tarragona, S.A.	1.20 €			25.00%
Operador Logístico Graneles	5.00 €			20.00%
Autopista Beira Interior (Scutvias, S.A.)	49.20 €			22.22%
M-407 ( Madrid)	11.33 €	47.55%	0.00%	2.45%

Continued on the next page ►

CONCESSIONS	TOTAL SHARE CAPITAL DISBURSED (MILLIONS, FOREIGN CURRENCY)	FCC %	CM %	GLOBALVIA INFRAESTRUCTURAS %
Túnel Coatzacoalcos		70.00%	0.00%	
Ruta de los Pantanos, S.A.		33.33%	33.33%	
Ibisan ( P. Sombra Ibiza)		50.00%	0.00%	
Autopista Necaxa Tihuatlan		50.00%	0.00%	
Puerto Laredo, S.A.		50.00%	0.00%	
Transportes Ferroviarios de Madrid, S.A.		24.38%	25.00%	
Autopistas del Valle		48.00%	0.00%	
Autopista del Sol		48.00%	0.00%	
N-6 Galway		45.00%	0.00%	
M50 Dublín		45.00%	0.00%	
Metro ligero Madrid		0.00%	42.50%	
Autovía del Camino, S.A.		40.00%	0.00%	
Hospital Son Dureta		32.00%	0.00%	
Ciralsa S.A. Concesionaria del Estado		0.00%	25.00%	
Metropolitano Málaga		24.50%	0.00%	
Port Torredembarra, S.A.		24.08%	0.00%	
Alazor Inversiones S.A. (Accesos de Madrid S.A.)		0.00%	20.00%	
Tramvia Metropolità, S.A. ( Tranbaix)		19.03%	0.00%	
Tramvia Metropolità del Besòs, S.A. (Tranbesos)		19.03%	0.00%	
SCL Terminal Aéreo de Santiago, S.A.		14.78%	0.00%	
G Infraestructuras y radiales (Autopista del Henares)		0.00%	10.00%	

Globalvia Infraestructuras, S.A. aims to finalize these transfers over 2009.

#### 3.4.1.1. EVENTS SUBSEQUENT TO THE YEAR-END CLOSE

Continuing with this transfer process, over the first quarter of 2009 the concessionaire companies listed below were transferred to Globalvia Infraestructuras:

Transportes Ferroviarios de Madrid, S.A.	49.38%
Ciralsa	25.00%
Auneti	50.00%
Autopista del Sol	48.00%
SCL Aeropuerto de Chile	14.78%
Marina Port Vell	30.66% (Accumulated 60.27%)
Port Torredembarra	24.04%
N-6 Galway	45.00%
M-50 Dublín	45.00%
M-407 (parcial)	18.17% (Accumulated 20.62%)

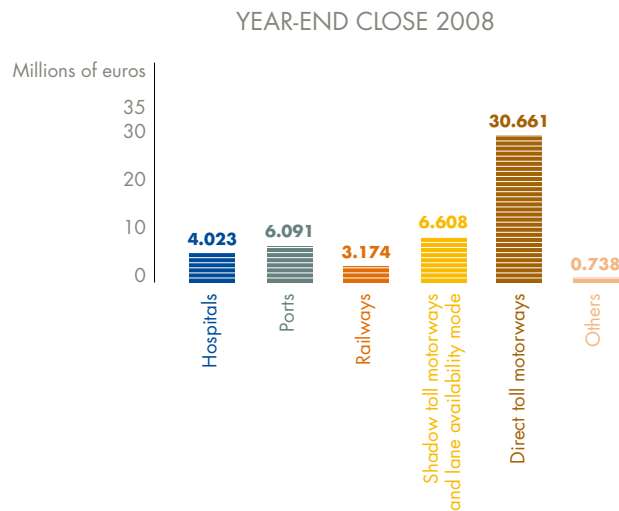
### 3.4.1.2. OTHER RELEVANT EVENTS THAT OCCURRED OVER 2008

- a. The financing deal for “Autopistas del Sol” by virtue of which Globalvia Infraestructuras together with its partner, obtained financing in Costa Rica of 247 million dollars from the Banco Interamericano de Desarrollo and Caja Madrid with insurance from MIGA (Multilateral Investment Guarantee Agency) at 20 years. This financing was awarded “Deal of the Year 2008” by the magazine Project Finance.
- b. The operation of the infrastructures listed below has commenced:
  - M-407 Sociedad Concesionaria, S.A., a shadow toll motorway located in the Region of Madrid
  - Ciralsa, S.A. State Concessionaire Company, Alicante ring road (28.5 km.)
  - Ibisán Sociedad Concesionaria, S.A., Ibiza-San Antonio road (the Balearic Islands) with a length of 14 km.
- c. Offices were opened abroad: new offices in the United States and Chile, complementing those in Mexico and Ireland.

### 3.4.2. MAIN ACHIEVEMENTS

#### 3.4.2.1. FINANCIAL ACHIEVEMENTS

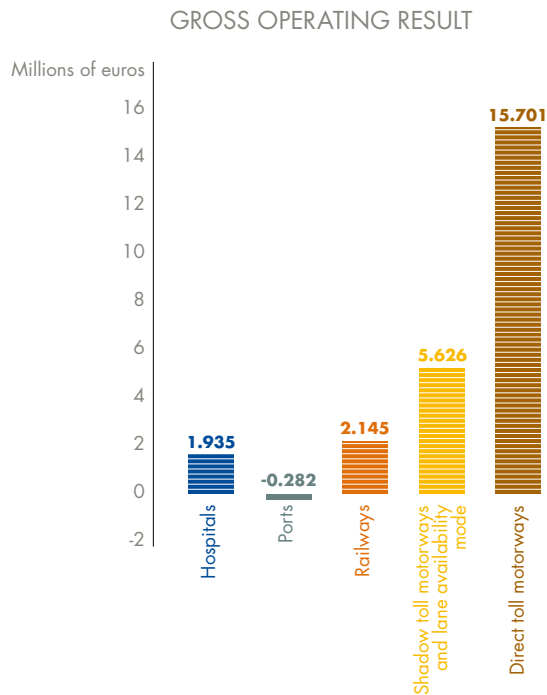
The net turnover of the consolidated Group, Globalvia Infraestructuras and subsidiaries for 2008 amounts to 51,294 million euros 1,691 million euros for 2007, 72.66% of which represents the motorway sector.





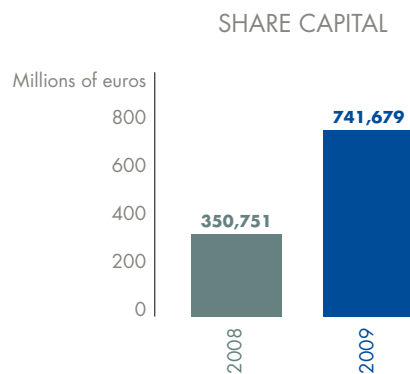
The gross operating profit (EBITDA) has exceeded 4,171 million euros, which represents a positive margin for the first time in the profit and loss account of Globalvia Infraestructuras (in 2007 the gross operating result was -16,340 million euros), thereby achieving a margin of 9.2% on the turnover.

With respect to the contribution alone of the consolidated gross profit by the different companies transferred, we obtain the following breakdown according to sectors:



According to areas of activity, the main operating profit derives from direct toll and shadow toll motorways.

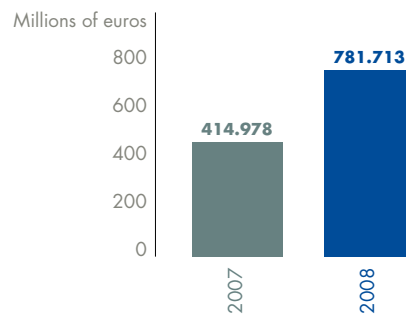
The share capital of Globalvia Infraestructuras as at 31st December 2008 amounts to 741,679,368 euros, 91.4% of which is paid out and an issue premium of 139,244 million euros.



The group's equity has also increased over this year, as is indicated in the consolidated balance sheet of Globalvia

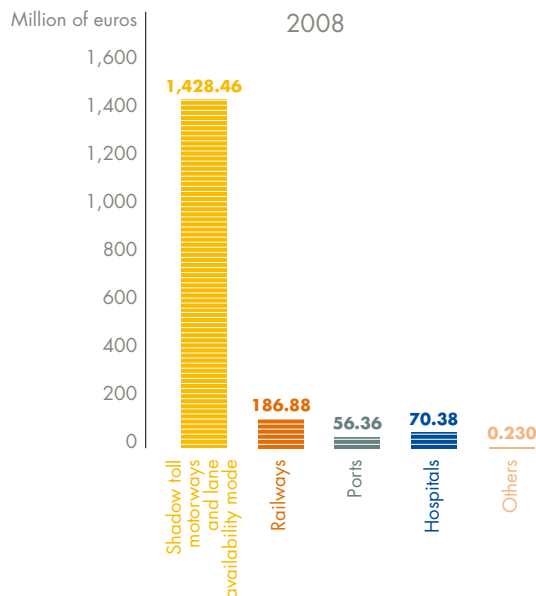
Infraestructuras. Of the total equity, which amounts to 781.713 million euros, 723.602 million euros account for equity attributable to the parent company, and the remaining amount, 58.111 million euros, to minority shareholders.

#### TOTAL NET WORTH



Over 2008 the total volume of assets of the consolidated balance sheet of Globalvia Infraestructuras and the subsidiaries has risen from 807,220 million euros in 2007 to 2,386,721 million euros as at 31st December 2008. This is a consequence of the incorporation into the consolidation perimeter of a significant number of companies transferred to the group.

As at 31st December 2008 a total of 1,742.345 million euros of tangible fixed assets is entered in the consolidated balance sheet of Globalvia Infraestructuras, which is broken down according to sectors as follows:



I would also point to the change in the financing terms in the last quarter of the year, which will no doubt have greater repercussions on the business this year, 2009.



### 3.4.2.2. OPERATIVE ACHIEVEMENTS

The business of operating motorways represents over 70% of the consolidated turnover of Globalvia Infraestructuras, therefore it is the group's main operative activity.

The chart below reflects the development of traffic volume and operating income in the motorway companies controlled by Globalvia Infraestructuras:

NAME OF THE CONCESSION	ADTI*	ADTI*	CHANGE IN % 2007-2008
Autopista Central Gallega	5,480	5,683	3.57
Túnel de Sóller	8,149	8,212	0.77
Túnel d'Envalira	1,540	1,485	-3.70
Concesiones de Madrid M-45	84,539	82,048	-3.04
SCADI, Autopista del Itata	7,882	7,300	-7.97
SCADA, Autopista del Aconcagua	35,266	35,400	0.38

(\*) ADTI = Average daily traffic intensity

There is a slight fall in the average daily traffic intensity if we compare 2007 and 2008. This fall has been more evident in the last six months of the year. The decrease in traffic is one of the effects of the current economic situation.

By contrast, the number of people using commuter rail passenger services has risen over 2008, as private vehicle owners leave their cars at home and opt for public transport.

This increase of commuter train passengers is reflected as follows:

NAME OF THE CONCESSION	PASSENGERS 2007	PASSENGERS 2008	CHANGE IN % 2007-2008
Tranvía de Parla	1,516,663 (*)	4,458,040	65.98
Metro de Barajas	1,968,742	2,958,407	33.45

(\*) Commencement of commercial passenger service in June 2007

### 3.4.3. EXPECTED DEVELOPMENT OF THE BUSINESS

The activity of Globalvia Infraestructuras is directly affected by the development of certain macroeconomic variables and consequently by the economic situation of each of the markets in which said company operates.

Given its relevance in society's activities, I would also point to the change in financing terms over the last quarter of 2008.

The expected slowing down of economic growth and deflation may negatively affect the operating income of most of the concessions, which we will endeavour to offset by optimising the operating charges, and the lower financing costs due to the fall in interest rates should also help.

#### 3.4.4. OWN SHARES

Globalvia Infraestructuras does not have own shares or securities of its shareholders, nor is it considering any action that might involve the acquisition of own share or securities from said shareholders.

#### 3.4.5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Globalvia Infraestructuras is exposed to diverse risks of a financial nature whether from changes in interest and exchanges rates, liquidity risks or credit risks.

The risks deriving from changes in cash-flow interest rates are mitigated by guaranteeing these rates with financial instruments to absorb fluctuations.

The objective of the group's financial risk management is to minimize the negative impact that changes in interest and exchange rates, shortages of liquidity and adverse credit situations might have on Globalvia Infraestructuras.

To hedge the group's interests, Globalvia Infraestructuras actively manages these risks by using financial instruments to reduce risks deriving from interest rate fluctuations and by contracting debt in the same currency as the assets the group is financing abroad to manage exchange rates.

The group's exposure to exchange rates is also reduced by managing the appropriate financial instruments.

The liquidity risk can be managed by bringing the time schedules and debt flexibility of Globalvia Infraestructuras into line and making use of debt structures that cover the group's funding requirements.

# 3.5.

AUDITOR'S REPORT  
OF THE INDIVIDUAL ANNUAL  
FINANCIAL STATEMENTS

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## INFORME DE AUDITORÍA DE CUENTAS ANUALES ABREVIADAS

A los Accionistas de  
Global Vía Infraestructuras, S.A.:

1. Hemos auditado las cuentas anuales de Global Vía Infraestructuras, S.A. que comprenden el balance de situación al 31 de diciembre de 2008, la cuenta de pérdidas y ganancias, el estado de cambios en el patrimonio neto y la memoria abreviada correspondientes al ejercicio anual terminado en dicha fecha, cuya formulación es responsabilidad de los Administradores de la Sociedad. Nuestra responsabilidad es expresar una opinión sobre las citadas cuentas anuales abreviadas en su conjunto, basada en el trabajo realizado de acuerdo con normas de auditoría generalmente aceptadas, que requieren el examen, mediante la realización de pruebas selectivas, de la evidencia justificativa de las cuentas anuales y la evaluación de su presentación, de los principios contables aplicados y de las estimaciones realizadas.
2. Las cuentas anuales abreviadas adjuntas del ejercicio 2008 son las primeras que los Administradores de Global Vía Infraestructuras, S.A. formulan aplicando el Plan General de Contabilidad aprobado por el Real Decreto 1514/2007. En este sentido, de acuerdo con la Disposición Transitoria Cuarta, apartado 1 del citado Plan, se han considerado las presentes cuentas anuales como cuentas anuales iniciales, por lo que no se incluyen cifras comparativas. En la nota 2.d de la memoria "Comparación de la información y aspectos derivados de la transición a las nuevas normas contables" se incorporan el balance de situación y la cuenta de pérdidas y ganancias incluidos en las cuentas anuales abreviadas aprobadas del ejercicio 2007 que fueron formuladas aplicando el Plan General de Contabilidad vigente en dicho ejercicio junto con una explicación de las principales diferencias entre los criterios contables aplicados en el ejercicio anterior y los actuales, así como la cuantificación del impacto que produce esta variación de criterios contables en el patrimonio neto al 1 de enero de 2008, fecha de transición. Nuestra opinión se refiere exclusivamente a las cuentas anuales del ejercicio 2008. Con fecha 2 de abril de 2008 emitimos nuestro informe de auditoría acerca de las cuentas anuales abreviadas del ejercicio 2007, formuladas de conformidad con los principios y normas contables generalmente aceptados en la normativa española vigentes en dicho ejercicio, en el que expresamos una opinión favorable.
3. Global Vía Infraestructuras, S.A. es la sociedad dominante de un grupo de sociedades que presenta cuentas anuales consolidadas de forma separada de las cuentas anuales adjuntas, no recogiendo estas últimas el efecto que resultaría de aplicar criterios de consolidación. La consolidación de los estados financieros consolidados no auditados de Global Vía Infraestructuras, S.A y Sociedades Dependientes preparados según las Normas Internacionales de Información Financiera adoptadas por la Unión Europea (NIIF-UE) se expone en la Nota 2 de la memoria adjunta.
4. En nuestra opinión, las cuentas anuales abreviadas del ejercicio 2008 adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera de Global Vía Infraestructuras, S.A. al 31 de diciembre de 2008 y de los resultados de sus operaciones y de los cambios en el patrimonio neto correspondientes al ejercicio anual terminado en dicha fecha y contienen la información necesaria y suficiente para su interpretación y comprensión adecuadas, de conformidad con principios y normas contables generalmente aceptados en la normativa española que resultan de aplicación.

DELOITTE, S.L.  
Inscrita en el R.O.A.C. nº 80692

Javier Parada Pardo  
13 de marzo 2009

# 3.6.

## INDIVIDUAL ANNUAL FINANCIAL STATEMENTS

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### **GLOBAL VÍA INFRAESTRUCTURAS, S.A.**

ABRIDGED ANNUAL FINANCIAL STATEMENTS OF  
THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

**GLOBAL VÍA INFRAESTRUCTURAS, S.A.**

BALANCE SHEET AS OF 31 DECEMBER 2008 (EXPRESSED IN EUROS)

ASSETS	NOTES OF THE ANNUAL REPORT	FINANCIAL YEAR 2008	NET WORTH AND LIABILITIES	NOTES OF THE ANNUAL REPORT	FINANCIAL YEAR 2008
<b>NON-CURRENT ASSETS</b>		<b>827,632,299</b>	<b>NET WORTH</b>		<b>795,829,717</b>
Tangible fixed assets	Note 5	224,702	<b>OWN FUNDS</b>	Note 10	<b>795,829,717</b>
Tech. installations and other tangible fixed assets		224,702	Capital		677,951,868
			Stated capital		741,679,368
Long-term investments in co. of group & assoc. co.	Note 6	817,786,950	Uncalled capital		(63,727,500)
Net worth instruments		692,338,349	Issue premium		139,244,592
Loans to companies		125,448,601	Reserves		(2,051,000)
			Other reserves		(2,051,000)
Long-term financial investments	Note 7	349,151	Results of previous financial years		(10,197,593)
Financial assets available for sale		280,500	Negative results of previous financial years		(10,197,593)
Other financial assets		68,651	Result of the financial year		(9,118,150)
Assets for deferred taxes	Note 13	9,271,496	<b>NON-CURRENT LIABILITIES</b>		<b>43,250,000</b>
			Long-term debts	Note 11	43,250,000
			Debts with credit institutions		43,250,000
<b>CURRENT ASSETS</b>		<b>15,576,668</b>	<b>CURRENT LIABILITIES</b>		<b>4,129,250</b>
Trade debtors and other accounts receivable		4,294,433	Short-term debts		15,759
Customers, co. of the group and assoc. companies		420,980	Debts with credit institutions		13,256
Personnel		4,500	Other financial liabilities		2,503
Assets for current tax	Note 13	1,709,993			
Other credits with the Public Administrations	Note 13	2,158,960	Trade creditors & other accounts payable	Note 12	4,113,491
			Suppliers		2,085,498
Short-term investment in co. of group and assoc. companies	Note 8	7,422,988	Suppliers, co. of group and assoc. companies.		37,198
Loans to companies		7,422,988	Miscellaneous creditors		811,102
			Personnel		750,702
Short-term financial investments	Note 7	2,530,277	Other debts with the Public Administrations	Note 13	428,991
Credits to companies		10,077			
Other financial assets		2,520,200			
Cash and other equivalent liquid assets	Note 9	1,328,970			
Cash and bank		1,328,970			
<b>TOTAL ASSETS</b>		<b>843,208,967</b>	<b>TOTAL NET WORTH AND LIABILITIES</b>		<b>843,208,967</b>

Attached Notes 1 to 17 and Annexes I to II form an integral part of the financial statements, forming together with the latter the annual statements corresponding to financial year 2008 anuales correspondientes al ejercicio 2008

## GLOBAL VÍA INFRAESTRUCTURAS, S.A.

PROFIT AND LOSS STATEMENT OF FINANCIAL YEAR 2008 (EXPRESSED IN EUROS)

	NOTES OF THE ANNUAL REPORT	FINANCIAL YEAR 2008
<b>CONTINUING OPERATIONS</b>		
<b>Net amount of turnover</b>		<b>575,288</b>
Sales		575,288
<b>Supplies</b>	<b>Note 14</b>	<b>(57,943)</b>
Consumption of raw materials and other consumable materials		(57,943)
<b>Personnel expenses</b>	<b>Note 14</b>	<b>(5,195,452)</b>
Wages, salaries and similar		(4,496,193)
Social charges		(699,259)
<b>Other operating expenses</b>	<b>Note 14</b>	<b>(13,939,903)</b>
External services		(13,939,623)
Taxes and duties		(280)
<b>Depreciation of fixed assets</b>		<b>(41,835)</b>
<b>RESULT OF OPERATIONS</b>		<b>(18,659,845)</b>
<b>Financial income</b>	<b>Note 6, 8 and 14</b>	<b>8,288,890</b>
From negotiable securities and other financial instruments		8,288,890
- In companies of the group and associated companies		7,963,145
- In third parties		325,745
<b>Financial expenses</b>	<b>Note 14</b>	<b>(2,654,973)</b>
For debts with third parties		(2,654,973)
<b>FINANCIAL RESULT</b>		<b>5,633,917</b>
<b>BEFORE-TAX RESULT</b>		<b>(13,025,928)</b>
<b>Corporate tax</b>	<b>NOTE 13</b>	<b>3,907,778</b>
<b>RESULT OF FINANCIAL YEAR FROM CONTINUING OPERATIONS</b>		<b>(9,118,150)</b>
<b>RESULT OF FINANCIAL YEAR</b>		<b>(9,118,150)</b>

Attached Notes 1 to 17 and Annexes I to II form an integral part of the financial statements, forming together with the latter the annual statements corresponding to financial year 2008

**GLOBAL VÍA INFRAESTRUCTURAS, S.A.**

STATEMENT OF CHANGES IN THE NET WORTH OF FINANCIAL YEAR 2008

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES (THOUSANDS OF EUROS)

	NOTES OF THE ANNUAL REPORT	FINANCIAL YEAR 2008
<b>RESULT OF THE PROFIT AND LOSS STATEMENT (I)</b>		<b>9,118,150</b>
Income and expenses attributed directly to Net Worth		
- For assessment of financial instruments		
Financial assets available for sale		
Other income/expenses		
- For cash flow coverage		
- Subsidies, donations and legacies received		
- For actuarial earnings and losses and other adjustments		
- Tax effect		
<b>TOTAL INCOME AND EXPENSES ATTRIBUTED DIRECTLY TO NET WORTH (II)</b>		
Transfers to profit and loss statement		
- For assessment of financial instruments		
Financial assets available for sale		
Other income/expenses		
- For cash flow coverage		
- Subsidies, donations and legacies received		
- Tax effect		
<b>TOTAL TRANSFERS TO PROFIT AND LOSS STATEMENT (III)</b>		
<b>TOTAL RECOGNIZED INCOME AND EXPENSES (I+II+III)</b>		<b>9,118,150</b>

Attached Notes 1 to 17 and Annexes I to II form an integral part of the financial statements, forming together with the latter the annual statements corresponding to financial year 2008.



## GLOBAL VÍA INFRAESTRUCTURAS, S.A.

STATEMENT OF CHANGES IN NET WORTH OF FINANCIAL YEAR 2008

B) STATEMENT OF ALL CHANGES IN NET WORTH (EXPRESSED IN EUROS)

	SHARE CAPITAL		
	STATED	UNCALLED	ISSUE PREMIUM
<b>BALANCES ON 31 DECEMBER 2007</b>	<b>350,751,448</b>		<b>23,200,112</b>
Adjustments pass to NPGC			
<b>ADJUSTED BALANCES ON 31 DEC. 2007 NPGC</b>	<b>350,751,448</b>	-	<b>23,200,112</b>
<b>Total recognized income and expenses</b>			
Application of the result of 2007			
Capital increase 15 July 2008	23,529,920		5,882,480
Monetary capital increase 19 September 2008	219,750,000	(63,727,500)	73,250,000
Non-monetary capital increase 22 September 2008	100,608,000		25,152,000
Non-monetary capital increase 3 November 2008	46,026,560		11,506,640
Non-monetary capital increase 3 December 2008	1,013,440		253,360
Expenses of capital increases net of taxes			
<b>BALANCES OF 31 DECEMBER 2008</b>	<b>741,679,368</b>	<b>(63,727,500)</b>	<b>139,244,592</b>

Attached Notes 1 to 17 and Annexes I to II form an integral part of the financial statements, forming together with the latter the annual statements corresponding to financial year 2008.

VOLUNTARY RESERVES	DEFERRED TAX	RESULT OF PREVIOUS FY	RESULT	TOTAL NET WORTH
	<b>(20,141,772)</b>	-	<b>(10,197,590)</b>	<b>343,612,198</b>
	20,141,772		(3)	20,141,769
-	-	-	<b>(10,197,593)</b>	<b>363,753,967</b>
			<b>(9,118,150)</b>	<b>(9,118,150)</b>
		(10,197,593)	10,197,593	-
				29,412,400
				229,272,500
				125,760,000
				57,533,200
				1,266,800
(2,051,000)				(2,051,000)
<b>(2,051,000)</b>	-	<b>(10,197,593)</b>	<b>(9,118,150)</b>	<b>795,829,717</b>

# 3.7.

## NOTES ON THE CONSOLIDATED INDIVIDUAL ANNUAL ACCOUNTS

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## GLOBALVIA INFRAESTRUCTURAS, S.A.

### ABBREVIATED ANNUAL REPORT FOR 2008

#### 1. COMPANY BUSINESS

Globalvía Infraestructuras, S.A. was created on 29 January 2007 for an indefinite period of time. Its headquarters are located at Paseo de la Castellana, number 141, in Madrid.

The corporate purpose consists primarily of the following lines of business:

- Management, promotion, development and operation of public infrastructures, domestically or internationally, obtained through different public administrations and international organisms or institutions under the terms of a concessionary contract or any other legal arrangement whose terms are similar to those of a concessionary contract. Such infrastructures include terrestrial, maritime or aerial transport, hospitals, legal systems, penitentiaries or police forces.
- All the lines of business that may be inherent to a concession, at this time or in the future, such as the execution of public works, their construction or conservation, refurbishing, reform and modernisation. These lines of business may be developed by the company directly or in any other legally permitted manner, such as its involvement as a shareholder or partner in other companies with an identical or similar corporate purpose.

Given the nature of the company's business, it has no environmental responsibilities, expenses, assets, provisions nor contingencies that may have a significant bearing on its net worth, financial position or results. For this reason, this abbreviated annual report for 2008 does not include specifically detailed information on environmental matters.

#### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

##### a) TRUE AND FAIR VIEW

These annual financial statements for 2008 were obtained from the company's accounting records and are presented in keeping with the National Chart of Accounts in order to show a true and fair view of the company's net worth, financial position and profit or loss. These abbreviated annual financial statements were prepared by the company's management and are to be submitted for approval at its shareholders' meeting, with no foreseeable problems in their approval. The annual financial statements for 2007 were approved by the shareholders at their meeting on 12 June 2008.

The company is the parent of a group of companies that are specified in note 6. The annual financial statements do not reflect the application of consolidation criteria according to IFRS-EU standards. The table below offers the main data from the consolidated annual financial statements of Grupo Globalvia for 2008, according to IFRS-EU:

MAIN DATA	THOUSANDS OF EUROS
Total consolidated assets	2,386,721
Net worth of parent company	723,602
Net turnover	51,294
Profit attributable to parent company	(43,763)

#### b) NON-COMPULSORY ACCOUNTING STANDARDS APPLIED

Non-compulsory accounting standards were not applied. In addition to this, management have prepared these annual financial statements taking into account all compulsory accounting standards that have a significant effect on said statements. All compulsory accounting standards have been applied.

#### c) CRITICAL ASPECTS OF THE VALUATION

In the preparation of these annual financial statements, the estimates of management were used to value some assets, liabilities, revenues, expenditures and commitments recorded on said statements. In basic terms, the estimates refer to:

- Evaluation of potential asset impairment (see note 4c).
- Useful life of tangible assets (see note 4a).
- Market value of certain instruments among the company's assets (see note 4c).

The estimates were performed on the basis of the best available information at the end of 2008. Subsequent events may take place that would make it necessary to modify said estimates (upward or downward) in coming years, which would be done in the future, if such events were to take place.

#### d) COMPARISON OF INFORMATION AND ASPECTS ARISING FROM THE ADOPTION OF NEW ACCOUNTING STANDARDS

In relation to Spanish legislation (art. 35.6 del Código de Comercio) and to the application of the principle of uniformity and of the requirements of comparability, the annual financial statements for the period ending on 31 December 2008 are considered to be initial annual financial statements, and legislation does not require that they reflect a comparison with data from other years.

Notwithstanding the aforementioned, as set forth in Spanish legislation (Real Decreto 1514/2007), the following data are from the balance sheet and profit and loss statement for 2007, approved at the corresponding shareholders' meeting. These financial statements were prepared in keeping with the requirements set forth in Spanish legislation (R.D. 1643/1990 de 20 de diciembre (PGC (90))).

**GLOBAL VÍA INFRAESTRUCTURAS, S.A.**

ABBREVIATED BALANCE SHEET AS OF 31 DECEMBER 2008 (in euros)

ASSETS	31ST DEC 2007	LIABILITIES	31ST DEC 2007
<b>FIXED ASSETS:</b>		<b>SHAREHOLDERS' EQUITY:</b>	
Tangible fixed assets:	249,463	Subscribed capital	350,751,448
Financial fixed assets:	262,943,278	Issue premium	3,058,340
		Result	(10,197,590)
<b>Total fixed assets</b>	<b>263,192,741</b>	<b>Total shareholders' equity</b>	<b>343,612,198</b>
<b>WORKING CAPITAL</b>		<b>ACCOUNTS PAYABLE LONG TERM</b>	
Receivables	1,467,676	<b>ACCOUNTS PAYABLE SHORT TERM</b>	<b>63,417,136</b>
Public administration	5,798,063	Trade receivables	5,584,499
Other short-term financial investments	125,108,693	Other short-term debt	424,474
Cash and banks	17,773,266	Public administration	302,133
<b>Total current assets</b>	<b>150,147,699</b>	<b>Total short-term accounts payable</b>	<b>6,311,106</b>
<b>TOTAL ASSETS</b>	<b>413,340,440</b>	<b>TOTAL LIABILITIES</b>	<b>413,340,440</b>

**GLOBAL VÍA INFRAESTRUCTURAS, S.A.**

ABBREVIATED PROFIT AND LOSS STATEMENT FOR PERIOD OF 11 MONTHS AND TWO DAYS ENDING ON 31 DECEMBER 2007 (in euros)

DEBIT	31ST DEC 2007	CREDIT	31ST DEC 2007
<b>EXPENDITURE:</b>		<b>REVENUES:</b>	
Procurement	8,422,715	Net turnover	1,328,366
Personnel expenses	2,707,470		
Provisioning for depreciation of fixed assets	2,556,071		
Other operating expenses	4,281,843		
	<b>17,968,099</b>	<b>Operating loss</b>	<b>16,639,733</b>
Financial expenses	111,801	Interest and similar revenues	2,182,596
		Positive differences	951
<b>Financial profit</b>	<b>2,071,746</b>	<b>Loss on ordinary activities</b>	<b>14,567,987</b>
Corporate income tax	(4,370,397)	<b>Loss before tax</b>	<b>14,567,987</b>
		<b>Loss after tax</b>	<b>10,197,590</b>

The company has chosen 1 January 2008 as the date of transition to the new National Chart of Accounts.

In keeping with legislation in force, the following is the reconciliation of the company's net worth as of 1 January 2008 prepared according to the National Chart of Accounts (PGC 90) and the company's net worth on the same date prepared according to the new accounting standards set forth in Spanish legislation (R.D. 1514/2007):

	EUROS
<b>Net worth as of 1 January 2008 according to PGC(90) (*)</b>	<b>343,612,195</b>
<b>Impact of transition to new National Chart of Accounts</b>	
Elimination of deferred tax	20,141,772
<b>Net worth as of 1 January 2008 according to NPGC</b>	<b>363,753,967</b>

(\*) Taken from annual financial statements as of 31 December 2007 prepared according to accounting principles and standards that were applicable on said date.

In comparison to accounting standards in force on 31 December 2007, the new accounting standards imply significant changes in accounting practices, valuation criteria and procedures for the reporting of information in annual financial statements. The following is the main difference that has affected the company's net worth in the adoption of the new National Chart of Accounts:

- Reversal of deferred tax associated with the difference between fair value and the tax cost of shareholdings in group companies and affiliates received as subscription to capital increases of companies for non-monetary contributions received in 2007, amounting to 20,141,000 euros. According to the new National Chart of Accounts, liabilities for deferred tax associated with the valuation of dependent companies, affiliates or joint ventures are not registered if the investing company is able to determine the moment of the reversal and it is considered likely that the difference is not reversed in the foreseeable future.

#### GROUPING OF ENTRIES

Certain entries on the balance sheet, the profit and loss statement, and the statement of changes in net worth are grouped together in order to facilitate the comprehension of information, although certain important information is detailed in the corresponding notes of the annual report.

#### 3. DISTRIBUTION OF INCOME

The following is management's proposed application of the year's income, to be submitted for approval at the shareholders' meeting:

	EUROS
Allocated to loss carried forward	(9,118,150)
Loss for the year	(9,118,150)

#### 4. ACCOUNTING AND VALUATION STANDARDS

The following are the main valuation standards used by the company to prepare its annual financial statements as of 31 December 2008, in keeping with the National Chart of Accounts:

##### a) TANGIBLE FIXED ASSETS

Tangible fixed assets were recorded at acquisition price or production cost when the company has performed work for its own fixed assets and subsequently this is reduced by the corresponding accumulated depreciation and impairment loss, when applicable. Whenever there are indications of impairment, the company uses an impairment test to estimate the possible loss in value that diminishes the recoverable value of said assets to a level below that of book value. As of the end of the period, no indications of impairment were detected in any of the company's tangible fixed assets. Management estimated that the recoverable value of the assets was greater than book value, hence no impairment loss of any kind was recorded.

Maintenance charges for different tangible fixed assets are recorded in the profit and loss statement in the year in which they are incurred. Conversely, amounts invested in improvements that contribute to increasing capacity or efficiency or to lengthening the useful life of said assets are recorded as a higher cost of said charges.

The company uses straight-line depreciation for its assets, spreading the cost of the assets over the estimated years of useful life, as seen below:

	ESTIMATED YEARS OF USEFUL LIFE
Furniture	10
Data-processing equipment	4

##### b) LEASES

The company's leases are recorded as financial leases when the terms involved indicate that the inherent risks and benefits of owning the leased asset are substantially transferred to the lessee. All other types of leases are recorded as operating leases. As of 31 December 2008, the company maintained no financial leases.

##### OPERATING LEASES

If the company acts as lessor, the income and expenditure from the operating lease arrangements are recorded in the profit and loss statement in the year in which they arise. The acquisition cost of the leased asset is recorded on the balance sheet in keeping with its nature, increased by the directly recordable costs of the contract, which are recognised as expenditure within the period of the contract, applying the same criteria used for the recognition of lease income.

If the company acts as lessee, expenses deriving from the operating lease arrangements are charged to the profit and loss statement in the year in which they arise.

Any collection or payment that might be made upon entering an operating lease arrangement is treated as a an advance collection or payment and is charged to results throughout the lease period, as the benefits of the leased asset are released or received.



## c) FINANCIAL INSTRUMENTS

### FINANCIAL ASSETS

#### **Classification**

The company's financial assets are classified as follows:

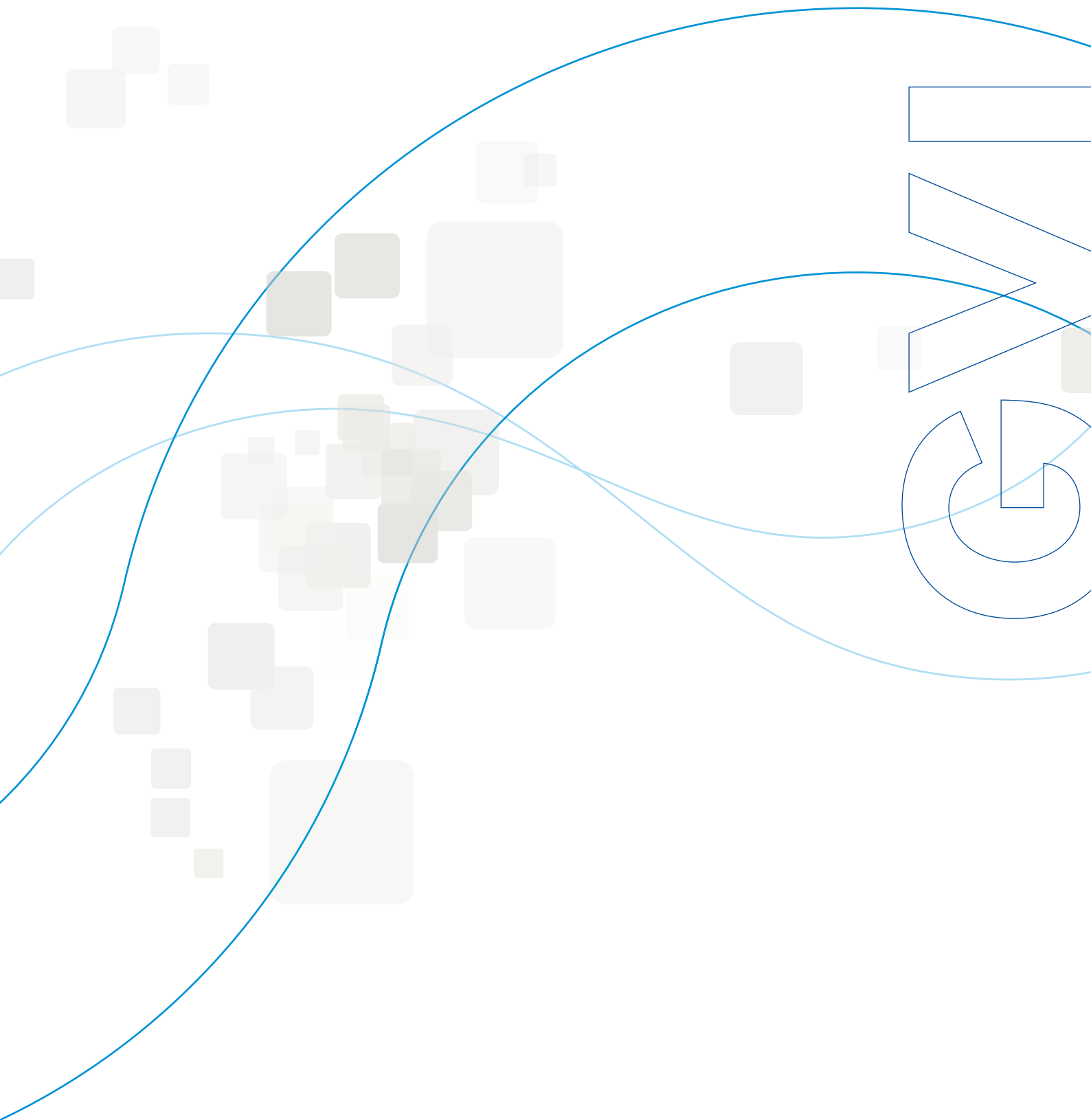
- Loans and accounts receivable: financial assets that were generated by the sale of goods or services provided in the company's trade transactions or other transactions that are not based on trade nor are equity instruments nor derivatives, and involve the collection of fixed monetary amounts or amounts that may be determined and are not traded in an active market.
- Investment maintained until maturity: debt-based securities with assigned dates of maturity and paying predetermined amounts, that are traded in active markets and in relation to which the company has expressed its intention and ability to keep until maturity.
- Investment in the equity of group companies, affiliates and multigroup companies: Group companies are defined as those controlled by the company, and affiliates are those in which the company's shareholding is influential. Additionally, the category "multigroup companies" includes companies are controlled jointly with one or more partners through agreements.
- Financial assets available for sale: Includes debt-based securities and equity instruments of other companies that have not been classified in any of the aforementioned categories.

#### **Initial Valuation**

Financial assets are initially valued on the basis of fair value of the consideration delivered plus directly attributable transaction costs.

#### **Subsequent Valuation**

- Loans, accounts receivable and investments held until maturity are valued on the basis of their amortised cost.
- Financial assets held for trading are valued on the basis on fair value, and any changes in fair value are recorded in the profit and loss statement.
- Investment in group companies, affiliates and multigroup companies are valued on the basis of their cost, reduced, when applicable, by the aggregate amount of adjustments to valuation brought on by impairment. Said adjustments are calculated as the difference between book value and recoverable value, the latter being defined as the fair value minus sale costs or the present value of the future cash flows stemming from the investment, whichever is greater. Unless there are clear indications of the recoverable amount, the net worth of the company in which the stake is held is taken, adjusting this figure by the tactical capital gains existing as of the date of valuation, including goodwill, when applicable.
- Financial assets available for sale are valued on the basis of their fair value, and the company's net worth is adjusted by any changes in fair value until the disposal of said assets, or until their impairment of a stable or permanent nature, at which time the accumulated results that were previously recognised in the company's net worth are recorded in the profit and loss statement. In this sense, impairment is considered to be permanent when over 40% of its listed value is lost for a period of one and a half years in which time the value of the asset has not been recovered.



At the end of the year or more frequently, the company performs an impairment test on the financial assets that are not valued on the basis of fair value. It is considered that objective evidence of impairment exists when the recoverable value of the financial asset is smaller than its book value. When this happens, the impairment is recorded in the profit and loss statement.

The company calculates any adjustments to valuation of commercial accounts receivable and other receivables on the basis of specific analyses of default risk in each account.

#### **d) FINANCIAL LIABILITIES**

Financial liabilities are defined as the company's debts and accounts payable that were generated by the acquisition of goods or services in the company's trade transactions or other transactions that are not based on trade nor may be considered derivatives.

Debts and accounts payable are initially valued at fair value of the received consideration and adjusted for directly attributable transaction costs. Subsequently, said liabilities are valued at amortised cost.

Debt-based derivatives are valued at fair value, adhering to the same criteria as those used for financial assets held for trading, as described in the preceding section.

The company derecognises financial liabilities upon extinction of the corresponding obligations.

#### **e) DERIVATIVES**

The company uses derivatives to hedge the risks to which it is exposed through its business, transactions and future cash flows. Most of this risk involves exchange-rate fluctuation.

In order for these financial instruments to qualify as hedging, they are initially designated as such, and their function as hedges is documented. The company initially and periodically verifies over the life of the instruments (at the very least, at the end of each accounting period) that the hedging function is efficient. In other words: that it is foreseeable that changes in fair value or in cash flows of the hedged asset (attributable to hedged risk) are almost entirely offset by the hedging instrument and that, retrospectively, the results of the hedging have ranged from 80% to 125% in relation to the result of the hedged entry.

The company applies the following types of hedging, recorded as described below:

As of 31 December, the company held no type of financial instruments.

#### **f) TRANSACTIONS IN FOREIGN CURRENCIES**

The company's functional currency is the euro. Transactions based on other currencies are considered to be foreign-currency transactions and are recorded on the basis of applicable exchange rates as of the date of the transactions.

At the end of the period, monetary assets and liabilities denominated in foreign currencies are converted by applying the exchange rate as of the date of the balance sheet. Resulting profit or loss are recorded directly on the profit and loss statement of the year in which they take place.

**g) INCOME TAX**

Revenues or expenditure associated with income tax is classified in two categories: ordinary tax and deferred tax.

Ordinary tax is the amount that the company pays in relation to calculation of tax on each year's profit. Deductions and other tax credits-excluding withholding, prepaid tax and tax loss brought forward-reduce the amount of ordinary tax to be paid.

Revenues or expenditure from deferred tax are the recognition and cancellation of assets and liabilities arising from deferred tax. This includes timing differences identified as amounts expected to be received or recovered and stemming from the differences between book values of assets and liabilities and their tax value, as well as the negative tax bases pending compensation and credits for unapplied tax deductions. These amounts are recorded by applying the timing difference of loan that corresponds to the tax rate at which their recovery or settlement is foreseen.

Liabilities from deferred tax are recognised for all taxable timing differences, except those stemming from the initial recognition of goodwill or other assets and liabilities in a transaction that does not affect the tax result or the accounting result and is not a combination of businesses, as well as those associated with investment in dependent companies, affiliates and joint ventures in which the company may control the moment of the reversal and reversal is not considered likely in the foreseeable future.

Assets generated by deferred tax are only recognised inasmuch as it is considered likely that the company is going to have future tax gains against which they may be realized.

Assets and liabilities generated by deferred tax and stemming from transactions charged or paid directly to accounts of the company's net worth are also recorded with a balancing entry in net worth.

At the end of every accounting period, recorded assets generated by deferred tax are revaluated, and any necessary adjustments are made when there are doubts as to their future recovery. Similarly, at the end of every period, off-balance-sheet assets generated by deferred tax are revaluated, and the items are recognised inasmuch as their future recovery with future tax benefits is considered likely.

**h) INCOME AND EXPENDITURE**

Income and expenditure are recorded on an accrual basis: upon the actual flow of goods and services that they represent, regardless of when the resulting monetary or financial flow takes place. Said income is valued on the basis of fair value and consideration received, after deducting discounts and tax.

The recognition of sales revenues takes place when significant risks and benefit inherent to the ownership of the good sold are transferred to the buyer, without maintaining the current management of said good, nor retaining its effective control.

Revenues from services provided are recognised by taking into account the degree of completion of the service as of the date of the balance sheet, provided that the result of the transaction may be accurately determined.

Interest received on financial assets is recognised using the method of effective interest rate and dividends, when the shareholder's right to receive them is declared. In any case, interest and dividends from financial assets accrued subsequently to acquisition are recognised as income in the profit and loss statement.

## **i) PROVISIONING AND CONTINGENCIES**

In the preparation of these annual financial statements, management distinguished between:

- Provisions: Credit balances that cover present obligations stemming from past events, the cancellation of which is considered likely and will free up resources, but the amount of which or time of cancellation are not known.
- Contingent liabilities: Possible obligations arising from past events, the future materialisation of which depends on whether or not one or more future events take place, regardless of the company's intentions.

The annual financial statements include all provisioning for which it is estimated that the likelihood of having to honour the obligation is greater than that of not having to honour it. Contingent liabilities are not recognised in the annual financial statements, but are reported in the notes of the annual report when they are not considered to be remote.

Provisioning is valued on the basis of fair value of the best possible estimate of the amount needed to cancel or transfer the obligation, considering the information available on the event and its consequences. Adjustments arising from the updating of said provisions are recorded as a financial expense as they are accrued.

Compensation to be received from a third party upon settlement of the obligation—provided that there are no doubts as to said repayment being received—is recorded as an asset, unless there is a legal association through which part of the risk has been exteriorised and by which the company is not required to respond. In such a situation, the compensation is to be taken into account in order to estimate the amount of the corresponding provision.

As of 31 December 2008, the company had recorded no provisions or contingent liabilities.

## **j) COMPENSATION FOR DISMISSAL**

In keeping with current legislation, the company is required to provide compensation for employees who are dismissed under certain conditions. Hence, compensation for dismissal that may be reasonably quantified is recorded as an expense during the period in which it is decided that said employee is to be dismissed. In the attached annual financial statements, no provisioning was set aside for said compensation, as no such situations are foreseen.

## **k) TRANSACTIONS WITH RELATED COMPANIES**

The company carries out all its transactions with companies that are associated with market values. Furthermore, transfer prices are sufficiently supported, and management believes that there are no significant risks in this regard that may lead to significant liabilities in the future.

## 5. TANGIBLE FIXED ASSETS

The following changes took place during the period ending 31 December 2008 under the heading "tangible fixed assets":

	EUROS		
	BALANCE 1ST JAN 2008	ADDITIONS	BALANCE 31ST DEC 2008
<b>Cost:</b>			
Furniture	205,110	5,733	210,843
Data-processing equipment	68,102	11,341	79,443
<b>Total cost</b>	<b>273,212</b>	<b>17,074</b>	<b>290,286</b>
<b>Total accumulated amortisation</b>	<b>(23,749)</b>	<b>(41,835)</b>	<b>(65,584)</b>
<b>TOTAL TANGIBLE FIXED ASSETS</b>	<b>249,463</b>	<b>24,761</b>	<b>224,702</b>

The following is a breakdown of the tangible fixed assets and their corresponding amortisation as of 31 December 2008:

EUROS	COST	ACCUMULATED AMORTISATION	NET
Furniture	210,843	(35,492)	175,351
Data-processing equipment	79,443	(30,092)	49,351
<b>TOTAL</b>	<b>290,286</b>	<b>(65,584)</b>	<b>224,702</b>

As of 31 December 2008, there were no fully amortised items among the tangible fixed assets nor fixed assets outside of Spain. As of said date, the company held no firm commitments to acquiring tangible fixed assets.

The company's policy is to formalise insurance policies to cover the possible risk to which its tangible fixed assets are exposed. As of the end of the period, in the opinion of the company, there was no shortfall in the coverage of said risk.

## 6. LONG-TERM INVESTMENT IN GROUP COMPANIES AND AFFILIATES

The following is a breakdown of the balance of the entries under the heading "long-term financial investment" at the end of 2008:

	COST	PAYMENT PENDING	NET
Equity instruments, group companies	584,270,660	(17,582,357)	566,688,303
Equity instruments, affiliates	128,030,045	(2,379,999)	125,650,046
Loans to group companies	74,870,810	-	74,870,810
Loans to affiliates	50,577,791	-	50,577,791
<b>TOTAL</b>	<b>837,749,306</b>	<b>(19,962,356)</b>	<b>817,786,950</b>

## a) EQUITY INSTRUMENTS AND LOANS TO GROUP COMPANIES

The following changes took place in investment in group companies, in euros:

	1ST JAN 2008	ADDITIONS	CONTRIBUTIONS	TRANSFERS	31ST DEC 2008
Compañía Concesionaria Túnel Sóller, S.A.	9,550,000	-	-	-	9,550,000
Tacel Inversiones, S.A.	53,670,000	-	6,635,300	-	60,305,300
Metro Barajas Sociedad Concesionaria, S.A.	7,951,000	-	-	-	7,951,000
Operalia Infraestructuras, S.A.	57,190	-	-	-	57,190
Libusa Infraestructuras, S.A.	3,010	-	-	-	3,010
Amfortas Infraestructuras, S.A.	3,010	-	-	-	3,010
Dalibar Infraestructuras, S.A.	3,010	-	-	-	3,010
Orfeo Infraestructuras, S.A.	3,010	-	-	-	3,010
Mexicana de Globalvia Infraestructuras, S.A. de C.V.	93,001	1,671,955	-	-	1,764,956
Concesiones de Madrid, S.A.	-	-	125,760,000	18,240,000	144,000,000
Terminal Polivalente Castellón, S.A.	-	8,011,144	-	9,440,280	17,451,424
Madrid 404 Sociedad Concesionaria, S.A.	-	(*)17,582,295	5,860,800	-	23,443,095
Valton Infraestructuras, S.A.	-	3,010	-	-	3,010
Alcina Infraestructuras, S.A.	-	3,010	-	-	3,010
GVI US Corporación	-	487,494	-	-	487,494
GVI Irlanda LTM	-	1	-	-	1
Zerlina Infraestructuras, S.A.	-	3,010	-	-	3,010
Globalvia Infraestructuras Chile, S.A.	-	268,372,353	-	-	268,372,353
Túnel d'Envalira, S.A.	-	-	32,500,400	-	32,500,400
Sociedad de Inversión Globalvia Chile, S.A.	-	36	-	-	36
Sociedad de A.Itata, S.A.	-	2,017	-	-	2,017
Chilena de Globalvia, S.A.	-	14	-	-	14
Tranvía de Parla, S.A.	-	-	13,924,900	-	13,924,900
<b>TOTAL GROUP COMPANIES</b>	<b>71,333,294</b>	<b>296,140,686</b>	<b>189,116,400</b>	<b>27,680,280</b>	<b>584,270,660</b>

(\*) Corresponds to payment pending for shares

The most significant changes chiefly correspond to:

- Establishment of Globalvia Infraestructuras Chile, S.A. for a net total of 268,372 million euros, after taking into account forex insurance. The company was established in order to serve as a holding company for a smaller group of companies in Chile dedicated to the development of concessionary projects in Chile. In 2008, the company had majority shareholdings in two Chilean companies acquired in 2008 (S.C. Aconcagua and Sociedad A. Itata), with around 350 million euros in investment, with the rest of the shareholding owned by Globalvia Infraestructuras, S.A. with associated costs of 1,337 and 2,017 euros, respectively.
- Acquisition of different stakes in group companies amounting to 189,116,400 euros as part of the process of contribution of the concessionary business of the shareholders of the company in return for rights issues launched over the year (see note 10).

In 2008, the company continued to contribute the concessionary business to Globalvia Infraestructuras, S.A. by its shareholders FCC Construcción, S.A. and Corporación Financiera Caja Madrid, S.A. as part of the 2006 framework agreement which designated a total number of shares for transferral and a timeframe, which is slated for conclusion in 2009. As part of this process and within 12 months' time from the acquisition date, during which time the recorded data are considered provisional, the company reassigned the value of some shares that were part of a package of concession projects contributed in the last month of 2007 and, after the contribution of new shares that form part of the total value of the group provided to date, it proceeded to redistribute 18,240,000 euros as increased value of the shareholding in Sociedad Concesiones de Madrid, S.A. reducing the value of the shareholding in Sociedad Autopista de la Costa Cálida C.E.A., S.A.

The following amounts are included in the entry "loans to group companies" under the heading "investment in group companies":

COMPANY	EUROS
Compañía Concesionaria Túnel de Sóller, S.A.	19,453,586
Tacel Inversiones, S.A.	7,980,700
Metro de Barajas Sociedad Concesionaria, S.A.	43,250,000
Hospital del Sureste, S.A.	3,062,912
Túnel d'Envallira	1,123,612
<b>TOTAL</b>	<b>74,870,810</b>

The following are the main characteristics of said loans:

COMPANY	TYPE OF LOAN	MATURITY	INTEREST RATE
Compañía Concesionaria Túnel Sóller, S.A.	Underwriting contract	31st Dec 2010	3M Mibor+2.40% ann.
Tacel Inversiones, S.A.	Participating loan	25th Nov 2074	1Y Euribor
Metro Barajas Sociedad Concesionaria, S.A.	Participating loan	31st Dec 2010	Fixed 6%
Hospital de Sureste, S.A.	Participating loan	25th July 2035	1Y Euribor
Túnel d'Envallira, S.A.	Participating loan	20th Jan 2030	6M Euribor+1.15%

The following are the main characteristics of the participating loans:

- The interest rate is comprised of a floating rate that depends on the company's business, and a fixed rate may be maintained regardless of the business of the concession.
- In case of early repayment, the borrower must increase shareholder's equity by the same amount as the repayment of the loan.
- Loans are considered subordinated debt; in payment priority they are considered after common creditors.
- Participating loans are considered part of the company's net worth in regards to capital reduction and winding up of companies brought on by loss.
- Accrued interest is considered deductible in corporate income tax.



The following is a breakdown of shareholding in group companies, payments pending and loans extended as of 31 December 2008:

COMPANY	HEADQUARTERS	PURPOSE
Compañía Concesionaria Túnel Sóller, S.A.	Puerto Pi, 8 – Palma de Mallorca (Balearics)	Motorway concession
Tacel Inversiones, S.A.	Rozabella, 6 Europa Empresarial – Las Rozas de Madrid	Motorway concession
Metro Barajas Sociedad Concesionaria, S.A.	Pedro Texeira, 8 - Madrid	Underground concession
Operalia Infraestructuras, S.A.	Pedro Texeira, 8 - Madrid	Infrastructures management
Libusa Infraestructuras, S.A.	Pedro Texeira, 8 - Madrid	Professional services
Amfortas Infraestructuras, S.A.	Pedro Texeira, 8 - Madrid	Professional services
Dalibar Infraestructuras, S.A.	Pedro Texeira, 8 - Madrid	Professional services
Orfeo Infraestructuras, S.A.	Pedro Texeira, 8 - Madrid	Professional services
Mexicana de Globalvia Infraestructuras, S.A. de C.V.	México DF	Infrastructures management
GV Operalia Autopistas Mexicanas, S.A. de C.V.	México DF	Infrastructures management
Concesiones de Madrid, S.A.	Av.Europa , 8-Alcobendas	Motorway concession
Terminal Polivalente Castellón, S.A.	Muelle de Centenario-El Grao	Concessions
Hospital del Sureste, S.A.	O'Donell-Madrid	Concessions
Madrid 404 Sociedad Concesionaria, S.A.	Paseo de la Castellana, 141-Madrid	Motorway concession
Valton Infraestructuras, S.A.	Pedro Texeira, 8 – Madrid	Professional services
Alcina Infraestructuras, S.A.	Pedro Texeira, 8 – Madrid	Professional services
Lakme Infraestructuras, S.A.	Pedro Texeira, 8 -Madrid	Professional services
GVI US Corporación	Centerville Road Delaware-EEUU	Infrastructures management
GVI Irlanda LTM	Bracken Road-Dublin	Infrastructures management
Zerlina Infraestructuras, S.A.	Pedro Texeira, 8 -Madrid	Professional services
Globalvia Infraestructuras Chile, S.A.	Comuna de las Condes-S.de Chile	Concessions
Túnel d'Envalira, S.A.	C.General 2 KM23 –Grau Roig	Concessions
Sociedad de Inversión Globalvia Chile, S.A.	Comuna de las Condes-S.de Chile	Infrastructures management
S.C.Aconcagua, S.A.	Comuna de las Condes-S.de Chile	Motorway concession
Sociedad de A.Itata	Comuna de las Condes-S.de Chile	Motorway concession
Chilena de Globalvia, S.A.	Comuna de las Condes-S.de Chile	Infrastructures management
Tranvía de Parla, S.A.	Camino de la Cantueña-Parla	Concessions
<b>TOTAL GROUP COMPANIES</b>		

EUROS					
STAKE	SHARES	PAYMENT PENDING	LOANS	ACCRUED INTEREST	
56.53%	9,550,000	-	19,453,586	1,381,221	
61.39%	60,305,300	-	7,980,700	-	
100.00%	7,951,000	-	43,250,000	2,648,649	
95.00%	57,190	-	-	-	
100.00%	3,010	-	-	-	
100.00%	3,010	-	-	-	
100.00%	3,010	-	-	-	
100.00%	3,010	-	-	-	
100.00%	1,764,956	-	-	-	
100.00%	63	(63)	-	-	
100.00%	144,000,000	-	-	-	
78.68%	17,451,424	-	-	-	
66.67%	4,435,000	-	3,062,912	105,283	
100.00%	23,443,095	(17,582,294)	-	-	
100.00%	3,010	-	-	-	
100.00%	3,010	-	-	-	
100.00%	3,010	-	-	-	
100.00%	487,494	-	-	-	
100.00%	1	-	-	-	
100.00%	3,010	-	-	-	
100.00%	268,372,353	-	-	-	
80.00%	32,500,400	-	1,123,612	110,574	
100.00%	36	-	-	-	
-	1,337	-	-	-	
-	2,017	-	-	-	
100.00%	14	-	-	-	
75.00%	13,924,900	-	-	-	
	<b>584,270,660</b>	<b>(17,582,357)</b>	<b>74,870,810</b>	<b>4,245,727</b>	

## b) EQUITY INSTRUMENTS AND LOANS TO AFFILIATES

The following are changes involves associates, in euros:

COMPANY	1ST JAN 2008	ADDITIONS	CONTRIBUTIONS	TRANSFERS	31ST DEC 2008
Terminal Polivalente Castellón, S.A.	9,440,280	-	-	(9,440,280)	-
Autopista de la Costa Cálida C.E.A., S.A.	79,090,000	-	-	(18,240,000)	60,850,000
Operador Logístico Graneles, S.A.	-	-	1,663,000	-	1,663,000
Nautic Tarragona, S.A.	-	-	648,400	-	648,400
Concesiones Aeroportuarias, S.A.	-	6,412,500	8,685,100	-	15,097,600
Portsur de Castellón, S.A.	-	-	1,456,800	-	1,456,800
Marina Por Vell, S.A.	-	1,600,000	-	475,000	2,075,000
Exprostradas XXII-AE Transmontana S.A.	-	24,998	-	-	24,998
Autoestrada XXI-SU.Trans. S.A.	-	23,000	-	-	23,000
ScutVías Autoestradas da Beira Interior, S.A.	-	34,096,547	12,094,200	-	46,190,747
Operestradas XXI, S.A.	-	500	-	-	500
<b>TOTAL ASSOCIATES</b>	<b>88,530,280</b>	<b>42,157,545</b>	<b>24,547,500</b>	<b>(27,205,280)</b>	<b>128,030,045</b>

The following transactions constitute the most significant change:

- Acquisition of 13.88% of Sociedad ScutVías Autoestradas da Beira Interior, S.A. for 34,096,547 euros.
- Acquisition of several minority shareholdings in concession firms, contributed by the company's shareholders in return for rights issues carried out in the period totalling 24,547,500 euros (see note 10).

The heading "loans to affiliates" includes the following amounts:

COMPANY	EUROS
ScutVías Autoestradas da Beira Interior S.A.	6,608,865
Autopista de la Costa Cálida Concesionaria Española de Autopistas, S.A.	43,968,926
<b>TOTAL</b>	<b>50,577,791</b>

The following are the company's shareholdings and loans in affiliates:

COMPANY	TYPE OF LOAN	MATURITY	INTEREST RATE
ScutVías Autoestradas da Beira Interior S.A.	Subordinated loan	13th Sep 2029	11%
Autopista de la Costa Cálida Concesionaria Española de Autopistas, S.A.	Subordinated participating loan	15th Jan 2013	Euribor + 1.30

The following is a breakdown of shareholdings in affiliates, payment pending and loans extended as of 31 December 2008:

COMPANY	HEADQUARTERS	PURPOSE	STAKE	SHARES	EUROS		
					PAYMENT PENDING	LOANS	ACCRUED INTEREST
Operador Logístico Graneles, S.A.	Aboño-Gijón	Concessions	20.00%	1,663,000	-	-	-
Nautic Tarragona, S.A.	Puerto Deportivo-Tarragona	Concessions	25.00%	648,400	-	-	-
Concesiones Aeroportuarias, S.A.	Hermanos Bou-Castellón	Concessions	45.00%	15,097,600	(2,362,500)	-	-
Portsur de Castellón, S.A.	Muelle Serrano-El Grao	Concessions	30.00%	1,456,800	-	-	-
Marina Por Vell, S.A.	Escar-Barcelona	Concessions	29.83%	2,075,000	-	-	-
Exproestradas XXII-AE Transmontana S.A.	Rua Santos Pousada-Oporto	Motorway concession	50.00%	24,998	(17,499)	-	-
Autoestrada XXI-SU. Trans. S.A.	Rua Santos Pousada-Oporto	Motorway concession	46.00%	23,000	-	-	-
ScufVias Autoestradas Beira Interior, S.A.	Rua Senhora de Oporto-Oporto	Motorway concession	22.22%	46,190,747	-	6,608,865	762,136
Operestradas XXI, S.A.	Pousada-Oporto	Motorway concession	1.00%	500	-	-	-
Autopista de la Costa Cálida Concesionaria Española de Autopistas, S.A.	Saturno, 1 – Pozuelo de Alarcón (Madrid)	Motorway concession	35.75%	60,850,000	-	43,968,926	-
<b>TOTAL ASSOCIATES</b>				<b>128,030,045</b>	<b>(2,379,999)</b>	<b>50,577,791</b>	<b>762,136</b>

Regarding loans extended to Tacel Inversiones, S.A. and Autopista de la Costa Cálida Concesionaria Española de Autopistas, S.A., the accrual of interest depends on compliance with certain variables and guarantees by concession companies that, as of 31 December, had not met said compliance, hence no such amounts were accrued.

Appendices I and II include information on companies in which Globalvia has shareholdings.

## 7. LONG- AND SHORT-TERM INVESTMENTS

### a) LONG-TERM FINANCIAL INVESTMENTS

As of 31 December 2008, the balance is comprised of the following entries:

COMPANY	EUROS
Assets available for sale	280,500
Other assets	68,651
<b>TOTAL</b>	<b>349,151</b>

#### ASSETS AVAILABLE FOR SALE

Includes the whole of investment in Madrid 407 Sociedad Concesionaria, S.A. corresponding to 2.45% of the company's shares acquired as a non-monetary contribution in the process of subscription of rights issues (see note 10). As said contribution was made on 3 December, the company has maintained as fair value that calculated upon the making of the contribution, considering that as of the end of the year no significant change was registered in said value.

#### OTHER ASSETS

Includes the amount corresponding to deposits made on office-rental contracts that the company has leased.

As of the end of the year, the fair value of "other financial assets" was similar to that recorded.

### b) LONG-TERM FINANCIAL INVESTMENTS

This heading chiefly consists of a deposit of 2,500,000 made by the company as a guarantee in the contract of the concessionaire Expoestradas XX II-AE Trasmontana, S.A. in Portugal, based on the company's shareholding in said company. The deposit was cancelled in February 2009 upon the signing of the contract.

## 8. SHORT-TERM INVESTMENT IN GROUP COMPANIES AND AFFILIATES

## a) LOANS TO GROUP COMPANIES

The following is a breakdown of loans extended to group companies:

COMPANY	LOAN	INTEREST DUE
Terminal Polivalente Castellón, S.A.	117,880	-
Tranvía de Parla, S.A.	4,780,000	-
Amfortas, S.A.	1,307	-
Dalibar, S.A.	1,679	-
Alcina, S.A.	1,173	-
Lakme, S.A.	1,255	-
Global Via Chile, S.A.	3,706	-
Metro de Barajas Sociedad Concesionaria, S.A.	-	2,189,199
Other	4,651	-
<b>TOTAL</b>	<b>4,911,651</b>	<b>2,189,199</b>

The biggest short-term loan in this regard was extended to Tranvía de Parla due to its need of cash, expected to be repaid on 31 March 2009. Accrued interest on this loan amounts to 2,191 euros, recognised in the profit and loss statement under the heading "financial income in group companies and affiliates".

## b) LOANS TO AFFILIATES

The total amounts to 322,138 and chiefly corresponds to a 253,000 loan extended to the affiliate A.E.XXI-Subc. Transmontana as an advance on a 1,350,000-euro rights issue launched on 29 January 2009.

## 9. CASH AND OTHER EQUIVALENT LIQUID ASSETS

The amount appearing under this heading chiefly corresponds to the company's unrestricted balance as of 31 December 2008 in an interest-bearing current account for key clients in Caja Madrid, which pays an average interest rate of Euribor-0.25%.

Until September, the company held several financial deposits in Corporación Financiera Caja Madrid, an associate company, obtaining 2,953,091 euros on these transactions, recorded under "financial revenues" as "in group companies and affiliates".

## 10. NET WORTH AND SHAREHOLDER'S EQUITY

The company has 741,679,368 outstanding ordinary shares with a face value of one euro each, 84% paid in and fully subscribed. The following are its shareholders:

SHAREHOLDERS	NUMBER OF SHARES	SHAREHOLDING
FCC Construcción, S.A.	370,839,684	50%
Corporación Financiera Caja de Madrid, S.A.	370,839,684	50%
<b>TOTAL</b>	<b>741,679,368</b>	<b>100%</b>

The company launched five rights issues in 2008:

- On 15 July 2008, it launched a 23,529,920-euro rights issue with a 5,882,480-euro issue premium through a non-monetary and monetary contribution of the following shares by FCC Construcción y Corporación Financiera Caja Madrid, S.A.:
  - FCC Construcción has made the following non-monetary contributions: Concesiones Aeroportuarias S.A. with a 30% shareholding (5,790,100 euros), Hospital del Sureste S.A. with a 33.33% shareholding (2,217,500 euros), Operador Logístico, S.A. with a 20% shareholding (1,663,000 euros), Nautic Tarragona, S.A. with a 25% shareholding (1,456,800 euros), Madrid 404 Sociedad Concesionaria with a 50% shareholding (2,930,400 euros) and Nautic Tarragona with a 25% shareholding (648,400 euros).
  - Corporación Financiera Caja Madrid, S.A. made the following monetary and non-monetary contributions: Tacel Inversiones, S.A. with a 6.75% shareholding (6,635,300 euros), Concesiones Aeroportuarias S.A. with a 15% shareholding (2,895,000 euros), Hospital del Sureste S.A. with a 33.33% shareholding (2,217,500 euros), Madrid 404 Sociedad Concesionaria with a 50% shareholding (2,930,400 euros) and a monetary contribution of 28,000 euros.
- On 19 September there was a second rights issue for 219,750,000 euros and an issue premium of 73,250,000 euros through a monetary contribution from Corporación Financiera Caja Madrid and FCC Construcción, S.A., paying 60.06% of capital and the whole of the issue premium. Subsequently, the following dividends were paid: On 3 November 2008, 4.93% of capital was paid, totalling 10,837,500 euros; and on 11 December, 6% of capital was paid, totalling 13,185,000 euros.
- On 22 September 2008, a third rights issue was launched for a total of 100,608,000 euros and an issue premium of 25,152,000 euros through the non-monetary contribution of the 50% shareholding of FCC Construcción S.A. and another 50% shareholding of Corporación Financiera Caja Madrid, S.A. in the company Concesiones de Madrid (125,760,000 euros).
- On 3 November 2008, there was a fourth rights issue for 46,026,560 euros with an issue premium of 11,506,640 euros through the non-monetary contribution of Corporación Financiera Caja Madrid and FCC Construcción, S.A. as detailed below:
  - FCC Construcción made the following non-monetary contributions: Túnel de d'Envalira S.A. with a 39.8% shareholding (12,540,000 euros), Scutvias Autoestradas de Beira Interior S.A. with an 8.33% shareholding (12,094,200 euros) and Tranvía de Parla, S.A. with a 30.33% shareholding (4,132,400 euros).

- Corporación Financiera Caja Madrid, S.A. made the following non-monetary contributions: Túnel de d'Envalira S.A. with a 40% shareholding (19,900,000 euros) and Tranvía de Parla S.A. with a 39.66% shareholding (8,866,600 euros).
- On 3 December 2008 there was a fifth rights issue totalling 1,013,440 euros with an issue premium of 253,360 euros, through the non-monetary contribution of Corporación Financiera Caja Madrid and FCC Construcción, S.A., detailed below:
  - FCC Construcción made the following non-monetary contributions: Túnel de d'Envalira S.A. with a 0.19% shareholding (60,400 euros), Madrid 407 Concesionaria S.A. with a 2.45% shareholding (280,500 euros) and Tranvía de Parla, S.A. with a 2.166% shareholding (292,500 euros).
  - Corporación Financiera Caja Madrid, S.A. made the following non-monetary contribution: Tranvía de Parla S.A. with a 2.83% shareholding (633,400 euros).

Regarding rights issued subscribed with non-monetary contributions, the value of said contributions was verified through reports from independent experts, in keeping with current legislation.

According to the valuation of the different companies contributed, certain untaxed capital gains were observed vs. the tax value of the same in the accounting records of the shareholders of the company. These transactions of non-monetary contribution were classified under the special regime of taxation of mergers, spin-offs, contributions of assets and securities swaps according to Spanish legislation (Capítulo VIII del Título VII del Real Decreto Legislativo 4/2004, de 5 marzo, por el que se aprueba el Texto Refundido de la Ley del Impuesto sobre Sociedades).

In keeping with said legislation, the company did not record deferred tax in relation to the future taxation of said capital gains as it considered that it had met requirements as to controlling the moment of reversal of the same and it is likely that said differences are not reversed in the foreseeable future, although it included this information in the note on public administrations (see note 13.)

All of the company's outstanding ordinary shares entitle their holders to the same rights, although the company's articles of incorporation place restrictions on their transferral (pre-emptive buying rights). They are not listed on stock markets.

## 11. LONG-TERM DEBT

The following is a breakdown of the company's creditors as of 31 December 2008:

	EUROS
Long-term debt with banks	43,250,000
Total long-term creditors	43,250,000

The balance seen under "long-term debt with banks" corresponds to the 43,250,000-euro loan extended by Caja Madrid on 26 December 2007, falling due on 26 December 2010. The interest is 1Y Euribor+0.485%.



## 12. TRADE AND OTHER PAYABLES

The following is a breakdown of trade and other accounts payable as of 31 December 2008:

	EUROS
Trade payables	2,085,498
Group creditors	8,246
Affiliate creditors	28,952
Services provided	811,102
Remuneration pending settlement	750,702
Other debt with public administrations (see note 13)	428,991
<b>TOTAL SHORT-TERM CREDITORS</b>	<b>4,113,491</b>

The figures on creditors includes unpaid invoices, most of which are related to external consultancy regarding projects that the company is studying.

## 13. PUBLIC ADMINISTRATIONS AND TAXATION

### a) BALANCES WITH PUBLIC ADMINISTRATIONS

	EUROS
<b>Debits:</b>	
<i>Assets from deferred tax</i>	9,271,496
<i>Other accounts receivable</i>	3,868,953
- Assets from ordinary tax	1,709,993
- Tax authorities for sales tax	2,158,960
<b>Credits:</b>	
<i>Other accounts payable</i>	428,991
- Tax authorities for withholding tax	377,789
- Social Security	51,202

The entry "assets from ordinary tax" includes the company's withholding on interest revenue.

According to current legislation, the payment of tax is not considered definitive until an inspection is performed by authorities or a period of four years has passed. At this time, all the company's tax records are subject to inspection.

In any case, in the opinion of management, there are no significant contingencies that might result from the any such inspections.

**b) RECONCILIATION OF BOOK PROFIT AND TAX BASE**

	EUROS
Profit before tax	(13,025,928)
Permanent differences	(2,930,000)
<b>TAX BASE</b>	<b>(15,955,928)</b>

The whole of the permanent difference corresponds to the expenses arising from rights issues that were directly recognised in the company's net worth.

The company requested a 30% tax credit on the basis of the tax rate at which is foresees recovery of negative tax bases for the period.

**c) TAX RECOGNISED IN NET WORTH**

Tax recognised in net worth corresponds to 30% of the expenses arising from rights issues for the year totalling 879,000 euros.

**d) RECONCILIATION OF BOOK PROFIT AND CORPORATE TAX EXPENDITURE**

	EUROS
Book profit	(13,025,928)
Permanent differences	-
Tax bases	(13,025,928)
30% tax	3,907,778

**e) ASSETS FROM DEFERRED TAX**

The following is a breakdown of this entry for 2008:

	EUROS
Tax credit	9,157,175
External withholding of interest	114,321
<b>TOTAL</b>	<b>9,271,496</b>

The aforementioned assets from deferred tax were recorded on the balance sheet as management considered that, in view of the brighter outlook regarding the company's performance, including certain tax-planning initiatives, it is likely that said assets will be recovered.

The following are the negative tax bases recorded on the attached balance sheet at the end of 2008:

DATE OF GENERATION	DATE OF EXPIRY	EUROS
2007	2022	4,370,397
2008	2023	4,786,778

According to current legislation, the maximum period for compensation of negative tax bases is 15 years counted from the first year in which profit is obtained. Management estimates that the amounts will be recovered within the legally established periods.

As a result of the different non-monetary contributions received from dependent companies and affiliates in 2007 and 2008 for subscriptions to rights issues, the company holds assets whose book values are higher than their tax values. According to current tax rates, this would mean around 28,462 euros in tax.

#### 14. INCOME AND EXPENDITURE

##### a) PERSONELL EXPENSES

The following is a breakdown of this entry in the profit and loss statement as of 31 December 2008.

	EUROS
Wages, salaries and similar	4,496,193
Social Security contributions	699,259
<b>TOTAL</b>	<b>5,195,452</b>

The following is a breakdown of the average number of employees working for the company during the period:

CATEGORY	MEDIAN WORKERS	MEDIAN MEN	MEDIAN WOMEN
Management and 4Y grads	44	33	10
Technicians and 3Y grads	1	1	-
Administrative and similar	4	-	4
	<b>49</b>	<b>34</b>	<b>14</b>

The following is a breakdown of the company's employees, directors and upper management by gender as of 31 December 2008.

CATEGORY	TOTAL	MEN	WOMEN
Directors (*)	12	10	2
Management and 4Y grads	44	33	10
Technicians and 3Y grads	1	1	-
Administrative and similar	4	-	4
	<b>61</b>	<b>44</b>	<b>16</b>

(\*) Two of the company's 12 directors are also employees.

**b) OTHER OPERATING EXPENSES**

The following is a breakdown of the heading "other operating expenses" on the profit and loss statement for the period ending 31 December 2008.

	EUROS
Leasing and fees	555,305
Repair and maintenance	14,232
Professional services	10,965,171
Insurance premiums	1,100
Banking services and similar	115,117
Advertising and PR	29,141
Supplies and cleaning	13,196
Travel expenses	1,397,875
Other services	848,486
Other fees	280
	13,939,903

The heading "independent professional services" chiefly consists of services provided by independent experts for consultancy regarding technical, legal and financial services needed to prepare the tendering of administrative concession contracts.

Fees charged for the auditing of the company's accounts for the period amounted to 15,855 euros. This heading also includes 457,000 euros in fees corresponding to other services charged by the auditor or by other companies related to said auditor.

**c) FINANCIAL EXPENSES**

The amount of 2,309,345 euros included in this heading corresponds to interest on the loan extended to the company by Caja Madrid (see note 11).

**d) FINANCIAL REVENUES**

The balance of financial revenues "in group companies and affiliates" as of 31 December 2008 corresponds to interest accrued as of said date on loans held by the company (see notes 6 and 8) as well as to return on the company's short-term financial investments for 2008 (see note 9).

Revenues "in third parties" chiefly correspond to interest accrued on the ordinary current account in Caja Madrid.

**15. GUARANTEES EXTENDED TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES**

As of 31 December 2008, the company had 13,491,684 euros in guarantees chiefly corresponding to technical guarantees on tendering.

## 16. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

### a) RELATED TRANSACTIONS

The following is a breakdown of the transactions with related parties in 2008:

TRANSACTION	GROUP COMPANIES	AFFILIATES	OTHER RELATED COMPANIES
Services provided	494,240	-	38,884
Outsourced services	-	-	113,036
Financial revenues	4,247,918	762,136	2,953,091
Financial expenses	-	-	2,309,345

### b) BALANCES WITH RELATED PARTIES

The following is a breakdown of balances recorded with related parties:

TRANSACTION	GROUP COMPANIES	AFFILIATES	OTHER RELATED COMPANIES
Short-term and cash investments (notes 8 and 9)	9,943,188	-	1,294,057
Long-term investments (note 6)	641,559,113	176,227,837	-
Financial debt (note 11)	-	-	43,263,256
Trade receivables	361,645	23,171	36,164
Trade payables	8,246	-	28,952

### c) REMUNERATION OF BOARD OF DIRECTORS AND UPPER MANAGEMENT

During the period, the company neither recorded nor accrued any amounts for remuneration nor other benefits earned by its board of directors. Remuneration of upper management in 2008 amounted to 1,332,000 euros.

### d) BREAKDOWN OF SHAREHOLDINGS IN COMPANIES WITH SIMILAR BUSINESS AND SIMILAR WORK PERFORMED BY DIRECTORS AS FREELANCE OR CONTRACTED WORKERS

In keeping with Spanish legislation (artículo 127, ter.4 de la Ley de Sociedades Anónimas, introducida por la Ley 26/2003, de 17 de junio, por lo que se modifica la Ley 24/1988, de 28 de julio, del Mercado de Valores, y el Texto Refundido de la Ley de Sociedades Anónimas, con el fin de reforzar la transparencia de las sociedades anónimas), the following are shares and/or positions held by the company's management in companies whose business is the same as, similar to or complementary to that of Globalvia Infraestructuras, S.A.

NAME OR CORPORATE NAME	DIRECT SHAREHOLDING	INDIRECT SHAREHOLDING	CORPORATE NAME OF GROUP COMPANY	INTEREST	POSITION
Jesús Enrique Duque Fernández del Rivero	—	—	Libusa Infraestructuras, S.L.U.	Shareholder	Joint and several director
	—	—	Orfeo Infraestructuras, S.L.U.	Shareholder	Joint and several director
	—	—	Dalibor Infraestructuras, S.L.U.	Shareholder	Joint and several director
	—	—	Amfortas Infraestructuras, S.L.U.	Shareholder	Joint and several director
	—	—	Alcina Infraestructuras, S.L.U.	Shareholder	Joint and several director
	—	—	Valton Infraestructuras, S.L.U.	Shareholder	Joint and several director
	—	—	Lakme Infraestructuras, S.L.U.	Shareholder	Joint and several director
	—	—	Zerlina Infraestructuras, S.L.U.	Shareholder	Joint and several director
	—	—	Compañía Concesionaria del Túnel de Sólter	Motorway concession	Representative of legal entity on board
	—	—	Autopista Central Gallega, S.A.	Motorway concession	Representative of legal entity on board
	—	—	Concesiones de Madrid, S.A.	Motorway concession	Representative of legal entity on board
	—	—	Metro Barajas Sociedad Concesionaria, S.A.	Railway concession	Representative of legal entity on board
	—	—	Nautic Tarragona, S.A.	Port infrastructure concession	Representative of legal entity on board
	—	—	Operalia Infraestructuras, S.A.	Transport infrastructure administrator	Representative of legal entity on board
	—	—	Trancia de Parla, S.A.	Railway concession	Representative of legal entity on board
	—	—	Marina Port Vell, S.A.	Port infrastructure concession	Representative of legal entity on board
	—	—	Marina de Laredo S.A.	Port infrastructure concession	Representative of legal entity on board

NAME OR CORPORATE NAME	DIRECT SHAREHOLDING	INDIRECT SHAREHOLDING	CORPORATE NAME OF GROUP COMPANY	INTEREST	POSITION
Jesús Enrique Duque Fernández del Rivero	—	—	Tramvia Metropolía, S.A	Railway concession	Representative of legal entity on board
	—	—	Tramvia Metropolía del Besòs, S.A	Railway concession	Representative of legal entity on board
	—	—	Túnel d'Envalira, S.A.	Motorway concession	Representative of legal entity on board
FCC Construcción, S.A. (José Mayor)	5.00%	47.50%	Operalia Infraestructuras, S.A.	Transport infrastructure administrator	—
	70.00%	30.00%	Autovía Conquense, S.A.	Motorway maintenance concession	—
	40.00%	—	Autovía del Camino S.A.	Motorway concession	Director
	—	48.00%	Autopista del Sol, S.A.	Motorway concession (Costa Rica)	—
	—	48.00%	Autopistas del Valle, S.A.	Motorway concession (Costa Rica)	—
	50.00%	—	Autovia Necaxa -Tehuacan, S.A. de C.V.	Motorway concession (Mexico)	—
	27.20%	—	Cedinsa Concessionaria, S.A.	Motorway concession	—
	34.00%	—	Cedinsa Eix del Llobregat Concessionaria de la Generalitat de Catalunya, S.A.	Motorway concession	—
	—	27.20%	Cedinsa d'Aro Concessionaria de la Generalitat de Catalunya, S.A. Unipersonal	Motorway concession	—
	—	27.20%	Cedinsa Eix Transversal Concessionaria de la Generalitat de Catalunya, S.A. Unipersonal	Motorway concession	—
	—	27.20%	Cedinsa Ter Concessionaria de la Generalitat de Catalunya, S.A.	Motorway concession	—
	26.00%	59.59%	Concesionaria del Túnel de Coatzacoalcos S.A. de C.V.	Toll tunnel concession (Mexico)	—
	100.00%	—	Concesiones Viales de Costa Rica, S.A.	Concession of public works and services	—
	—	99.97%	Concesiones Viales Sociedad de Responsabilidad Ltda. de C.V.	Motorway concession (Mexico)	—
	—	50.00%	Dragados FCC Canada Inc.	Motorway concession (Canada)	—
	100.00%	—	Fomento de Construcciones y Contratas Concessions Ireland Ltd	Toll motorway concession (Ireland)	—
	50.00%	—	Ibisan Sociedad Concesionaria, S.A.	Motorway concession	—
	52.00%	—	Impulsa Infraestructuras, S.A. de C.V.	Concessionary administration (Mexico)	—
	47.55%	—	Madrid 407 Sociedad Concesionaria, S.A.	Motorway concession	—
	100.00%	—	M & S Concesiones, S.A.	Concessionary administration (Costa Rica)	—

NAME OR CORPORATE NAME	DIRECT SHAREHOLDING	INDIRECT SHAREHOLDING	CORPORATE NAME OF GROUP COMPANY	INTEREST	POSITION
FCC Construcción, S.A. (José Mayor)	100.00%	—	M & S DI - M & S Desarrollos Internacionales, S.A.	Concessionary administration (Costa Rica)	—
	—	45.00%	M50 (Concession) (Holding) Ltd.	Concessionary administration (Ireland)	—
	—	45.00%	M50 (Concession) Ltd.	Motorway concession (Ireland)	—
	—	45.00%	N6 (Concession) (Holding) Ltd.	Concessionary administration (Ireland)	—
	—	45.00%	N6 (Concession) Ltd.	Motorway concession (Ireland)	—
	100.00%	—	P.I. Promotora de Infraestructuras, S.A.	Transport infrastructure administrator (Costa Rica)	—
	33.33%	—	Ruta de los Pantanos, S.A.	Motorway concession	—
	50.00%	50.00%	Vialia Sociedad Gestora de Concesiones de Infraestructuras S.L.	Concessionary administration	—
	24.00%	—	Metro de Málaga, S.A.	Public passenger-transport concession	—
	19.03%	—	Tramvia Metropolità del Besòs S.A.	Public passenger-transport concession	Director
	19.03%	—	Tramvia Metropolità S.A.	Public passenger-transport concession	Director
	12.19%	—	Transportes Ferroviarios de Madrid S.A.	Public passenger-transport concession	Director
	—	15.22%	Operadora del Tramvia Metropolità S.A.	Tram operation administrator	Director
	42.50%	—	Marina de Laredo, S.A.	Marina	—
	39.72%	—	Port Premià S.A. (in liquidation)	Marina	—
24.08%	—	Port Torredembarra S.A.	Marina	—	
31.50%	—	Terminal Polivalente de Huelva S.A.	Commercial port	—	
32.00%	—	Concesionaria Hospital Son Dureta, S.A.	Hospital construction, maintenance and operation	Director	
Teide, S.A. (Francisco García)	—	—	Autovía Conquense, S.A.	Motorway concession	Director
	—	—	Tramvia Metropolità del Besòs S.A.	Public passenger-transport concession	Director
	—	—	Tramvia Metropolità S.A.	Public passenger-transport concession	Director
	—	—	Nautic Tarragona S.A.	Marina	Director
	—	—	Port Torredembarra S.A.	Marina	Director



NAME OR CORPORATE NAME	DIRECT SHAREHOLDING	INDIRECT SHAREHOLDING	CORPORATE NAME OF GROUP COMPANY	INTEREST	POSITION
Sincler, S.A. Unipersonal (José Ramón Ruíz Carrera)	—	—	Operalia Infraestructuras, S.A.	Transport infrastructure administrator	Director
	—	—	Autovía Conquense, S.A.	Motorway concession	Director
	—	—	Cedinsa Concessionaria, S.A.	Motorway concession	Director
	—	—	Cedinsa d'Aro Concessionaria de la Generalitat de Catalunya, S.A. Unipersonal	Motorway concession	Director
	—	—	Cedinsa Eix del Llobregat Concessionaria de la Generalitat de Catalunya, S.A.	Motorway concession	Director
	—	—	Cedinsa Eix Transversal Concessionaria de la Generalitat de Catalunya, S.A. Unipersonal	Motorway concession	Director
	—	—	Cedinsa Ter Concessionaria de la Generalitat de Catalunya, S.A.	Motorway concession	Director
	—	—	Vialia Sociedad Gestora de Concesiones de Infraestructuras S.L.	Transport-infrastructure concession administrator	Chairman
Tulsa Inversión, S.L. (Gerard Ries)	—	—	Autovía Conquense, S.A.	Motorway concession	Director
	—	—	Autovía del Camino S.A.	Motorway concession	Director
	—	—	Marina de Laredo, S.A.	Marina	Director
	—	—	Terminal Polivalente de Huelva S.A.	Commercial port	Director
	—	—	Concesionaria Hospital Son Dureta, S.A.	Hospital construction, maintenance and operation	Director
	—	—	Hospital del Sureste, S.A.	Hospital construction, maintenance and operation	Director
E.A.C. Inversiones Corporativas S.L. (Esther Alcocer Koplowitz)	0.000025%	—	Fomento de Construcciones y Contratas S.A.	Construction and services	Director
	—	—	FCC Construcción S.A.	Construction	Director
Valoración y Control, S.L. (Ildefonso Sánchez Barco)	—	—	Hospital del Sureste, S.A.	Hospital construction, maintenance and operation	Board member
	—	—	Realia Business S.A.	Real estate	Board member
Participaciones y Cartera de Inversión, S.L. (Mariano Pérez Claver)	—	—	Realia Business S.A.	Real estate	
	—	—	RB Business Holding S.L.	Shareholder in infrastructures	Board member
Mediación y Diagnósticos, S.A. (Enrique de la Torre Martínez)	—	—	Alazor Inversiones S.A.	Shareholder in infrastructures	

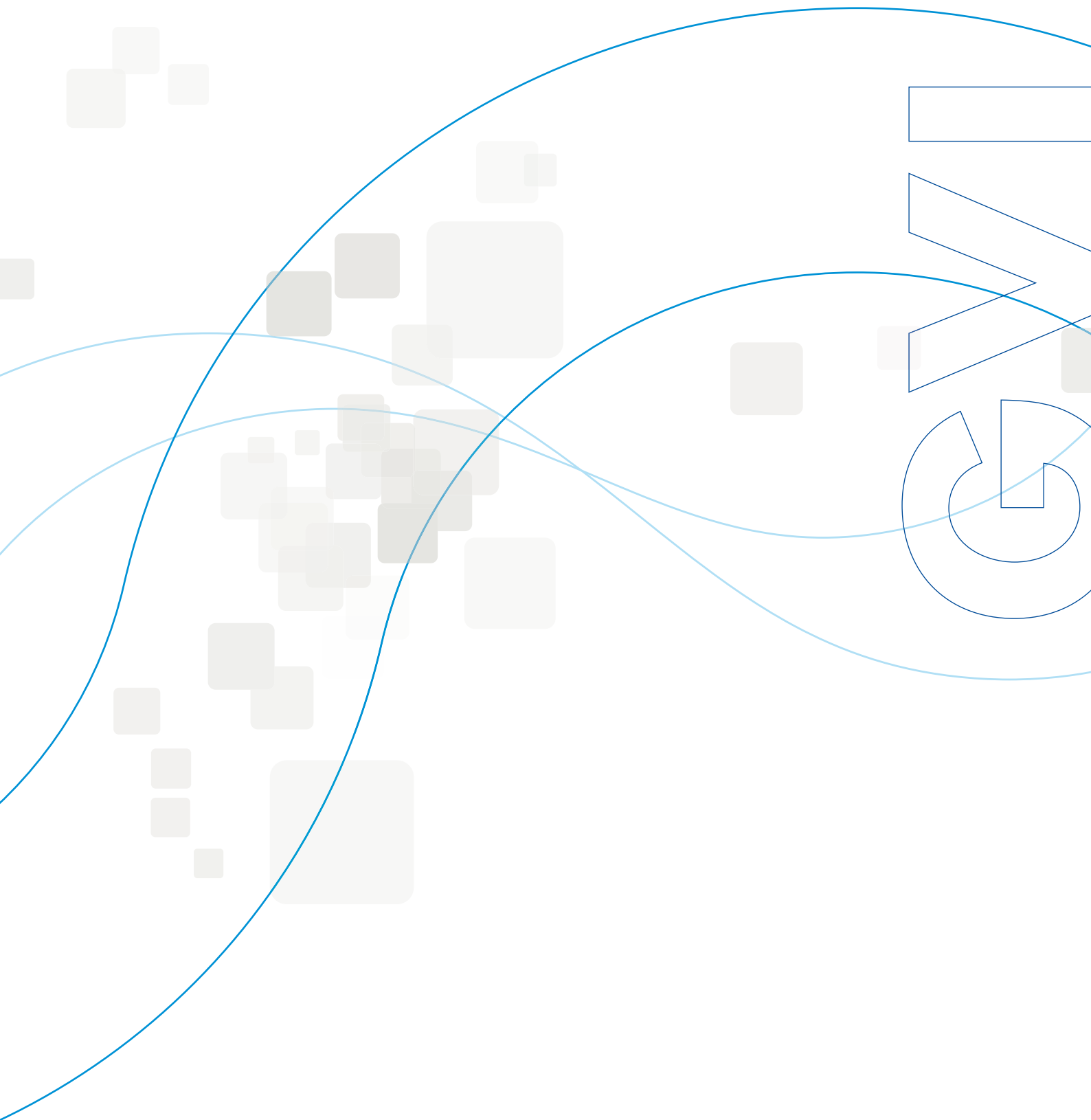
NAME OR CORPORATE NAME	DIRECT SHAREHOLDING	INDIRECT SHAREHOLDING	CORPORATE NAME OF GROUP COMPANY	INTEREST	POSITION
Mediación y Diagnósticos, S.A. (Enrique de la Torre Martínez)	—	—	Accesos de Madrid, Concesionaria Española, S.A.	Motorway concession	
	—	—	RB Business Holding S.L.	Shareholder in real estate	Board member
	—	—	Realia Business S.A.	Real estate	
Francisco Javier Falces Valle	—	—	Ciralsa, Sociedad Anónima, Concesionaria del Estado, S.A.	Motorway concession	Director
	—	—	Accesos de Madrid, Concesionaria Española, S.A.	Motorway concession	Representative of legal entity on board
	—	—	Ruta de los Pantanos, S.A.	Motorway concession	Representative of legal entity on board
	—	—	Metro de Barajas, S.A.	Railway concession	Representative of legal entity on board
	—	—	Concesiones de Madrid, S.A.	Motorway concession	Representative of legal entity on board
	—	—	Autopista Central Gallega Concesionaria Española, S.A.U.	Motorway concession	Representative of legal entity on board
	—	—	Transportes Ferroviarios de Madrid, S.A.	Railway concession	Representative of legal entity on board
	—	—	Hospital del Sureste, S.A.	Hospital construction, maintenance and operation	Representative of legal entity on board
	—	—	Madrid 404 Sociedad Concesionaria, S.A.	Motorway concession	Representative of legal entity on board
	—	—	Libusa Infraestructuras, S.L.U.	Shareholder	Joint and several director
	—	—	Orfeo Infraestructuras, S.L.U.	Shareholder	Joint and several director
	—	—	Dalibor Infraestructuras, S.L.U.	Shareholder	Joint and several director
	—	—	Amfortas Infraestructuras, S.L.U.	Shareholder	Joint and several director
—	—	Alcina Infraestructuras, S.L.U.	Shareholder	Joint and several director	

NAME OR CORPORATE NAME	DIRECT SHAREHOLDING	INDIRECT SHAREHOLDING	CORPORATE NAME OF GROUP COMPANY	INTEREST	POSITION
Francisco Javier Falces Valle	—	—	Valton Infraestructuras, S.L.U.	Shareholder	Joint and several director
	—	—	Lakme Infraestructuras, S.L.U.	Shareholder	Joint and several director
	—	—	Zerlina Infraestructuras, S.L.U.	Shareholder	Joint and several director
Inmogestión y Patrimonio, S.A. (Ramón Ferraz)	—	—	—	—	—
Sector de Participaciones Integrales, S.L. (Antonio Román González)	—	—	—	—	—
EAC Inversiones Corporativas, S.L. (Esther Alcocer Koplowitz)	—	—	Fomento de Construcciones y Contratas, S.A.	—	Director
			FCC Construcción S.A.		—

## 17. EVENTS SUBSEQUENT TO CLOSING OF BOOKS

In January 2009, there were two rights issues via non-monetary contributions described below:

- On 28 January, the company launched a 54,999,600-euro rights issue corresponding to 43,999,680 euros in capital and an issue premium of 10,999,920 euros. The rights issue was funded through the following non-monetary contributions: FCC Construcción, S.A. contributed 13.94% of the outstanding ordinary shares of Madrid 407 Sociedad Concesionaria (1,593,700 euros) and 24.375% of the shares of Transportes Ferroviarios de Madrid, S.A. (25,906,100 euros). Caja Madrid contributed 25% of the shares of Transportes Ferroviarios de Madrid, S.A. (27,499,800 euros.)
- On 30 January, the company launched a 77,664,000-euro rights issue corresponding to 62,131,200 euros in capital and an issue premium of 15,532,800 euros. The rights issue was funded through the following non-monetary contributions: FCC Construcción, S.A. contributed 30.66% of the outstanding ordinary shares of Marina Port Vell, S.A. (2,878,900 euros), 4.23% of the shares of Madrid 407 Sociedad Concesionaria, S.A. (484,100 euros), 24.08% of the shares of Port Torredembarra, S.A. (626,100 euros), 100% of the outstanding ordinary shares of M&S DI-M&S Desarrollos Internacionales S.A. (3,118,800 euros), 100% of the outstanding ordinary shares of P.I. Promotora de infraestructuras, S.A. (8,396,800 euros), 14.77% of the outstanding ordinary shares of SCL Terminal Aéreo Santiago Sociedad Concesionaria, S.A. (4,700,00 euros), 50% of the outstanding ordinary shares of Autovía Necaxa Tihuatlan S.A. de CV (18,578,200 euros) and 100% of the outstanding ordinary shares of Fomento de Construcciones y Contratas Concession Ireland Limited (49,100 euros). Caja Madrid contributed 25% of the shares of Ciralsa Sociedad Anónima Concesionaria del Estado (38,832,000 euros.)



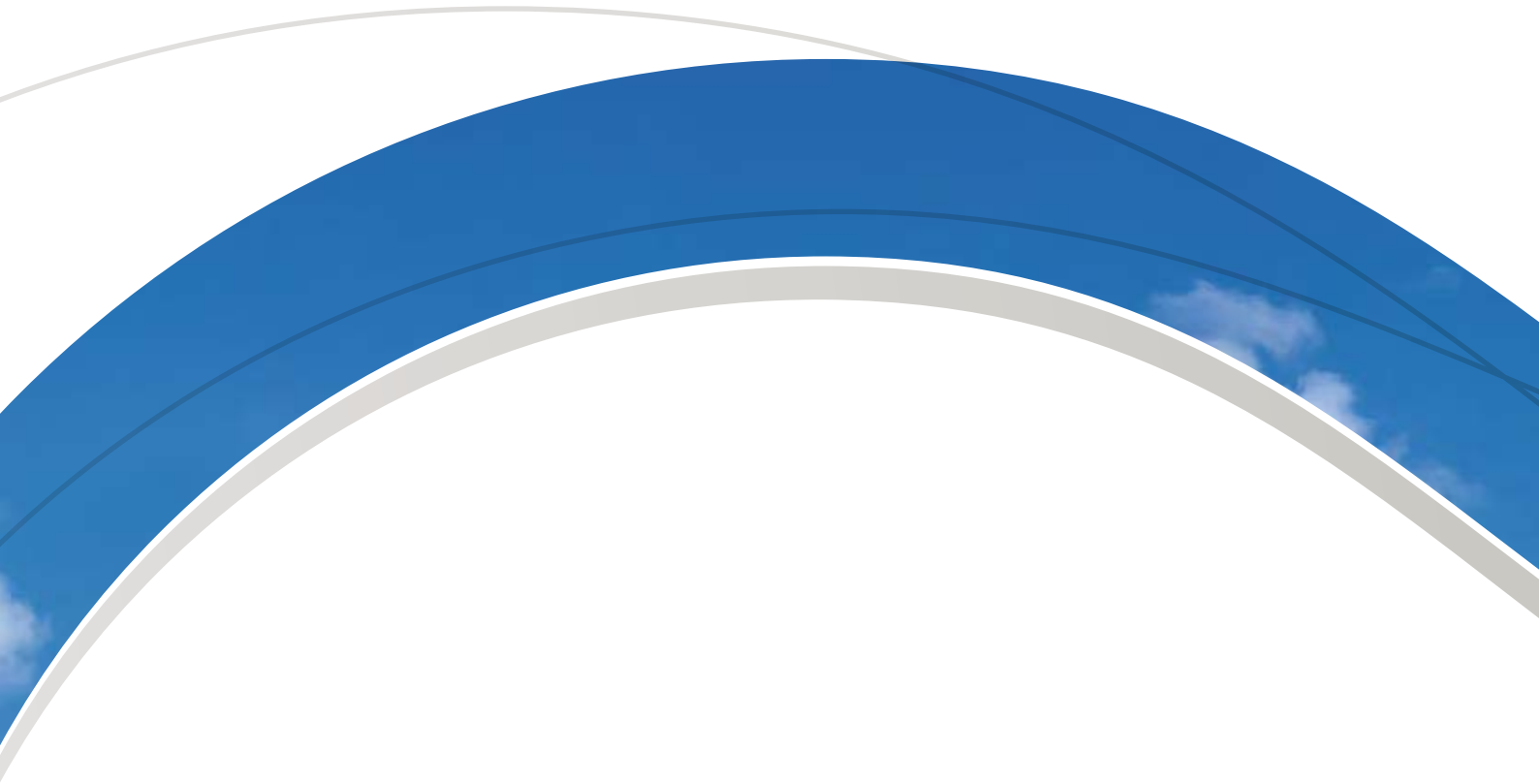
**APPENDIX I**  
DEPENDENT COMPANIES

COMPANY	STAKE	EUROS			
		OUTSTANDING ORDINARY SHARES	RESERVES	YEAR'S PROFIT	TOTAL
Compañía Concesionaria Túnel Sóller, S.A.	56.53%	16,651	2,234	1,594	20,479
Tacel Inversiones, S.A.	61.39%	32,250	(124)	(5)	32,121
Metro Barajas Sociedad Concesionaria, S.A.	100.00%	7,951	(708)	(802)	6,441
Operalia Infraestructuras, S.A.	95.00%	60	-	-	60
Libusa Infraestructuras, S.A.	100.00%	3	-	-	3
Amfortas Infraestructuras, S.A.	100.00%	3	-	-	3
Dalibor Infraestructuras, S.A.	100.00%	3	-	-	3
Orfeo Infraestructuras, S.A.	100.00%	3	-	-	3
Mexicana de Globalvia Infraestructuras, S.A. de C.V.	100.00%	1,526	-	(895)	631
GV Operalia Autopistas Mexicanas, S.A. de C.V.	100.00%	-	-	-	-
Concesiones de Madrid, S.A.	100.00%	28,798	13,287	10,344	52,429
Terminal Polivalente Castellón, S.A.	78.68%	15,750	(6,154)	(2,772)	6,824
Hospital del Sureste, S.A.	66.67%	6,567	(898)	(1,206)	4,463
Madrid 404 Sociedad Concesionaria, S.A.	100.00%	5,861	(186)	-	5,675
Valton Infraestructuras, S.A.	100.00%	3	-	-	3
Alcáza Infraestructuras, S.A.	100.00%	3	-	-	3
Lakme Infraestructuras, S.A.	100.00%	3	-	-	3
GVI US Corporación	100.00%	-	496	(381)	115
GVI Irlanda LTM	100.00%	-	-	-	-
Zerlina Infraestructuras, S.A.	100.00%	3	-	-	3
Globalvia Infraestructuras Chile, S.A.	100.00%	247,704	-	(1,716)	245,988
Túnel d'Envalira, S.A.	80.00%	8,400	12,363	(1,115)	19,648
Sociedad de Inversión Globalvia Chile, S.A.	100.00%	176,595	-	(90)	176,505
S.C. Aconcagua, S.A.	-	146,937	(94,941)	(6,699)	45,297
Sociedad de A.Itata	-	76,421	(25,269)	(1,511)	49,641
Chilena de Globalvia, S.A.	100.00%	176,583	-	(69)	176,514
Tranvía de Parla, S.A.	75.00%	13,499	(3,448)	1,688	11,739
<b>TOTAL GROUP COMPANIES</b>		<b>961,577</b>	<b>(103,348)</b>	<b>(3,635)</b>	<b>854,594</b>

**APPENDIX II**  
AFFILIATES

COMPANY	STAKE	EUROS			
		OUTSTANDING ORDINARY SHARES	RESERVES	YEAR'S PROFIT	TOTAL
Operador Logístico Graneles, S.A.	20.00%	5,000	1,690	82	6,772
Nautic Tarragona, S.A.	25.00%	1,202	535	11	1,748
Concesiones Aeroportuarias, S.A.	45.00%	28,300	(136)	-	28,164
Portsur de Castellón, S.A.	30.00%	4,856	(37)	(1,284)	3,535
Marina Por Vell, S.A.	29.83%	4,355	1,212	391	5,958
Exproestradas XXII-AE Transmontana S.A.	50.00%	50	-	-	50
Autoestrada XXI-SU.Trans.S.A.	46.00%	50	-	-	50
Scut Vías A Beira Interior, S.A.	22.22%	49,200	(3,174)	-	46,026
Operestradas XXI, S.A.	1.00%	50	-	-	50
Autopista de la Costa Cálida Concesionaria Española de Autopistas, S.A.	35.75%	113,000	(14,050)	(9,476)	89,474
<b>TOTAL AFFILIATES</b>		<b>206,063</b>	<b>(13,960)</b>	<b>(10,276)</b>	<b>181,827</b>





**GLOBALVIA**  
INFRAESTRUCTURAS

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# RESPONSE TO THE REQUEST FOR PROPOSAL OF INTEREST ("RFPOI")

## FOR THE DEVELOPMENT OF THE DETROIT RIVER INTERNATIONAL CROSSING PROJECT UNDER ONE OR MORE PUBLIC PRIVATE PARTNERSHIPS



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**Contact Information** - Name and contact information (address, phone, fax, and email) for the individual who will act as the Respondent's principal contact throughout the process for this particular RFPOI and description of the individual members of the respondent's team with experience related to the objectives of the Partnership as described in this Request.

**Contact person:** Vincent Blesa

**Mailing address:** 600 Boulevard de Maisonneuve Ouest, Suite 2010 Montreal, Quebec H3A 3J2

**Phone number:** 514-658-6153

**Fax number:** 514-787-1684

**Email:** [vblesa@acciona.ca](mailto:vblesa@acciona.ca)

Acciona S.A.: Financing, Operation and Maintenance and Electronic Toll System.

Acciona Infraestructuras S.A.: Design and Build activities.

*\*Please see descriptions in the response below.*

**Company Information** - Brief description of the firm's or team members' lines of business and experience in the delivery of transportation infrastructure projects under a public-private partnership model (i.e., design, build, finance, operate and maintain).

Acciona S.A. (ACCIONA) is one of the foremost Spanish business corporations, leader in the development and management of infrastructure, renewable energy, water and services. Listed on the selective Ibex-35 stock exchange index, it is a benchmark for the market. The Company was set up over a century ago and is made up of more than 35,000 employees and has a presence in more than 30 countries on five continents.

ACCIONA is a company with different lines of business, a leader in the development, promotion and management of renewable energies, the construction and operation of major infrastructures and eco-efficient homes, logistics and transport services, and in the provision of urban and environmental services taking a strategic position aimed at sustainable development which can be summed up by our slogan: Pioneers in Development and Sustainability.

ACCIONA centers its strategy on two concepts: sustainability and social well-being as the axes of economic growth, ecological equilibrium and social progress. This venture has been ratified through its



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inclusion in various sustainability indices, such as been a Sector Leader in the Dow Jones Sustainability World Index (DJSI World) and Dow Jones STOXX Sustainability Index (DJSI STOXX). ACCIONA's portfolio includes two Canadian projects with LEED Gold Certification, the Royal Jubilee Hospital and the Fort St John Hospital, both in British Columbia plus another Canadian transportation project, the A30, which is ISO 9001 and ISO 14001 certified.

ACCIONA's capabilities are focused on designing and delivering innovative solutions to meet three of society's greatest needs: energy, water, and infrastructure.

ACCIONA is 'Gold Class Sector Leader' by PriceWaterhouse Coopers (PwC) and Sustainable Asset Management (SAM).

### Our Divisions

The business lines of ACCIONA are divided into 3 major divisions, all of which come under the same name, ACCIONA: Infrastructure, Energy and Water.

**Infrastructure:** ACCIONA Infraestructuras S.A., a wholly owned subsidiary of ACCIONA S.A. is the longest standing company in the ACCIONA Group. On an international level, it is firmly established in strategic markets and has developed and participated in some of the most significant projects of the last 50 years. Some of the more recent projects include the Petronas Towers in Malaysia, the Ting Kau Bridge in China, the Central Coastal Road Network in Chile and the A30 Highway in Montreal, Quebec, Canada.

### Public-Private Partnership

ACCIONA can be found among the world's major management companies in terms of number of projects and business volume. ACCIONA is a pioneer in the public private partnership (P3) infrastructure industry, constructing motorways, tunnels, railways and social infrastructure under a Design, Build, Finance, Operation and Maintenance (DBFOM) model. In Canada it has an established presence in Toronto, Vancouver, Montreal and Calgary, and today employs over 35,000 people worldwide. The company has Canadian and International experience with the DBFOM delivery model in key sectors such as recreation, health, corrections, transportation, water, energy and accommodation. Its portfolio is comprised of 27 Public Private Partnerships (P3)/DBFOM projects in Canada and around the world.

- **Transportation:** Since its foundation ACCIONA has collaborated in the development of a wide network of highways and railway lines in Spain and all over the world. It has constructed hundreds of projects that have contributed to improving major national and international transport links with



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highways, motorways, roads, viaducts, rail and underground railroads, and airports where the most advanced and innovative construction systems have been implemented.

- Social Infrastructure: ACCIONA activities include the construction of hospitals, health/medical centres, corporate buildings for companies, hotels and apartments, communications towers, museums, sports centres, fairgrounds, and schools and universities. ACCIONA has been a pioneer in social infrastructure projects developed under a P3/DBFOM model, and has for instance developed the first hospital and the first university under a P3 scheme in Latin America. ACCIONA is also a world leader in health care projects under this P3 scheme, with 4 projects under development all over the world (2 in Canada). ACCIONA puts into practice wide experience and the most advanced construction solutions and technology.

### Construction Experience

ACCIONA has experience delivering, commissioning and relocating facilities in high density urban environments as is evidenced by the following list of P3/DBFOM projects.

- Canada – A30 Highway: 74 Km length motorway in Montreal, under construction and operation;
- Brazil - BR-393 Río de Janeiro: 200 km length toll motorway;
- Canada – Fort St John Hospital, a 55-bed hospital, + 123-bed residential care facility. Recently achieved financial close;
- Canada - Royal Jubilee Hospital: 40,000 m<sup>2</sup> of surface area, 500 beds, under construction;
- Chile - Americo Vespucio Sur Highway: 24 km length toll urban motorway, under operation (Rated Aaa by Moody's and S&P);
- Chile – Red Vial Litoral Central: 87 km length toll motorway, under operation (Rated Aaa by Moody's and S&P);
- Chile – Route 160 Tres Pinos Stretch, (Chile) 90 km
- Spain - CM 400- Autopista Viñedos Toledo: 75 km length shadow toll motorway, under operation (Rated Aaa by Moody's and S&P); It was the first bonus emission of infrastructures projects on the Spanish Market;
- Spain - M-511 & M-501 Highways-Madrid: 24 km shadow toll motorway, under operation;
- Spain - M-45 Motorway-Madrid: 14.5 km shadow toll highway including 16 structures, under operation;
- Spain - A2-Soria/Guadalajara (Spain): 78 km length shadow toll road, under construction;
- Spain – R2 Madrid/Guadalajara (Spain): 82 Km lenth toll road, under operation;



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- Spain – Baix Llobregat Light Rail – Barcelona (Spain): 15.8 km
- Spain - Villafrance Highway – El Burgo del Ebro, Aragon (Spain) 5.4km
- Spain - Glories Light Rail – Besos Barcelona (Spain) 14km
- Spain – Roda de Bara Port, Tarragona, (Spain)
- Spain – Torrevieja Hospital, Alicante (Spain)
- Andorra - Envalira Tunnel: 4 km length toll tunnel/motorway, under operation.
- Mexico – San Luis de Potosi University: 5000 students university, under construction and operation;
- Mexico – Hospital del Bajío: 184 beds, under operation;
- Spain - Hospital Infanta Sofia, 115.000m<sup>2</sup>, 250 beds: in operation;

**Energy:** ACCIONA Energy is active in all the principal clean energies, and is ranked as the number one wind farm developer and constructor in the world and seventh in the world as a manufacturer of wind turbines using their own technology.

ACCIONA Energy is present throughout the value chain and makes a major effort to research new sources of renewable energies, including solar, biomass and small-scale hydroelectric scheme energies. In addition, it produces and markets biofuels made from vegetable oils and wine alcohol. It also holds assets in cogeneration and is working on the production of hydrogen through wind energy.

ACCIONA Energy won the prestigious Principe de Asturias Prize for Business Excellence in 2005 in the area of renewable Energy and Energy Efficiency.

**Water:** ACCIONA Water division is a leader in the water treatment sector with the ability to design, construct and operate drinking water treatment plants, residual purification plants, tertiary treatment plants for re-use and reverse-osmosis desalination plants. ACCIONA Water group is committed to innovation and the application of the latest technologies, together with ensuring water quality in the different areas of activity. The mission of ACCIONA is to be a leading provider of global solutions contributing to sustainable development in the water sector through innovations in the design, execution and operation of plants for the treatment, purification and desalination of water.

\*Please see Project Sheets in section Business Model



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**Letter of Interest - A letter indicating, if applicable, the firm’s or team’s interest in developing this project on a non-binding basis and identifying the type of interest (e.g., developer, financial investor, design-build contractor, lender, or operator).**

ACCIONA has a uniquely integrated project delivery structure whereby it participates as a majority investor, developer, DB contractor and operator and has successfully implemented this model on major North American projects. ACCIONA will be interested in developing this project as a developer, financial investor, design-build contractor and operation and maintenance provider.

*\*Please find attached Letter of Interest from Acciona S.A. at the end of this RFPOI.*

**Scope - An identification of all the elements of the project the respondent believes should be delivered by a single developer. Respondents may provide one or more solutions in their submission.**

Components of the Project:

- I-75 Interchange            US\$451 million.
- USA Toll plaza                US\$474 million.
- Bridge                            US\$812 million.
- Canada Toll plaza            US\$523 million.

Taking into account the size of the project, we should decide how to split the project in order to obtain the most efficient and integrated technical solution to optimize the finance requirements of the project and to maximize our commercial advantages. A more thorough study will need to ensure that the project is structured in order to provide the Best Value for Money to the authority but after a preliminary analysis of all the components of the projects we have identified three feasible solutions.

Solution 1

This solution considers in the whole scope for the procurement of the four components all together. There are opportunities to take advantage of economies of scope by procuring the four components of the project together. Additionally this solution provides the most integrated and efficient solution from a technical point of view. However, the financial feasibility for a project of this size would depend also on the availability of sufficient public funds during the construction period.



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- I-75 Interchange
  - USA Toll plaza
  - New Detroit Bridge
  - Canada Toll plaza
- }

**ALL TOGETHER**

The integration of a complex structure and the toll plazas under the same contract can deliver value and a very integrated solution as long as it is developed by international companies with this kind of experience such as ACCIONA. We have successfully developed similar type of projects combining our extensive technical experience for complex infrastructure with a great experience constructing toll plazas and developing Electronic Tolling systems (ETS):

A potential risk of this option is that there could be delays in the procurement due to its large size and political complexity.

Solution 2

This solution is based on dividing the scope of the project in four separate components.

- a) I-75 Interchange: procured by Michigan Department of Transportation as a DBFOM or conventional model.
- b) USA Toll Plaza: procured by Michigan Department of Transportation as a DBFOM
- c) Canada Toll Plaza: procured by Transports Canada as a DBFOM
- d) New Detroit Bridge: procured by Michigan Department of Transportation and Transports Canada as a International DBFOM component

This solution provides a lot of flexibility to the authority and still is effective as each of the components have project values higher than \$300M. Due to the transaction costs associated with the P3 delivery model, value for money can be achieved with project values above \$200-300 million.

Having the four components separated would give Michigan State some experience following along the established P3 process, which would give market comfort that the New Detroit Bridge will go ahead. It will also assist Michigan State to set up the beginning of an established Public Private Partnership pipeline of projects.



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Solution 3

The third solution that we propose would be based on a functional separation of the scope of the project with a separated procurement of the New Detroit Bridge on one side and the USA and Canada Toll Plazas on the other, with the possibility of procuring the interchange I-75 under a third contractor or combined with the bridge:

- a) USA Toll Plaza and Canada Toll Plaza: procured by Michigan Department of Transportation and Transports Canada as an International DBFOM component. Having both plazas procured together would provide the project more security in terms of using the same customs systems.
- b) New Detroit Bridge: procured by Michigan Department of Transportation and Transports Canada as an International DBFOM component.
- c) I-75 Interchange: procured by Michigan Department of Transportation as a DBFOM or conventional model.

This solution makes a lot of sense since it separates the main structure which is the bridge for the toll plazas. We believe the main priority of the whole scope should be the bridge structure, which is also the component where the international experience of a private consortium could be maximized. This component already has a very interesting size and value from a private financing point of view and could be developed under only one international contract. The other main part would be the toll plazas, which could be developed under a separate contract. The design and construction of the toll plazas, the implementation of the ETS (electronic tolling system) and the operation and maintenance of the toll (including revenues recollection) require a very different expertise from the bridge and could also be developed by the Authority directly if deem convenient and if public funds were not sufficient for the whole scope. Finally the interchange I-75 could be awarded under a separate contract or be combined with the bridge depending on the political and administrative complexity of doing it.





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**Business Model** - Assuming that the project will be developed as a tolled facility, a brief description of a public-private partnership business models that would be considered appropriate for the project (e.g. real tolls, availability payments, hybrid, other) and what would be the benefits for the project and the public arising from each option. Also, examples of projects where such a business model has been successfully used.

We have considered the following options:

PAYMENT MECHANISM OPTIONS:

- a) Availability payments: Will be our first choice, great option and best value for money.
- b) Shadow toll: ideally based on total Canada-USA cross border traffic (the 3 crossings).

**Availability payments:** Is the best option to achieve best value for money, and all or at least the vast majority of the payment should be availability-based. Certainty on the revenue stream will be essential to finance the project. This type of P3 structure transfers the risks of designing, building, financing and operating/maintaining a project to the private partner. Risk of volume and vehicle traffic remains in hands of public sector that is better positioned to assume the risk related to the revenues generated from the users. The advantages of this solution are:

- Financially attractive.
- Guaranteed, long-term budget certainty for the public owner.
- Payments only begin at start of the project operation, creating an incentive for the private partner to provide faster delivery, especially for Greenfield projects, and to fulfill the requirements for substantial completion.
- Public partner maintains complete control over user fees. The public authority would then maintain the upside or the downside of higher or lower traffic. Transferring the risk to the private partner would make this deal very difficult to be financed and in any event would not provide competitive financing conditions to the public authority. The private partner still could be responsible for constructing the toll plazas and developing the ETS, but always with an availability payment fixed tho this activity.
- Availability payment is a payment for performance; it preserves strong incentives for the Consortium to provide efficiency gains in the construction, operations and maintenance of a project.

Public funds from the authority during the construction period would contribute to structure a better transaction. It would not only facilitate the financing of a project of this size but also would contribute to align interests since all the parties would have a stake in the project.



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**Shadow toll:** This one would be the second option. We have to consider the traffic risk of having a competing bridge that would make the project difficult to finance, unless the shadow toll is based on total Canada-USA cross border traffic (over both bridges and the tunnel); the existing Ambassador Bridge, the Detroit-Windsor Tunnel and the New Detroit Bridge. Then it becomes interesting because we can be relatively certain of the trade along that corridor, and can comfortably predict the total volume of traffic.

- Possibility of including the design, installation and operation of the ETS (electronic toll system).
- Volume risk as we don't have the ability to control the volume of traffic going over the new DRIC Bridge.

Examples of projects where such a business model has been successfully used:

- Option 1 - Availability payment example: A30 Highway



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**AUTOROUTE 30 (A30) Montreal Region, Quebec, Canada**

**Project Description:**

This is a PPP project involving the design, construction, operations, maintenance, rehabilitation, and financing of a 42 km highway. It will commence at the junction of Highway A-20 and 540, in Vaudreuil-Dorion, and will end at the junction of the A-30 with Highway 138 in Châteauguay. The project reached financial close on September 2008 and is currently under construction. The highway will be operational in 2012. ACCIONA is responsible for the design, construction, financing, operations, maintenance, and rehabilitation (DBFOM) of the project.

**Project Type:**

DBFOM. Its payment mechanism is predominantly availability based with a minority toll element. The Concession Term is 35 years and the financing in place is for a total of 30 years.

**Project Capital Cost:** CAD\$1500 million

**Summary of amounts/types of financing:**

Equity: \$215 M

Debt: (syndicated loan) \$810 M

Construction Bridge loan: \$290 M

The A30 project is renowned for its unique characteristics particularly in financing. The project was closed in the worst financial crisis of our time and as a consequence ACCIONA was featured in the Canadian Council of Public-Private Partnerships magazine and was honored with a number of awards:

- The Canadian Council for Public Private Partnerships "Project Finance Gold Award" in 2008.
- PFI, Project Finance International Magazine's "North America PPP Deal of the Year 2008"
- Euromoney's Project Finance Magazine "North America PPP Deal of the Year for 2008"





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**DETROIT RIVER INTERNATIONAL CROSSING PROJECT**

- Option 2 - Shadow toll: Viñedos Highway

**AUTOPISTA DE LOS VIÑEDOS CM-400** Castilla La Mancha, Spain

**Project Description:**

This project consists of a Design, Build, Finance, Maintenance of a 74.5 Km highway, CM-400 “Autovía de los Viñedos Consuegra-Tomelloso”. The highway has two dual carriageways of two lanes each and 14 connectors. In this project, Acciona met all its obligations, with complete achievement of performance specifications. It made possible the improvement of the movement of people and goods in and through the region, and increased the quality of life in communities by keeping regional traffic on regional roads instead of local streets.

**Project Type:**

30 year concession for the DBFM and Toll Operation of 74.5 km with a shadow toll mechanism.

**Project Capital Cost:** CAD\$320 Million

**Summary of amounts/types of financing:**

Equity: \$62 million

Bonds: \$97 million

European Investment Bank (EIB): \$152 million

Subordinated Debt: \$5.3

**Additional Information:**

Awarded EUROPEAN DEAL OF THE YEAR 2004 by the “Project Finance” Magazine.





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**Term of Agreement** - The preferred length (years) of the Public-Private Partnership agreement under such business model(s).

The preferred length of the Public Private Partnership agreement under an availability based regime will most likely be 30 to 40 years.

**Other Revenue** - Identification of other business opportunities such as operation of duty free shops.

N/A

**Financing** - An indicative, high-level, structure of private financing for the solution(s), including:

- Funding split (debt/equity);
- Types of debt facilities and main assumptions; and,
- Any innovative financing tools, including Transportation Infrastructure Finance and Innovation Act federal credit assistance (TIFIA) and Private Activity Bonds (PABs), that would be considered desirable.

Funding split (debt/equity)

- Availability payment option; an appropriate debt/equity ratio would be in the range of 70/90 debt, 30/10 equity.
- Shadow toll payment option; we would consider at least a debt/equity ratio of [75/25 – 80/20], with no competing bridge, otherwise it would be very difficult or impossible to finance it.
- The following facilities and contributions will be analyzed to obtain the most efficient financing structure:

Equity

- Equity
- Sub-debt

Debt

- Bank
  - Long term facility.
  - Short term construction facility depending on the structure of public funding.
  - Possibility of refinancing where private sector takes refinancing risk.
  - Best financial conditions in the market.



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- Bond
  - Long term financing.
  - Possibility of delayed draw.
- Hybrid: Bank-bond, long-term, short term debt.

We highly recommend the use of innovative financing tools as TIFIA and PABs. They represent attractive sources of funding to the lenders.

**Respondent's Experience - A brief description of the respondent's experience in:**

- **Public-private partnerships – provide brief examples to demonstrate the Respondent's experience and successful participation in the design, construction, financing, operation and/or maintenance of transportation infrastructure projects.**
- **Local Contracting Partners – provide brief examples of past practice of partnering with local contractors and minorities, women, and other historically disadvantaged business enterprises on similar projects consistent with the Partnership's objective of maximizing participation by these groups.**

ACCIONA is a leading infrastructure investment and development company, with operations in the fields of social infrastructure, energy, water, highways and bridges and services in over 30 countries on more than five continents. It has demonstrated leadership in a variety of infrastructure projects and at present, ACCIONA holds a portfolio of over 27 infrastructure P3 projects which includes some important highways projects that have been three times awarded the Deal of the Year by Project Finance magazine. In 2004, the Américo Vespucio Sur project in Chile was awarded the American Deal of the Year. The same year, the Autopista de los Viñedos project in Spain was honored as European Deal of the Year, it being the first bond issuance (AAA rated by S&P) transaction in the Spanish transportation market. Last year, the A30 project in Quebec was awarded the North American PPP Deal of the Year 2008 by Project Finance Magazine.

ACCIONA also has a strong presence in the field of social infrastructure holding a portfolio of 4 hospitals in Canada, Spain and Mexico including the Royal Jubilee Hospital in Victoria, BC, the Fort St. John Hospital, BC, the Hospital Infanta Sofia in Madrid, Spain and the Hospital del Bajío in Mexico. ACCIONA has a uniquely integrated project delivery structure whereby it participates as a majority investor, developer, DB contractor and operator and has successfully implemented this model on major P3 projects in North America.

ACCIONA has structured financing for projects in its different lines of businesses - Infrastructures, Energy, Water, Urban Services and Real Estate among others. Some of these projects are a reference in their own



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**DETROIT RIVER INTERNATIONAL CROSSING PROJECT**

industry. ACCIONA has structured the financing for the biggest solar plant built in the world in the last 16 years (“Nevada Solar One”, Nevada US\$266 million lease financing).

*\*Please see section Business Model: Projects sheets A30 Highway – Viñedos Highway*

**AUTOPISTA VESPUCIO SUR** City of Santiago, Chile

**Project Description:**

This project is a Design, Build, Finance, Maintenance and free-flow toll Operation of 23.5 km of highway under a 40 year concession period. The highway comprises a segment of the southern section of Santiago’s ring road urban highway, including 4 major urban and interstate highway connectors.

The highway consists of two dual carriageways of 5 lanes each, 3 express and 2 lanes for local traffic. In the underground alignment (6.1 Km) stations are located in the median and were built at the same time by the concessionaire. The scope of the contract included traffic diversion and management during the construction period.

With this project, ACCIONA demonstrates its ability to manage complex design build contracts and risks over the life of the project. One of the most significant challenges was the interoperability between the different free flow systems already existing in Santiago.

**Project Type:**

DBFOM – Its payment mechanism is toll based. The Concession Term is 40 years and the financing in place is for a total of 24 years.

**Project Capital Cost:** CAD\$1278.17 Million (around half of it was employed in urban train works included within the scope of the project).

**Summary of amounts/types of financing:**

Equity: \$148 million  
Bonds: \$295 million  
ICO loan: \$170 million

**Relevance information:**

The Americo Vespucio Sur Toll Road Project has been acknowledged by the project finance industry as one of the most important infrastructure projects for 2004. This project has enjoyed regional and international recognition:

- Latin American Transport Deal of the Year, 2004 – Project Finance Magazine;
- Finalist for International Deal of the Year, 2004 – Infrastructure Journal; and
- Awarded AMERICAN DEAL OF THE YEAR 2004 by the “Project Finance” Magazine.



Transport  
Canada

Transports  
Canada



Request for Proposal of Interest  
**DETROIT RIVER INTERNATIONAL CROSSING PROJECT**







Request for Proposal of Interest  
**DETROIT RIVER INTERNATIONAL CROSSING PROJECT**

**ROYAL JUBILEE HOSPITAL PATIENT CARE CENTER, British Columbia, Canada**

**Project Description:**

Royal Jubilee Hospital Patient Care Centre (RJH Project) consists of an eight-story, 37,000 m<sup>2</sup> patient care centre made up of 84% single rooms. The new facility will accommodate 500 beds. The project reached financial close in July 2008 and is currently under construction (and on budget). It will become operational in January 2011.

**Project Type:**

The RJH Project involves a DBFO for a new 37,000 m<sup>2</sup> hospital in Victoria, British Columbia, Canada under a 32.5 year concession. The Capital Regional Health District will provide \$81 million in funding the construction period. Payments to the SPV during the operating period are based on availability.

**Project Capital Cost:** \$348 million

**Summary of amounts/types of financing:**

Equity (\$5.3 million) and Subordinated Loan Stock (\$10.6 million)  
Senior Bank Debt (\$190 million)

**Additional Information:**

Silver Award for Project Financing, Canadian Council for Public Private Partnerships 2009





Request for Proposal of Interest  
**DETROIT RIVER INTERNATIONAL CROSSING PROJECT**

**FORT ST JOHN HOSPITAL, British Columbia, Canada**

**Project Description:**

The project consists of a greenfield facility combining rural acute (55 beds) and residential care (123 beds) totalling 37,500 m<sup>2</sup> built. An integrated services building for centralized food, laundry and material services. Sustainable building practices: designed to achieve LEED Gold certification.

**Project Type:**

The Project consists of a 30 year concession for the Design, Build, Finance and Operation of a new hospital. Payments to the SPV during the operating period are based on availability.

**Project Capital Cost:** CAD \$250 million

**Additional Information:**

This is ACCIONA's second healthcare facility in Canada which will be designed to achieve Leadership in Energy and Environmental Design (LEED) Gold certification. The project is a mix of acute and residential care, thus adapting to the special necessities of a rural region. Project managed to reach financial close in very difficult moments for the financial markets through an alternate financing solution.





Request for Proposal of Interest  
**DETROIT RIVER INTERNATIONAL CROSSING PROJECT**

**HOSPITAL INFANTA SOFIA, Madrid, Spain**

**Project Description:**

The Project consists of an acute hospital built on a 90,000 m2 area divided into four blocks, located in the municipality of San Sebastian de los Reyes, north of Madrid. The hospital opened with 283 beds although the facility has a capacity for up to 350 beds. All patients will be housed in single rooms.

**Project Type:**

The Project consists of a 30 year concession for the Design, Build, Finance, Operate and Maintain of a new hospital. Payments to the SPV during the operating period are based on availability.

**Project Capital Cost:** CAD \$238 million

**Summary of amounts/types of financing:**

Equity: \$35 million

Senior Debt: \$160 million

Tenor: 26 years

**Additional Information:**

As it was the first Hospital DBFM Project development and financing management, ACCIONA had to apply knowledge obtained in other DBFMs to this field. The financing is syndicated with 10 banks.

After the contract was awarded, the client decided to create in the hospital an imagining centre as well as a central laboratory that would give service to a total of 7 hospitals in the region.





Request for Proposal of Interest  
**DETROIT RIVER INTERNATIONAL CROSSING PROJECT**

Experience with local contracting partners:

ACCIONA has a successful long track record of contracting with local partners in all their projects in North America. In fact it hires local labor for 80% of the project work, creating jobs in the Local Community, and building on a socially responsible foundation.

In their past experiences ACCIONA has demonstrated a strong interest in partnering with local companies and businesses. They are working together with local contractor partners in the Windsor Essex Parkway Project, in the New Oakville Hospital Project and in the Women's College Hospital, all of them in Ontario.

ACCIONA Energy North America is headquartered in Chicago, IL. and has long standing relationships partnering with local contractors and minorities all over their projects in the US.

**Conditions Precedent** - A brief description of those items or impediments to the project's successful implementation that should be removed or dealt with prior to the initiation of the procurement process.

- One of the most important issues to deal with, before the starting of the procurement process is the establishment of a P3 legislation in the state of Michigan.
- Source of revenues: should be availability based. If there is traffic risk it would complicate structuring the deal.
- Deal with the "competing bridge" and traffic restrictions in the Ambassador Bridge.
- Achievement of required public and environmental permits before the commencement of the project will be essential.
- An efficient protocol to integrate all the stakeholders on the procurement process is key.
- Introduce large stipend to offset risk of breaking or break-fees.



**Acciona**

Avenida de Europa, 18  
Parque Empresarial La Moraleja  
28108 Alcobendas, Madrid.  
España

[www.acciona.com](http://www.acciona.com)

11<sup>th</sup> March 2010

Detroit River International Crossing project  
Michigan Department of Transportation  
425 W. Ottawa Street, P.O. Box 30050  
Lansing, Michigan 48909

Attention: Mr. Mohammed Alghurabi, Contact Person

Dear Mr. Alghurabi,

**RE: Response to the Request for Proposal of Interest for the development of the Detroit River International Crossing project under one or more Public Private Partnerships.**

Acciona, S.A. ("ACCIONA") is delighted to provide this letter of interest before the Michigan State of Transportation (MDOT) and Transports Canada (TC) in its response to the Request for Proposal of Interest ("RFPOI") for the development of the Detroit River International Crossing (DRIC) under one or more public-private partnerships.

ACCIONA has more than 100 years of experience in managing infrastructure assets and 27 P3/DBFOM projects under our management. Our investments cover the full range of sectors including major transportation networks (rail and road); health; handling services; cargo and passengers terminals; ports and parking spaces.

ACCIONA is pleased to confirm its interest with respect to the RFPOI for the development of the DRIC under one or more public-private partnerships and hereby indicates the interest in developing this project on a non-binding basis.

Yours sincerely,

---

Francisco Adalberto Claudio Vazquez  
Legal Representative  
Acciona, S.A.



**Michigan Department of Transportation  
&  
Transport Canada**

**Response to the Request for Proposal of Interest for the  
development of the Detroit River International Crossing  
project under one or more Public Private Partnerships**

**March 17, 2010**

## *Introduction*

March 17, 2010

Mohammed Alghurabi  
Senior Project Manager  
Michigan Department of Transportation  
425 W. Ottawa Street, P.O. Box 30050  
Lansing, Michigan 48909

RE: Response to Request for Proposal of Interest

Dear Mr. Alghurabi,

Scotia Capital is very pleased to submit this response to the Request for Proposal of Interest ("RFPOI") issued by the Michigan Department of Transportation ("MDOT") and Transport Canada ("TC") (together the "Authorities") on January 27, 2010 with regards to the development of the Detroit River International Crossing ("DRIC" or the "Project"), a new international crossing and associated facilities between the city of Detroit, Michigan and Windsor, Ontario. We understand that the Authorities are seeking initial interest and input from private sector participants from all aspects of the market. As such, we would like to take this opportunity to (i) introduce MDOT and TC to the Bank of Nova Scotia ("Scotiabank" or the Bank) and its Global Infrastructure Finance ("GIF") team and (ii) to provide our response to the RFPOI.

Given the vast scope of the proposed project and the many potential roles for a financial advisor who can concurrently provide senior lending facilities, we view this as an opportunity to utilize our vast experience and market leading knowledge to assist in the development of this internationally significant project. We firmly believe that the development of the Project represents one of the most exciting and innovative transactions to date in the North American public-private partnership ("PPP") market. We would like to extend our best wishes to MDOT and TC with regards to the development of both the procurement process and the Project and at the same time, thank you for your consideration.

Kind regards,



Michael J. Uhouse  
Managing Director, Global Infrastructure Finance

## ***I. Contact Information:***

*Name and contact information (address, phone, fax, and email) for the individual who will act as the Respondent's principal contact throughout the process for this particular RFPOI and description of the individual members of the respondent's team with experience related to the objectives of the Partnership as described in this Request.*

Michael J. Uhouse  
Managing Director, Global Infrastructure Finance  
Scotia Capital  
One Liberty Plaza, 25<sup>th</sup> Floor  
New York, NY 10006  
Office Telephone: +1 (212) 225-5603  
Fax: +1 (212) 225-5605  
Michael\_Uhouse@scotiacapital.com

### ***Global Infrastructure Finance team Key Personnel***

Key team members that will typically lead an advisory or lending assignment within the U.S. and Canada are shown below along with a brief introduction to their qualifications.

<b>Conor C. Kelly</b> Managing Director & Head of International, Global Infrastructure Finance
---

Conor C. Kelly has over 18 years experience within the banking industry including in corporate finance, leasing, commercial real estate lending, project finance, mergers and acquisitions, leverage buy-outs, monetization, securitizations, collateralized debt obligations and project/infrastructure financing. Mr. Kelly joined Scotia Capital as Head of International Global Infrastructure Finance in September 2008. Prior to Scotia Capital, Mr. Kelly was Head of Infrastructure Finance, Americas with DEPFA Bank plc where he worked with both the public and private sectors in advising, structuring and financing over US\$20 billion worth of infrastructure and Public Private Partnerships ("P3") around the world including in transportation (toll roads, shadow toll roads, rail, seaports and airports), health, waste, water and wastewater, prisons, education, energy as well as other essential infrastructure sectors.

Mr. Kelly has been instrumental in structuring and arranging some of North America's leading P3 projects including:

- Financial Advisor for the Capital Beltway HOT Lanes project. Total project costs are approximately US\$2 billion.
- Financial Advisor to Transurban for its acquisition of the Pocahontas Parkway in Virginia, which was the first "privatization" of a 63:20 not-for-profit toll road entity in the US.
- Mandated Lead Arranger and Joint Bookrunner for the Indiana Toll Road, the largest P3 in the U.S. to date at US\$4.1 billion. The 75 year concession involves the lease, operation and maintenance of the road and implementation of an electronic tolling system.
- Mandated Lead Arranger and Swap Provider for the Chicago Skyway. The US\$1.83 billion transaction represented the first privatization of a major toll road facility in the U.S. The 99 year concession involves the lease, operation and maintenance of the road.



Prior to taking up his position at DEPFA as Head of Infrastructure Finance, Americas, Conor headed up DEPFA's infrastructure financing activities in the Baltics, Iberia, Ireland and the Nordic region and was involved in financing the very first P3 financings in Japan, Korea, Portugal, Norway, Estonia, Ireland, Cyprus and the United States.

**Bert Clark**  
Managing Director & Head of Canada, Global Infrastructure Finance

Bert Clark is a Managing Director and the Canadian Head of Scotia Capital's Global Infrastructure Finance team. Mr. Clark joined Scotia Capital's Infrastructure Advisory Group in January 2008.

Previously, Mr. Clark was significantly involved in the infrastructure sector through various roles including most recently as Senior Vice President of Projects for Infrastructure Ontario where he led the establishment of the agency and directed the overall financing strategy for a multi-billion dollar infrastructure program.

From 2003 to 2005, Mr. Clark acted as Senior Policy Advisor to the Premier of Ontario he introduced the concept of P3s, directed the development of capital budgeting plans and managed the launch of several P3s.

Prior to 2003, Mr. Clark spent five years at Osler, Hoskin & Harcourt LLP, a leading Canadian law firm in their business law group.

Mr. Clark received LL.M from Duke University School of Law, LL.B from Queens Law School and B.A. (Hons) from McGill University.

**Michael J. Uhouse**  
Managing Director & Head of U.S., Global Infrastructure Finance

Michael J. Uhouse is a Managing Director of Scotia Capital within the Global Infrastructure Finance group. Based in New York, he has in excess of 20 years of project and public finance experience including investment banking, sales & trading and financial guarantee.

Prior to joining Scotia Capital, he served as a Managing Director in DEPFA Bank plc's Infrastructure Finance Unit, Americas. Mr. Uhouse was responsible for the East and Midwest regions at Assured Guaranty Corporation and, additionally, was a founding member of the Public Finance group at CIFG; jointly responsible for primary market underwriting and secondary market business development.

During his 10 year tenure at Donaldson, Lufkin and Jenrette Securities Corporation, Mr. Uhouse provided investment banking services to public finance issuers in various sectors of the municipal market. His expertise includes Institutional Sales and Trading experience at ABN-AMRO and Donaldson, Lufkin and Jenrette.

Mr. Uhouse earned an M.B.A. in Finance and a B.S. in Business Administration with an emphasis in Management Information Systems from the University at Albany (NY). He is a member of the National Federation of Municipal Analysts and the Municipal Analysts Group of New York.

Some recent examples of PPP projects that Michael has structured and arranged include:

- Financial Advisor for the Capital Beltway HOT Lanes project. Total project costs are approximately US\$2 billion.
- Financial Advisor to Transurban for its acquisition of the Pocahontas Parkway in Virginia, which was the first "privatization" of a 63:20 not-for-profit toll road entity in the US.

- Financial Advisor to the New Alberta Schools Sponsor, led by Acciona and Carillion, in its bid to design, build, finance, and operate the Alberta Schools Project in Alberta, Canada.
- Mandated Lead Arranger for the Long Beach Courthouse project, a circa US\$400 million, new-build, courthouse facility in Long Beach, California.

**James Vaux**  
Managing Director , Global Infrastructure Finance

James Vaux is a Managing Director in Scotia Capital's Global Infrastructure Finance group based in Toronto. Mr. Vaux joined Scotia Capital's Global Infrastructure Finance team in March 2008 where he has been responsible for leading transaction teams on a number of social and transportation P3 projects for such clients as SNC-Lavalin, Bilfinger Berger, Peter Kiewit & Sons, HSBC Infrastructure, and Bouygues Batiment International.

From 1995 to 2008, Mr. Vaux was part of Scotia Capital's Mergers & Acquisitions group where he gained broad experience advising corporate, government, income trust and private equity clients on domestic, cross-border and foreign acquisition and divestiture transactions, as well as friendly and unsolicited bids. Most recently responsible for M&A advisory in the power and infrastructure sector where clients have included Emera, Fortis, Clean Power, Enbridge, Atlantic Power, AES, Stephenson's Rental Services, United Rentals and the City of Cornwall.

While at Scotia Capital, Mr. Vaux has also spent time in the Corporate Banking, Global Risk Management and Equity Capital Markets groups

Mr. Vaux received a Honours in Business Administration from the University of Western Ontario and is a Chartered Financial Analyst

**Pierre Alain**  
Director, Global Infrastructure Finance

Pierre Alain is a Director within Scotia Capital's Global Infrastructure Finance group. Based in Montreal, Mr. Alain joined Scotia Capital's Fixed Income Group in 1997 as a trader for 4 years.

Mr. Alain moved to the Derivatives Group dealing in a wide array of derivative products covering the Quebec market place and working with various corporations, pension funds, fund managers and major infrastructure participants.

Prior to joining Scotia Capital, Mr. Alain had 8 years of trading experience in the derivatives and fixed income markets working for the Caisse de Depot et Placement du Québec, Canada's largest pension fund, and working with Laurentian Bank of Canada and Laurentian Bank Securities holding various trading, marketing and treasury management positions.

**Kevin Healy**  
Associate Director, Global Infrastructure Finance

Kevin Healy is an Associate Director within the Global Infrastructure Finance group of Scotia Capital in New York City. Prior to Scotia Capital, Kevin spent two years with DEPFA Bank plc's Infrastructure Finance Unit. Kevin has been working on lead arranging and financial advisory mandates for concession financing both in the

US and Canada. At DEPFA, Kevin worked on numerous infrastructure financings in various sectors including surface transportation, airports, hospitals, parking and ports.

Prior to DEPFA, Kevin spent four years with Deloitte & Touche Corporate Finance in Dublin, Ireland, advising on a number of PPP and project finance assignments. Kevin's experience in financing public infrastructure projects involved the development and review of financial models, detailed analysis of projects commercial merits and overall financial viability.

After completing his Bachelor in Business Studies from the University of Limerick in 2001, Kevin joined Deloitte and Touche. Kevin has completed a Master's in Accounting in the Michael Smurfit Business School and is a qualified Chartered Accountant.

Recent transactions in which Mr. Healy provided financial advisory and debt arrangement services include:

- Member of the financial advisory team for the Highway 1 Transportation Group in support of its multi-billion dollar bid to design, construct, finance, operate and maintain the Port Mann Bridge / Highway 1 Corridor Project in Greater Vancouver, British Columbia;
- Mandated Lead Arranger for the Long Beach Courthouse project, a circa US\$400 million, new-build, courthouse facility in Long Beach, California.
- Debt arranger and underwriter for the Northwest Anthony Henday project in Edmonton, a negotiated concession-based public-private partnership in which a Bilfinger Berger-led consortium agreed to design and construct the corridor for periodic, long-term payments from the public sector based on the "availability" of the road; and
- Co debt arranger for the Chicago Loop Parking transaction which involved the lease of the underground public parking system in downtown Chicago by a consortium made up of Morgan Stanley Infrastructure Partners and LAZ Parking.

<b>Benjamin Lennon</b> Associate, Global Infrastructure Finance
--

Benjamin Lennon is an Associate within the Global Infrastructure Finance group of Scotia Capital in New York. Before joining Scotia Capital, Ben was employed at DEPFA Bank plc in their Infrastructure Finance Unit where he assisted with several deals during his brief term including the Surrey Outpatient Facility and the Royal Jubilee Hospital.

Ben is a recent graduate of Seton Hall University in New Jersey with a Bachelors of Science in Business Administration from the W. Paul Stillman School of Business with a concentration in Finance.

Recent transactions in which Ben has assisted in financial advisory and debt arrangement services include:

- Mandated Lead Arranger for the Surrey Outpatient Facility, a C\$180 million, new-build, healthcare project in British Columbia, Canada; and
- Mandated Lead Arranger for the Royal Jubilee Hospital, a C\$287 million, new-build, healthcare project in Victoria, British Columbia.

## II. Company Information

*Brief description of the firm's or team members' lines of business and experience in the delivery of transportation infrastructure projects under a public-private partnership model (i.e., design, build, finance, operate and maintain).*

The Bank of Nova Scotia is the third largest financial institution in Canada by assets, Canada's most international bank and it's second largest by market capitalization. The Bank has over 2,650 branches and offices in 50 countries and employs more than 68,000. Scotiabank operates along three business lines: Canadian Domestic Banking, International Banking and Scotia Capital. Scotia Capital conducts the Bank's global capital markets and corporate and investment banking businesses.

Operating within Scotia Capital is the Global Infrastructure Finance team ("GIF"). The GIF team is represented by more than 40 experienced infrastructure bankers located in New York, Toronto, Sao Paulo and London who provide financial services relating to a variety of project finance sectors. GIF team members have been involved in some of the most significant and ground breaking PPP transactions within the U.S. and Canadian markets and have worked in a number of sectors within the infrastructure space including: transportation (toll roads, rail/light rail, seaports and aviation), social infrastructure (healthcare, public buildings and schools) and energy (conventional and renewable). Given our experience in the infrastructure market, the GIF team can offer a range of services to the various entities participating in the Project. These include, inter alia: financial advisory services, debt underwriting and arranging and a large range of financial products.

### *Experience in the Delivery of Transportation PPPs*

The GIF team maintains extensive experience within the field of transportation PPPs. Members of our team have been involved in some of the most groundbreaking, highly publicized and innovative transactions in the transportation sector in North America over the last five years. Some of these transactions include:

Relevant Project Experience	Role
<b><i>Completed Mandates</i></b>	
Capital Beltway HOT Lanes	Financial Advisor and Letter of Credit Provider
Pocahontas Parkway	Financial Advisor and Mandated Lead Arranger
Calgary Ring Road	Financial Advisor
South Fraser Perimeter Road	Financial Advisor
Port Mann / Highway 1	Financial Advisor
FARAC 2A- Pacifico del Norte	Financial Advisor
PPS Atizapán	Financial Advisor
PPS Las Torres	Financial Advisor
Golden Ears Bridge	Mandated Lead Arranger
Northwest Anthony Henday	Mandated Lead Arranger
A30	Mandated Lead Arranger
A25	Mandated Lead Arranger
Indiana Toll Road	Mandated Lead Arranger
Chicago Skyway	Mandated Lead Arranger
SR 125 (Southbay Expressway)	Mandated Lead Arranger
Autovía Necaxa Tihuatlán	Mandated Lead Arranger
Richmond Airport Vancouver (RAV) Rapid Transit	Participant

***Active Mandates***

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FARAC 2B	Financial Advisor
Paita Ports	Financial Advisor
Windsor-Essex Parkway	Financial Advisor
South Fraser Perimeter Road	Financial Advisor
New Brunswick Route 1	Financial Advisor
Disraeli Bridges	Financial Advisor

***III. Letter of Interest***

*A letter indicating, if applicable, the firm's or team's interest in developing this project on a non-binding basis and identifying the type of interest (e.g., developer, financial investor, design-build contractor, lender, or operator).*

March 17, 2010

The Bank's GIF team recognizes the unique and precedent setting nature of this project given its complexity and international significance. We are equally aware of the important role any participant will play in the development of both the Project and the development of the PPP program in Michigan.

Given the team's experience in providing financial advisory services, the GIF team will investigate a similar role within a qualified bidding consortium for the Project. Once an alliance has been established, the financial advisory team would gain a full understanding of the project as well as the Authorities' and the bidding consortium's desired project outcome. Following the initial stages of the engagement, the GIF advisory team will work with the consortium in an effort to develop all necessary partnerships and appropriate financing structures required to be successfully selected as the preferred proponent.

Financial advisory services would broadly entail a scope of work including the following, inter alia: the development of an initial project team, assistance in Authority negotiations, development of a number of deliverables including the production of a financial model, various project documents, and the structuring of any required financing package.

As private financing has been included in the proposed project, and should the consortium to which we are providing financial advisory services be advanced in the bidding process, the GIF team would assist in negotiations with lenders or potential third party equity participants. All services will be provided with the intention of successfully achieving financial close.

In addition to any proposed financial advisory services, Scotia Capital, acting through the GIF team, may consider providing senior debt facilities to the preferred proponent subject to adequate due diligence and credit committee approval. As our lending experience displays, as detailed below, we have been involved in several transactions on a strictly lead arranging (lending) role. The team has participated in numerous lending assignments including a wide variety of innovative and groundbreaking PPP transactions in the United States such as the Chicago Skyway (2004), the Indiana Toll Road (2006) and the Capital Beltway HOT Lanes Project (2008). Any contemplated senior debt financing will not necessarily be contingent upon the engagement of the GIF team as financial advisor by one of the bidding consortia.

In addition to the provision of senior lending facilities, Scotia Capital, acting through its GIF team, is also able to offer a range of ancillary financial products. Included in this group are derivatives such as interest rate, inflation,

commodity and foreign exchange hedges, construction/contractor support such as letters of credit, and credit enhancement/liquidity facilities.

Any potential alignment with a consortium, be it in the form of a financial advisory assignment or otherwise, will offer the client access to the full spectrum of financial services offered by Scotia Capital and Scotiabank. As appropriate, personnel from a range of operations can be called upon to provide the client with the desired services. All of the aforementioned services will conclude upon the completion of the assignment, the expiration of the tenor of any such lending or financial instrument, or at the Bank's or client's discretion.

#### ***IV. Scope***

*An identification of all the elements of the project the respondent believes should be delivered by a single developer. Respondents may provide one or more solutions in their submission.*

##### *Procurement Model*

As active participants in the PPP field, we believe that both the Project and Authorities will be best suited by utilizing the Design, Build, Finance, Operate and Maintain ("DBFOM") procurement model. Cost effectiveness, risk transfer, expedited completion, and maintenance period efficiency are just some of the benefits associated with this private sector delivery model. Private sector participants are motivated to be as efficient as possible when utilizing their own balance sheets to deliver a project, and the any potential payment mechanism for the proposed project, be it user fees (real tolls), availability payments or a hybrid thereof, continues this drive for efficiency and excellence throughout the concession period.

#### ***V. Business Model***

*Assuming that the project will be developed as a tolled facility, a brief description of public-private partnership business models that would be considered appropriate for the project (e.g. real tolls, availability payments, hybrid, other) and what would be the benefits for the project and the public arising from each option. Also, examples of projects where such a business model has been successfully used.*

According to the RFPOI, the new international crossing is envisioned as a tolled facility. If a tolling mechanism is in fact utilized, this presents a number of options for reimbursement of the private partner.

##### *Real Tolls (Demand Based)*

The first option would permit the concessionaire to collect the real toll revenues in exchange for the operation and maintenance of the relevant facilities. This real toll remuneration method is the most common, currently utilized structure for demand based transportation PPPs in North America and globally. This method would benefit the public due to the private partner's motivation to market and maintain the facility in order to encourage use by traveling motorists or freight haulers as well as avoid any penalty regimes included in the concession agreement for poor operation and maintenance. The authorities would also benefit from such an arrangement due to the elimination of the fiscal obligation to pay an availability payment over the course of the concession. This method also provides for the maximum level of revenue upside/downside to the private partner. There are numerous examples of operating projects which have used this payment mechanism, and there are many more currently under construction. These include, inter alia:

##### ***Australia:***

- CityLink

##### ***North America:***

- 407 ETR (Canada)

##### ***Europe:***

- Ausol I (Spain)

- WestLink M7
- Hills M2
- Eastern Distributor
- M4 Motorway
- M5 Motorway
- Pocahontas 895
- Chicago Skyway
- Indiana Toll Road
- SR 125
- Capital Beltway (Construction)
- North Tarrant (Construction)
- SH 130 (Construction)
- I-95/395 (Pre-Development)
- I-635 (LBJ) (Pre-Development)
- Ausol II (Spain)
- Radial 4 (Spain)
- M3 (Ireland)
- N4-N6 (Ireland)
- Euroscut Algarve (Portugal)
- Ionian Roads (Greece)

### *Availability Payment*

The second business model option involves the use of an availability payment. This payment structure presents benefits to the public and the public sector. With regards to the public benefits, the private partner is highly motivated to maintain the facility at a predetermined safety, reliability and performance level due to the availability payment structure which is reliant upon the adherence to predetermined standards outlined in the concession agreement. If the private partner does not perform the needed maintenance then the authority may make deductions from the availability payment. Such a deterrent can be compared to a real toll facility where users would seek alternative routes thereby reducing revenue if the facility is not adequately maintained. The public sector also benefits from this structure since it retains all rights to future toll revenues. Additionally, by retaining the right to toll revenues, the public sector maintains maximum future flexibility in setting the toll regime.

The availability payment model will provide for a tighter standard deviation of private sector returns through the payment of a predetermined periodic availability payment. Facilities of this type have been common in Canada, although there are a few projects in the U.S. currently under development. Examples include the following:

- Golden Ears Bridge (Canada)
- Sea-to-Sky Highway (Canada)
- Kicking Horse Canyon (Canada)
- Calgary Ring Road (Canada)
- NW Henday (Canada- Construction)
- Windsor-Essex Parkway (Canada- Pre-Development)
- South Fraser Perimeter Road (Canada- Pre-Development)
- I-595 Improvements (U.S.- Construction)
- Port of Miami Tunnel (U.S.- Construction)

### *Hybrid*

The third business model option would entail the use of both a real toll as well as an availability payment. This “hybrid” method allows a certain portion of concessionaire remuneration to be linked to demand while the remainder is based on the achievement of predetermined levels of operations and maintenance (i.e. an availability payment). This method benefits the public in the sense that the private partner is motivated by both the requirements to maintain the facility based upon contractual obligations as well as the desire to keep the facility attractive to the greatest number of drivers. Examples of this facility type include the A30 and the A25, both of which are under development in Quebec, Canada.

As a subset to this hybrid model, the authority may also incorporate a shadow tolling feature in which the private partner does not retain the right to the real tolls, but is instead compensated by the relevant authority based upon the user volume of the facility. This method incorporates an element of demand risk, however, reduces the risk of failure to collect tolls and allows the authority greater flexibility and rights to toll revenues and the toll regime. Such a concession model may also allow the relevant authority to use an availability

payment for a portion of the remuneration, much like the hybrid model above. Many examples of this facility type have been developed in Europe.

As briefly provided above, all payment mechanisms provide benefits to both the project and the public. In all cases, the private partner is motivated to maintain the facility in order to receive the maximum payment, whether it is in the form of user tolls, availability payments, or a mix of both. There are however, other considerations regarding payment method that will need to be reviewed by the procuring Authorities.

For instance, certain payment mechanisms will be interpreted in different ways by various parties to the transaction. From the perspective of a lender, credit risk is decreased if remuneration to the private partner comes in the form of an availability payment. There are many reasons for this; however, the most significant is the lack of demand risk. Lower than projected traffic has plagued many user toll-based PPPs around the U.S., and as a result, senior lenders are more restrictive in providing credit to demand based facilities. This issue is particularly relevant for the proposed project considering the current economic climate. The Windsor/Detroit region has been heavily affected by the current recession, and given that a large amount of the trade volume (approximately 60-63%) between the U.S. and Canada is related to transportation products, the possibility for less than robust traffic patterns over the coming years is a significant concern. Additional risk associated with a demand based payment mechanism relates to the sharing of potential users with competing facilities such as the Ambassador Bridge. This competition may further strain demand assumptions especially if traffic patterns continue to falter for economic and other reasons.

This is not to say that the Project will not be financeable if it utilizes a demand based payment mechanism, however, any financing will require a great deal of traffic and trade volume due diligence, as well as comfort with the proposed toll setting mechanism on the part of the funders.

## ***VI. Term of Agreement***

*The preferred length (years) of the Public-Private Partnership agreement under such business model(s).*

The term of agreement is largely a factor of the private partner's payment mechanism. If the private partner is repaid through an availability payment, the term may be in the 30 to 35 year range. However, if a demand based payment stream is utilized, the term of the agreement will likely need to be longer and fall within the 50 to 75 year range. This longer concession term is a factor of the potential volatility in toll revenues. Such a longer term provides comfort to lenders allowing for additional time to repay debt and added time for the private partner to achieve desired levels of return should initial traffic levels be lower than anticipated. The ranges may be manipulated, especially if a hybrid structure is selected, or other repayment mechanisms are incorporated such as construction milestone payments, or significant public sector grants, reducing the amount of private financing required.

## ***VII. Other Revenue***

*Identification of other business opportunities such as operation of duty free shops.*

As a prospective lender and financial advisor to a private partner, the Bank does not necessarily have an opinion with regards to other revenue opportunities in relation to the proposed project, however, retail opportunities will likely be viewed by lenders as an equity risk.



## ***VIII. Financing***

*An indicative, high-level, structure of private financing for the solution(s), including:*

- *funding split (debt/equity);*
- *types of debt facilities and main assumptions; and,*
- *any innovative financing tools, including Transportation Infrastructure Finance and Innovation Act federal credit assistance (TIFIA) and Private Activity Bonds (PABs), that would be considered desirable.*

### ***Funding Split (Debt:Equity)***

The desired proportion of debt to equity (D/E) is largely a factor of the payment mechanism contemplated under the concession. If the Authorities select an availability payment mechanism, largely eliminating demand risk, senior lenders would likely be comfortable with a D/E ratio of approximately 85:15 to 90:10. This range is subject to then current market conditions and other factors relating to the concession, however, historically this range has proven acceptable.

If a demand based payment mechanism is utilized for the Project or a portion thereof, a considerably larger amount of equity will be required. A D/E range of roughly 60:40 to 75:25 will likely be required to gain comfort from lenders. This D/E range may only consider the ratio of sponsor equity to senior lending provided by the bank or capital markets. This ratio does not necessarily incorporate other forms of subordinated debt such as TIFIA.

### ***Types of Debt Facilities and Primary Assumptions***

Various debt options may be available for the project financing including the bank markets, capital markets and TIFIA funding as well as a potential combination thereof. As discussed throughout, certain structuring matters and the nature of the payment mechanism, as well any appropriation risk may have a significant impact on both the bank and capital market appetites for senior project debt.

### ***Senior Bank Financing***

In a bank financing solution, the most likely financiers would be international project finance banks, particularly those active in the U.S., Canadian, and European PPP markets. The most likely form of financing in such a situation would be provided through a mini-perm structure utilizing a club of banks. Such a structure could come in two forms – hard or soft.

The soft mini perm typically involves certain structural features which incentivize the borrower to refinance the debt after a certain period of time. It is possible that a soft mini perm may be available to the private partner for a longer period of time should an availability payment mechanism be utilized, eliminating the risk of default under a hard mini perm, as described below.

A hard mini perm structure features a typically short tenor that will result in an event of default by the borrower if the borrower does not refinance upon maturity. Both the real toll and hybrid/shadow toll models will likely utilize such a facility which will result in the introduction of refinancing risk.

Regardless of mini perm type, should bank financing be utilized, such a facility will likely be provided by a group of banks which will endeavor to take and hold any commitment due to the continued difficulty in the syndications market.

### *Capital Markets Financing*

A variety of sources may be applicable within the capital markets including taxable and tax-exempt debt. We suggest any private partner concurrently track a capital markets solution with a bank financing solution so that the lowest cost of funds is obtained and the best value for money is provided to the public and the Authorities. Certain characteristics of the Project will determine the appetite of the capital markets such as concession structure, payment mechanism, and the reputation of private sector participants. For example, in both the U.S. and Canadian markets, the capital markets may be able to provide financing for the entire concession term should an availability payment mechanism be utilized, thereby reducing any refinancing risk, however, obtaining this long term financing may be difficult should a demand element be incorporated into the payment stream.

### *Key Assumptions*

Key assumptions relating to project debt will, as mentioned, be a factor of current market conditions. For instance, if financial markets continue to face stress, it is likely that any bank debt will feature a tenor of 5 to 10 years. This is historically short; however, assuming a status quo scenario, this is likely to remain the same for the next several years. With regards to margins, lenders will likely offer financing at historically high pricing. As with tenor, this is subject to change depending on economic conditions. Regardless of market conditions, margins will likely be higher for any project that utilizes a real toll payment mechanism when compared to the availability structure.

### *Innovative Financing Tools*

#### *Transportation Infrastructure Finance and Innovation Act (TIFIA)*

The Transportation Infrastructure Finance and Innovation Act of 1998 ("TIFIA") established a federal credit program under which the US Department of Transportation (USDOT) may provide credit assistance to major transportation investments of critical or national significance. TIFIA credit assistance provides a low cost, long tenor, subordinate source of financing. The use of such TIFIA financing has become commonplace over the last two years due to bank market constraints, with many of the largest projects to reach financial close in the U.S. depending on the credit assistance for a large portion of their financing packages. It is feasible that the North Tarrant Express, Port of Miami Tunnel, I-595 and Capital Beltway projects would not have reached financial close had this funding mechanism not been available. It is likely that the proposed Project will qualify for TIFIA financing due to its nationally and regionally significant nature.

Actual TIFIA loan terms are subject to negotiations with the USDOT on a project-by-project basis and members of Scotia Capital's GIF team have first-hand knowledge of TIFIA credit facilities with extensive experience in negotiating and securing TIFIA loans.

Details regarding the split between U.S. and Canadian project costs will need to be determined to establish the relevant project costs applicable to TIFIA funding, but it is highly likely that this credit assistance program will play a major role in any financing.

#### *Private Activity Bonds (PABs)*

The U.S. SAFETEA-LU federal transportation funding reauthorization bill provided authorization for up to US\$15 billion of tax-exempt Private Activity Bonds to finance qualified surface transportation facilities. These debt instruments present a potential financing solution to any private partner selected to develop the proposed project. PABs have been used twice on transportation projects in the U.S. (the Capital Beltway HOT Lanes Project and the North Tarrant Express), however, are contemplated for several more projects going forward.

Although subject to the US\$15 billion volume cap under the SAFETEA-LU legislation, it is not anticipated that funding will be constrained by the time the proposed project applies for any allocation. Also of note, PABs, are not subjected to the Alternative Minimum Tax if issued by the end of 2010, as a result of the ARRA, further reducing the cost of debt. Members of Scotia Capital's GIF team have extensive experience with these facilities through their role as financial advisor to the Capital Beltway transaction in Virginia.

## ***IX. Respondent's Experience***

*A brief description of the respondent's experience in:*

- *Public-private partnerships – provide brief examples to demonstrate the Respondent's experience and successful participation in the design, construction, financing, operation and/or maintenance of transportation infrastructure projects.*

As discussed above, members of the GIF team have been involved in numerous transportation PPPs throughout North America and globally. Team members have provided a range of financial advisory and senior financing services to private market participants for these transactions. Many of these services have included groundbreaking strategies for financing and structuring as developed by our team. A brief description of some of our recent projects is provided below.

### ***Financial Advisory Experience***

#### ***Capital Beltway HOT Lanes***

Financial advisor to Transurban (USA) Inc. ("Transurban") and Fluor Enterprises ("Fluor") for the Capital Beltway HOT Lanes Project in Virginia, the first dynamic toll road in North America. The project was procured through direct negotiations between the private consortium and the Virginia Department of Transportation ("VDOT") under a development agreement for the corridor. The deal was ultimately structured as a public-private partnership with VDOT granting a 75-year concession for the project. Financial close for the transaction occurred in December 2007 with bonds issued in the first half of 2008. Total funding sources were in excess of US\$1.9 billion and include US\$589 million in tax-exempt Private Activity Bonds ("PABs") secured by bank letters of credit, US\$585 million in TIFIA subordinated debt, US\$409 million in assistance from VDOT and US\$349 million in private equity. Capital Beltway was the first project financing in the US to utilize a capital structure including both bank-wrapped, tax-exempt capital markets and subordinated federal funds.

The innovative financing structure for this landmark project received the following awards:

- Overall Deal of the Year & North American Project Bond Deal of the Year, *Project Finance Magazine*, 2008
- Transport Deal of the Year, *Infrastructure Journal*, 2008
- Most Innovative Non-Traditional Public Finance Transaction, *The Bond Buyer*, 2008
- Project Finance Deal of the Year, *The Banker*, 2009
- International Deal of the Year, *Public Private Finance*, 2009

#### ***South Fraser Perimeter Road***

Financial advisor to Bilfinger Berger Project Investments Inc. ("Bilfinger Berger") in its bid to construct the South Fraser Perimeter Road project in Vancouver, Canada. The South Fraser Perimeter Road project is part of the "Gateway Program" infrastructure initiative by the Province of British Columbia. The project structure is based on periodic availability payments made by the public sector based on the successful operation and maintenance of the planned road over a long-term concession.

#### ***Calgary Ring Road***

Financial advisor to Bilfinger Berger in its bid to construct the Calgary Ring Road. The Calgary Ring Road project structure is based on periodic availability payments made by the public sector based on the successful operation and maintenance of the planned road over a long-term concession.

#### Pocahontas Parkway

Financial advisor to Transurban on the Pocahontas Parkway (Route 895) project in Richmond, Virginia ("Pocahontas"). Pocahontas was initially developed as a "63-20" not-for-profit corporation and financed with tax-exempt revenue bonds. With the project in financial distress due to lower-than-forecast traffic levels, Transurban entered into negotiations with VDOT to acquire Pocahontas under a public-private partnership structure. In June 2006, Transurban and VDOT completed negotiation of a concession agreement under which VDOT granted Transurban a 99-year concession to upgrade, toll, operate and maintain the Parkway in consideration for an upfront payment of US\$604 million. Existing tax-exempt revenue bonds had to be defeased as part of the financial closing. Initial acquisition financing included bank debt and private equity, but in June 2007, Transurban executed a partial-refinancing using approximately US\$150 million in subordinated TIFIA debt which retired a short-term tranche of the senior bank debt and provided funding for the construction of a connection between Pocahontas and the Richmond airport. Due to the innovative nature of this transaction, it was awarded the Deal of the Year award by ARTBA in 2006.

#### Port Mann / Highway 1

Financial advisor to Transurban, the Canadian Pension Plan Investment Board ("CPPIB"), and Bilfinger Berger Project Investments ("Bilfinger Berger") in their joint bid to construct and toll the new Port Mann Bridge and upgrade Highway 1 in Vancouver, Canada. As one of three shortlisted bidders, the consortium negotiated a concession agreement with the Province of British Columbia (the "Province"). The bid was submitted with a fully underwritten multi-billion dollar bank debt package supporting private equity provided by the consortium partners. The Province elected not to grant a concession for this project. Instead, the Province will enter into a design-build contract for the procurement of the project.

#### PPS Las Torres

Financial advisor to a private consortium in its bid for the design, finance, construction, operation and maintenance of the Avenida Solidaridad Las Torres road in Toluca, Capital of the State of Mexico. The project will utilize an availability-based payment mechanism. This project is part of the first generation of availability payment structures promoted by the Government of the State of Mexico. Total investment is estimated at USD 130 million.

### ***Debt Arrangement Experience***

#### Golden Ears Bridge

Mandated Lead Arranger of the senior debt, hedge provider (interest rate and CPI) and sole mezzanine debt provider for the C\$1 billion Golden Ears Bridge project financing in British Columbia, Canada. The project is the largest P3 transaction in Canada to date and involves the design, construction, financing, operation, and maintenance of a new 6-lane bridge over the Fraser River and ancillary roads to improve movement in the greater Vancouver region. The project's revenue source is through availability-based payments from the South Coast British Columbia Transportation Authority. The financing structure was the first use of monoline wrap bank debt for a P3 project in North America. This highly innovative transaction was awarded the following honors:

- Global Deal of the Year, Infrastructure Journal, 2007
- North American Deal of the Year, Infrastructure Journal, 2006
- Gold Award for Project Financing, Canadian Council for Public Private Partnerships, 2006

- North American PPP Deal of the Year Award, Project Finance Magazine, 2006
- North American Deal of the Year, PFI Magazine, 2006

#### Northwest Anthony Henday Drive

Mandated Lead Arranger for the bank-financing tranche of Northwest Anthony Henday Drive. The transaction included a new-build, road P3 in Edmonton, Canada which utilized a combination of bank and bond financing totaling US\$596 million to reach the optimal debt structure for the project. The project financing structure is based on availability payments made by the public sector over a long-term concession. This transaction was awarded the Silver Award for Project Financing from the Canadian Council for Public Private Partnerships in 2008.

#### Quebec Autoroute 30 PPP (A30)

Mandated Lead Arranger and hedge provider for the C\$1.3 billion A30 transaction. The project involves the completion of 42km of Canada's A30 highway, located to the southwest of Montreal. The Sponsors, Nouvelle Autoroute 30, a joint venture of Acciona and ACS Group, will design, build, finance, operate and maintain the road under a concession contract for 35 years. The project is being structured as a hybrid involving availability payments as well as toll collections. This highly publicized transaction was awarded the following honors:

- North American PPP Deal of the Year, Project Finance Magazine, 2008
- Gold Award for Project Financing, Canadian Council for Public Private Partnerships, 2008

#### Indiana Toll Road

Mandated Lead Arranger of the senior debt for the Indiana Toll Road acquisition. With a total value of US\$4.1 billion, this project was the largest PPP in North America to close to date and one of the largest in the world. The 75-year concession gives a private consortium the right to lease, operate, maintain, and implement an electronic tolling system on the toll road. The transaction allowed the Indiana Finance Authority to reduce outstanding debt and invest in new infrastructure. The transaction closed with a consortium of seven lead banks providing the initial financing followed by broad syndication of the deal. This globally significant transaction was awarded the following:

- North American Transport and Overall Deal of the year, Project Finance Magazine, 2006
- Most Innovative Non-Traditional Public Finance Transaction, The Bond Buyer, 2006

#### Chicago Skyway

Mandated Lead Arranger of the senior debt for the Chicago Skyway. The City of Chicago leased the Chicago Skyway to a private consortium under a 99 year concession. The private consortium now manages, operates, maintains, and collects tolls on the 45-year old toll road. This project marked the first privatization of a major toll road facility in the US. The City of Chicago raised US\$1.83 billion in the granting of the concession. This transaction, which represented one of the first major privatizations in the United States was awarded the North American Project Bond Deal of the Year by Project Finance Magazine in 2005.

#### South Bay Expressway (SR 125)

Mandated Lead Arranger of the senior debt for the South Bay Expressway (SR 125). The project involves a four lane 14km toll road linking State Route 905, adjacent to the US-Mexico border, to State Route 54 in Bonita, California. A private consortium acquired the concession to design, build, finance and operate the South Bay Expressway from the San Diego Expressway Limited Partnership, a public authority which had been awarded the project by the California Department of Transportation. Total financing of US\$650 million was provided by senior bank debt, federal funding from the USDOT under the TIFIA program, and private equity. The TIFIA loan was the first ever provided to a private toll road development. The SR 125 deal was awarded the North American Transport Deal of the Year by Project Finance Magazine in 2003.

### Autovía Necaxa Tihuatlán

Mandated Lead Arranger for the MXN 6.1 billion senior secured debt for the Autovía Necaxa Tihuatlán highway project connecting Mexico City with the northern region of the Gulf of Mexico. The 30-year concession gives the consortium formed by ICA and FCC the right to upgrade, build, maintain and operate an 84.8 km span of four-lane road. This is the first concession in Mexico that combines real tolls and availability payments.

### Richmond-Airport-Vancouver (RAV) Rapid Transit

Participant in the Richmond-Airport-Vancouver (“RAV”) project which is a 19 km rapid transit line operated by the South Coast British Columbia Transportation Authority (Translink). The RAV line is a new-build, availability-based project being developed by SNC-Lavalin involving a 35 year concession in which the consortium will operate and maintain the line and its facilities. Total debt in the financing package included US\$528 million. This transaction was awarded the following honors:

- Infrastructure Deal of the Year Americas, Project Finance International, 2005
- North American Transport Deal of the Year, Project Finance Magazine, 2005

### North Eastern Freight Rail Routes

Co-Arranger of the US\$111 million senior credit facility for Kansas City Southern de Mexico. The transportation company owns the concession to operate the North Eastern freight rail routes in Mexico, including the important links between the US border in Laredo, Texas and Mexico City and the ports of Lázaro Cárdenas in the Pacific Ocean and Veracruz in the Gulf of Mexico.

## ***X. Conditions Precedent***

*A brief description of those items or impediments to the project's successful implementation that should be removed or dealt with prior to the initiation of the procurement process.*

It is important for a project of this size and complexity to discover any potential impediments prior to the beginning of procurement in order to allow for an efficient and cost effective process which creates the greatest amount of interest and competition amongst private parties. Items which members of the GIF team view as potential difficulties largely relate to the tendering process and contractual stipulations.

Initially, the development of an efficient procurement process, with all elements of the Project being timed appropriately, can provide confidence to potential bidders that the delay of one element will not prevent the completion of the other three. Considering the projected complexities associated with multiple, cross-border authorities and other project details, the importance of this can not be over emphasized.

Other significant issues include clarity of legal matters, selection and grouping of project elements, selection of an appropriate payment mechanism, comfort with appropriations risk should any public moneys be utilized, whether in the form of availability payments, milestone payments or public grants, as well as matters relating to developer, operator and lender rights.

Should an availability payment mechanism be utilized or public funding be provided, it is important that the appropriation process be clear. It should be noted that generally, appropriation risk is a key point of concern for lenders. Clarity regarding the source of funds as well as the certainty of payment by the relevant authority can be used to reduce the concerns of lenders and a clear and well thought process can result in lower costs of financing. These savings are passed on to the public sector through lower bids and ultimately, lower availability payments, should this option be chosen. Certain elements of the concession agreement can also be used to

mitigate these concerns such as the inclusion of a lack of appropriation as an authority Event of Default as well as a clear outline of potential repercussions available to the private partner or the lenders should moneys not be paid as anticipated.

However, if a demand based payment mechanism is utilized instead of an availability payment, an item which may require clarification relates to competition with the Ambassador Bridge. Bidding consortia along with senior lenders will need to be comfortable with the prospect of the twinning of the existing span as well as anticipated sharing of traffic volumes between the two facilities. It is also assumed that all legal matters with the Ambassador Bridge's current owner will be resolved before the beginning of the formal procurement process.



# DETROIT RIVER International Crossing

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Response to the Request for Proposal of Interest for the Development of  
the Detroit River International Crossing Project

17 March 2010



**SNC • LAVALIN**



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# 1.0 Contact Information

SNC-Lavalin Inc.'s (SNC-Lavalin) response to this Request for Proposal of Interest (RFPOI) for the development of the Detroit International River Crossing Project (DRIC) under one or more Public-Private Partnerships (P3), aims to provide Michigan Department of Transportation (MDOT) and Transportation Canada (TC) a balanced view of the issues and options from a developer's perspective.

We have drawn upon our broad experience having participated in over twenty P3 project procurement processes in North America, over the past eight years covering a broad range of project types, primarily transportation based, but also including social and other infrastructure projects.

SNC-Lavalin's submission is supplemented from the input of our integrated Engineering, Procurement, Construction (EPC) Lead and its U.S. and Canadian Joint Venture team members, who have committed to our team for the pursuit phase of DRIC. Our team members fully understand DRIC is subject to change and might be procured either as one or more P3 projects. Therefore, our teaming remains flexible should it be decided not to pursue a single P3 delivery model.

The prime members of our team comprise:

- ▶ SNC-Lavalin – Overall Concessionaire, EPC Lead and operations and maintenance (O&M) developer

EPC Lead Joint Venture (JV) team members:

- ▶ American Bridge – JV partner for the Detroit River Bridge
- ▶ Barton Malow – JV partner for the U.S. Plaza
- ▶ Granite Construction – JV partner for the I-75 interchange

- ▶ EllisDon – JV partner for the Canadian Plaza
- Description of our prime members and their experience is presented in Section 9.0: Respondent's Experience, of this submission. We have structured and organized our response to follow the list of topics identified in the RFPOI document.

## Principal Contact

SNC-Lavalin has nominated Mr. André Dufour, Senior Vice-President for SNC-Lavalin Capital a division of SNC-Lavalin Inc., as our contact individual.

Mr. Dufour has lead numerous P3 projects for SNC-Lavalin and has over 25 years of Canadian and international experience in management, finance and investment. Recent experience includes leading Concession Agreement negotiations and EPC contracts for the William R. Bennett Bridge. In his role as senior vice-president, he also oversaw the execution of the Canada Line Rapid Transit P3 Project, a C\$1.9 billion light rail system in Vancouver, Canada.

Name: André Dufour, Senior Vice-President  
SNC-Lavalin Capital

Tel: (514) 393 – 8000 extension 7522

Email: [andre.dufour@snclavalin.com](mailto:andre.dufour@snclavalin.com)

## 2.0 Company Information

SNC-Lavalin, Canada's largest and one of the world's top ten ranked engineering and construction firms has assembled a team of professionals, who are leaders in design and construction, and world renowned for their successful project management and project delivery. With its extensive international network of offices in 34 countries and projects in 100 countries, SNC-Lavalin truly brings an international perspective and expertise in successfully delivering large complex projects for a broad range of clients.

With all level of governments and public entities increasingly adopting the P3 procurement method of project delivery, SNC-Lavalin has become a very active player in concession and Design, Build, Finance and Operate (DBFO) projects, consistently proving its ability to deliver value and implement full-service solutions in this procurement mode. SNC-Lavalin has made investments in infrastructure concessions in various sectors including toll roads, bridges, mass transit, airports, and energy. Over the last 10 years, SNC-Lavalin has invested or committed to invest over C\$1 billion in equity in various projects.

SNC-Lavalin organizes its operations under the SNC-Lavalin Group of companies. Within this umbrella it has specialist business streams that focus on the four core elements of the P3 delivery model. These being:

▶ **Concessionaire** - SNC-Lavalin Capital: SNC-Lavalin Capital, a division of SNC-Lavalin Inc., arranges equity investments and structures financing solutions including project financing, for all SNC-Lavalin business units in and outside Canada, as well as for third parties. We bring together one of Canada's most

experienced modeling, project assessment and financing teams that has structured more than C\$6.9 billion in financing worldwide.

- ▶ **Design** - SNC-Lavalin Inc. (SNC-Lavalin): the company is internationally recognized as one of the world's foremost project managers, combining quality and safety with efficiency and effectiveness. SNC-Lavalin has close to 100 years of experience in designing and managing projects of every size and complexity. SNC-Lavalin's portfolio demonstrates an ability to successfully finance, design, build, operate and maintain large, integrated projects using innovative and sustainable technologies.
- ▶ **Construction** - SNC-Lavalin Constructors Pacific Inc. (SLCP): SLCP is one of the design-build arms of SNC-Lavalin, offering strategic solutions for the planning, design, construction, operation, testing and commissioning of highways, bridges, as well as other transportation facilities.
- ▶ **Operations** - SNC-Lavalin O&M Inc. (SNCLOM): SNCLOM is the operations management division of SNC-Lavalin Inc. With extensive experience with operation and maintenance of highway and bridge projects, including, toll systems, lighting, drainage, traffic management, CCTV systems, etc.



## Project Structure and Joint Venture Partners

For a project of this scale and complexity, SNC-Lavalin, EPC Lead, has established strategic joint venture partner relationships that are specific to the unique elements of DRIC. In particular the joint venture partners have been selected based on their relevant experience, capacity to perform work successfully and established synergies with SNC-Lavalin. Our multi-faceted team is prepared to provide the MDOT and TC the most effective solution, with special attention to value, security, environment, safety and overall quality. In addition to our JV Partners described below, we will supplement our team with top design firms who have direct experience related to the key project elements.

### American Bridge Company



American Bridge Company is an integrated engineering, manufacturing and construction company and a leader in technical capability, innovation and profitability. Specializing in technically and logistically complex projects, American Bridge develops unique and innovative engineering methods for erecting complex structures, such as cable-supported and movable structures, as well as for the repair and maintenance of all types of bridges. With over 100 years of experience, American Bridge continues to maintain a solid reputation of bridge engineering and innovative excellence.

### Barton Malow Company



Barton Malow Company provides construction management, facility management and design-build services nationwide. The ISO (quality) certified company has LEED™ Accredited Professionals on staff and is an industry Building Information Modeling (BIM) leader. Niche market specialties include facilities, healthcare, educational, federal, industrial, sports and special event. Located in Michigan, Barton Malow has a strong understanding of the local environment and requirements for this project.

### Granite Construction Company



Granite Construction Company is one of the nation's largest heavy civil contractors and construction materials producers. They are best known for transportation infrastructure projects including highways, hydroelectric dams, navigation locks, tunnels, bridges, mass transit facilities, pumping plants and airports. Over the past 88 years, Granite has earned a reputation as the preeminent builder of quality projects in a timely manner. A pioneer in alternate delivery and design-build methods construction, Granite is best known for its successful delivery of high-quality projects to the Owner's satisfaction.

### EllisDon



EllisDon is one of the largest Canadian building and civil contractors, delivering construction expertise and services to clients throughout the world. EllisDon provides services in design-build, Public-Private Partnerships, Construction Management and Project Management and are a part of the Canadian Council for Public-Private Partnerships.

## 3.0 Letter of Interest

Dear Mr. Alghurabi:

**Subject: Request for Proposal of Interest for the Development of the Detroit River International Crossing Project under one or more Public-Private Partnerships**

SNC-Lavalin Inc. is pleased to submit its response for the Detroit River International Crossing Project's Request for Proposal of Interest.

SNC-Lavalin Inc. is Canada's largest engineering and construction company and specializes in P3 and DBFO type projects across a broad range of infrastructure sectors and particularly in transportation.

We are pleased to contribute to setting up the fundamentals for this project and express our interest in participating to the DRIC at all levels: equity, financing, design, construction, operations and maintenance. The views expressed herein reflect our integrated approach to deliver P3 project solutions.

Operating in a large number of countries, we also support multi-national contributions and are sensitive to local considerations. Strong consideration must be given to safety, efficiency and the flow of traffic to ensure that this crossing alternative is as economical, proficient, and expedient a border crossing and reflects the spirit and integrity that goes hand in hand with this important trade friendly border.

We understand DRIC shall be governed by one or two joint levels of authority to assure a seamless execution and assurance of its full orderly completion. The business model should be driven from similar successful experiences such as the projects outlined in Section 9.0 where SNC-Lavalin has been involved as developer.

We provide a value added procurement solution with a unique way to delivery of a comprehensive project where value enhancement is provided through a whole life cycle and asset management approach for the ultimate best overall value for money for the sponsors.

As an active integrated player in the P3 field, we trust our views will help you tailor a framework adapted to the context of this project and to the current tight capital market.

If you require additional information or clarification, please do not hesitate to contact the undersigned. We look forward to hear from you and to work with the Michigan Department of Transportation and Transport Canada on this landmark project.

Sincerely,



André Dufour  
Senior Vice-President, SNC-Lavalin Capital

## 4.0 Scope

SNC-Lavalin has reviewed the environmental reports including the supporting engineering documents, and have an understanding of DRIC's overall scope of work and in particular the four prime components, being: I-75 interchange, U.S. Plaza, Detroit River Bridge and Canadian Plaza.

We further understand DRIC's environmental permitting status in that the National Environmental Policy Act (NEPA), Canadian Environmental Assessment Agency (CEAA) and the Office of Educational Assessment and Accountability (OEAA) processes are complete, subject to stated conditional requirements being fulfilled.

While the Public Authority<sup>1</sup> mandate has yet to be finalized, we recognize the intent of both Governments to enter into the necessary treaties and supporting agreements to establish a single Authority which will have the appropriate governance pattern and legal framework to give the project legitimacy and ensure matters of project funding, permitting and other relevant project scope issues are equitably addressed.

From a developer's view point, the scope of such treaties should ensure an equitable and fair procurement process to be carried out within a predetermined and reasonable schedule. The treaties should consider all direct and indirect project concerns that may delay the project's execution, if not addressed in a timely fashion. For instance, particular focus should be given to the applicable legal environment; solutions regarding conflict of laws' issues and any matters involving any third party authority, whether public or private, require due consideration.

<sup>1</sup> The term Public Authority has been adopted to refer to the overall client organization and its partners that will ultimately oversee DRIC and will enter into a Project Agreement with the P3 Preferred Proponent.

For example, clear determination of the powers and jurisdiction of any authority involved in DRIC, including processes to approve code or regulatory requirements equivalencies should be provided to the proponents during the bidding stage.

From a developer's perspective, we believe there are two viable project packaging strategies:

- ▶ Single project approach including all four elements; or
- ▶ Dual project approach where the main project will comprise the bridge and two plazas as one P3 project, with the I-75 interchange element of the work delivered under a separate delivery model

If the intent is to operate I-75 interchange as a P3 then it should be integrated with other project elements under a single P3 project delivery. However, if there are other issues specific to the I-75 interchange, then there may be good reason to build it via a separate procurement model or consider hybrid versions under a P3 that disengage the operations and maintenance phase. For instance, the Interconnection could be subject to a distinct substantial completion payment and operation and maintenance could optionally be part of the scope or maintained within the Public Authority/MDOT's hands. The substantial completion payment could be paid for by distinct U.S. incentive programs, thereby keeping the financing cost fair and low for both countries, due to the de-risking of the project for this portion.

The I-75 interchange could be procured under a separate project agreement or by a design-build procurement method, but this would involve greater co-ordination and resources for the Public Authority.

To ensure seamless operations between both projects (if procured separately), the interests of the plazas and bridge project and the I-75 interchange project must remain as aligned as possible. Such an objective could be attained by:

- ▶ Structuring similar procurement and construction schedule
- ▶ Developing consequent incentives and penalties regimes

Under this scenario, a well-defined interface agreement with the Federal Highway Department will be necessary to deal with consequences arising from construction and operation of the I-75 interchange. This will include a clear mechanism for penalties, relief, compensation in money and time for delays in completion of works and unavailability during operation; and changes in law and termination regime for public sector or private partner default with compensation for loss of revenues, loss of equity return and impossibility to meet debt service requirements.

We do not support splitting the project in to a U.S. component and a Canadian component because the bridge element always straddles both countries and the resulting operations model would not be logical. To achieve consistency from an operations and maintenance perspective we firmly believe the bridge and two plazas must be contained within one P3 project delivery. Benefits stemming from an all encompassing single project approach are as follows:

- i. Simplified project administration** with the Public Authority focused on single project delivery, engaged in one procurement process and dealing with one set of legal and interface agreements.
- ii. Greater control of project schedule.** From the developer's perspective control

of the entire project affords greater control to manage and ensure its timely delivery. Issues of access during construction can be better managed if under the authority of one developer. This significantly reduces risk for the Public Authority. We recognize the construction interface between the U.S. Plaza and Interchange is simpler than that of the Interchange and the I-75. However, being in control of the entire project from end-to-end affords greater certainty to both the developer and its lenders. From Public Authority's perspective it would firmly establish responsibility for entire project delivery with one entity.

**iii. Greater control of project scope and project cost.**

The competitive bidding process will deliver the best value for money solutions to the Public Authority if bid as a single project, where the winning proponent is responsible to deliver the defined scope at the bid price. There are fewer interfaces and little room between contracts to seek additional scope changes, whereas numerous separate contracts would expose the Public Authority to greater potential for claims between contracted parties as a result of their mutual dependence upon each others performance.

**iv. Streamlined maintenance and operations.**

Responsibility to provide entire project availability from I-75 interchange to the Windsor Essex Parkway will be the responsibility of one entity.

**v. Greater economies of scale.**

A larger all encompassing project affords economies of scale throughout all elements of the project affecting financing, project management, execution and operations and maintenance.



**vi. Improved economy and life cycle costing through standardization.**

Potentially a larger number of design standards could be standardized for improved economy and life cycle costing.

**vii. More efficient integrated tolling system for U.S. and Canadian sides of the crossing will simplify and streamline operations costs.**

Objection to an all-in-one project delivery model might be presented based upon project scale and the high levels of credit and bonding associated with a project of this scale. However, appropriate structuring of the project team and JV construction partners can limit their exposure to within acceptable limits. Thus, competitiveness of the bidding process should not be affected by project scale, as there are sufficient large scale international and North American based companies with the necessary resources to bid this project in collaboration with their selected partners.

**Design and Construction of Specific Scope Elements**

To provide the best value for the Public Authority, SNC-Lavalin is advising to carefully review the risk profile of specific scope elements, and determine whether these are better undertaken by the proponent or the Public Authority. More importantly, the bidders should not be asked to price elements that are unclearly defined, or exposes them to major schedule or scope risk outside of their control. The Public Authority has a number of mechanisms at its disposal to deal with these issues. For example:

- ▶ The Public Authority should undertake all work for which it has legislative authority beyond that of the proponent, such as purchase of land, payment of business relocation etc.

- ▶ Where long lead items might induce unreasonable schedule risk to the detriment of the rest of the project, the Public Authority should consider early advanced work to alleviate the condition prior to project award. Examples might include contaminated site mitigation or investigation of archaeological sites.
- ▶ Where extent of scope definition can not be limited through the RFP phase, strategies are needed to provide more definitive information or to remove that element from the bidding process. The particular element can be added later at the preferred proponent project negotiation stage where full disclosure is possible or the work can be undertaken by the Public Authority under separate contract. A typical example might include extent of renovation to a heritage building, where exhaustive investigation might be needed, or the purchase of furniture or technical equipment if quantities and specifications can not be adequately prescribed.
- ▶ Where scope increases might be induced by stakeholder agencies seeking to maximize contributions from the project, strategies can be adopted to place budget responsibility upon the agency. For example, establishing a Municipal Improvement Fund to be administered by the head municipality can be employed to limit scope creep with respect to street improvement measures. This strategy was successfully implemented on the Canada Line Rapid Transit Project in Vancouver, Canada. Alternatively, an approach of providing very prescriptive project scope and performance definitions can be followed to give certainty to the bidding parties.





## Schedule

Developers will be seeking expedited approval processes for DRIC, which support partial and staged permitting strategies. Staged permits will enable design builders to start construction concurrent to design completion, which in turn will reduce schedule duration and project cost. Prompt turn around and processing of design submissions will be expected of the Public Authority and participating agencies, and resources committed to perform these reviews should be agreed to beforehand.

On some P3 projects the Public Authority has provided funding to participating agencies in return for dedicated resources and cooperation to adopt expedite approval systems.

# 5.0 Business Model

According to the RFPOI, the new international crossing is envisioned as a tolled facility. If a tolling mechanism is in fact utilized, this presents a number of options for reimbursement of the private partner.

## Real Tolls

The first option would permit the concessionaire to collect the real toll revenues in exchange for the operation and maintenance of the relevant facilities. This real toll remuneration method is the most common, currently utilized structure for demand based transportation P3s in North America and globally. This method would benefit the public due to the private partner’s motivation to market and maintain the facility in order to encourage use by traveling motorists or freight haulers as well as avoid any penalty regimes included in the concession agreement for poor operation and maintenance. The Public Authority would benefit from such an arrangement due to the elimination of the fiscal obligation to pay an availability payment over the course of the concession. This method also provides for the maximum level of revenue upside/downside to the private partner. There are numerous examples of operating projects which have used this payment mechanism, and there are many more currently under construction. These include, inter alia:

North America	Australia	Europe
407 ETR (Canada)	CityLink	Ausol I (Spain)
Pocahontas 895	WestLink M7	Ausol II (Spain)
Chicago Skyway	Hills M2	Radial 4 (Spain)
Indiana Toll Road	Eastern	M3 (Ireland)
SR 125	Distributor	N4-N6 (Ireland)
Capital Beltway	M4 Motorway	Euroscut Algarve
North Tarrant	M5 Motorway	(Portugal)
SH 130		Ionian Roads
I-95/395		(Greece)
I-635 (LBJ)		

## Availability Payment

The second business model option involves the use of an availability payment. This payment structure presents benefits to the public and the public sector. With regards to the public benefits, the private partner is highly motivated to maintain the facility at a predetermined safety, reliability and performance level due to the availability payment structure which is reliant upon the adherence to predetermined standards outlined in the concession agreement. If the private partner does not perform the needed maintenance then the Public Authority may make deductions from the availability payment. Such a deterrent can be compared to a real toll facility where users would seek alternative routes thereby reducing revenue if the facility is not adequately maintained. The public sector also benefits from this structure since it retains all rights to future toll revenues. Additionally, by retaining the right to toll revenues, the public sector maintains maximum future flexibility in setting the toll regime.

The availability payment model will provide for a tighter standard deviation of private sector returns through the payment of a predetermined periodic availability payment. Facilities of this type have been common in Canada, although there are a few projects in the U.S. currently under development. Examples include the following:

Completed Projects	Projects in Process
Golden Ears Bridge (Canada)	NW Henday (Canada)
Sea-to-Sky Highway (Canada)	Windsor Essex Parkway (Canada)
Kicking Horse Canyon (Canada)	South Fraser Perimeter Road (Canada)
Calgary Ring Road (Canada)	I-595 Improvements (U.S.)
	Port of Miami Tunnel (U.S.)



## Hybrid

The third business model option would entail the use of both a real toll as well as an availability payment. This “hybrid” method allows a certain portion of concessionaire remuneration to be linked to demand while the remainder is based on the achievement of predetermined levels of operations and maintenance (i.e. an availability payment). This method benefits the public in the sense that the private partner is motivated by both the requirements to maintain the facility based upon contractual obligations as well as the desire to keep the facility attractive to the greatest number of drivers. Examples of this facility type include the A30 and the A25, both of which are under development in Quebec, Canada.

As a subset to this hybrid model, the Public Authority may also incorporate a shadow tolling feature in which the private partner does not retain the right to the real tolls, but is instead compensated by the relevant authority based upon the user volume of the facility. This method incorporates an element of demand risk, however, reduces the risk of failure to collect tolls and allows the Public Authority greater flexibility and rights to toll revenues and the toll regime. Such a concession model may also allow the Public Authority to use an availability payment for a portion of the remuneration, much like the hybrid model above. Many examples of this facility type have been developed in Europe.

## Discussion

As briefly provided above, all payment mechanisms provide benefits to both the project and the public. In all cases, the private partner is motivated to maintain the facility in order to receive the maximum payment, whether it is in the form of user tolls, availability payments, or a mix

of both. There are however, other considerations regarding payment method that will need to be reviewed by the procuring Authorities.

For instance, certain payment mechanisms will be interpreted in different ways by various parties to the transaction. From the perspective of a lender, credit risk is decreased if remuneration to the private partner comes in the form of an availability payment. There are many reasons for this; however, the most significant is the reduction in demand risk. Lower than projected traffic has plagued many user toll-based P3s around the U.S., and as a result, senior lenders are more restrictive in providing credit to demand based facilities. This issue is particularly relevant for the proposed project considering the current economic climate. The Detroit/Windsor region has been heavily affected by the current recession, and given that a large amount of the trade (approximately 60 to 63 percent) between the U.S. and Canada is related to transportation products, the possibility for less than robust traffic patterns over the coming years is a significant concern. Additional risk associated with a demand based payment mechanism relates to sharing potential users with competing facilities such as the Ambassador Bridge. This competition may further strain demand assumptions especially if traffic patterns continue to falter for economic and other reasons.

This is not to say that a user toll facility will not be financeable, however, it will require a great deal of traffic and trade volume due diligence, as well as comfort with the proposed toll setting mechanism.

The term of agreement is largely a factor of the private party’s payment mechanism. If the private partner is repaid through an availability payment, the term may be in the 30 to 35 year range.

## 6.0 Term of Agreement

Typically, terms for P3-type project agreements in Canada have ranged from 30 to 35 years, with the operating and maintenance period being 25 or more years depending upon the front end design and construction term. Currently, such a period is well accepted by both the capital markets and bank community, and acknowledges the concession term needs to be long enough for the private partner to undergo a full lifecycle of construction, operations, maintenance and rehabilitation of an infrastructure.

Under an availability-type (or limited traffic-type) framework, a timeframe of 30 years is usually long enough a period to enable the concessionaire to attain a target equity rate of return while keeping the equity component of the availability payment attractive to the grantor.

However, if a demand based payment stream is utilized, the term of the agreement will likely need to be longer and fall within the 50 to 75 year range. This longer concession term is a factor of the potential volatility in toll revenues. Such a longer term provides comfort to lenders allowing for additional time to repay debt and added time for the private partner to achieve desired levels of return should initial traffic levels be lower than anticipated. The ranges may be adapted, especially if a hybrid structure is selected, or other repayment mechanisms are incorporated such as construction milestone payments or significant public sector grants, therefore reducing the amount of private financing required.

SNC-Lavalin is currently a concessionaire under 30 to 99-year agreements, the 99-year term being an exception, as it is a 100 percent tolling revenue dependent infrastructure, which would be a challenge to finance in the current lending markets.

Based on the suggested business model approach, SNC-Lavalin would suggest a term of at least 35 years, assuming four years of construction and just over 30 years of operations.

# 7.0 Other Revenue

Other revenue streams can be a key source of income for the owner and operator. The challenge in P3 projects is how best to structure these to have a positive impact upon the financial model or on the project as a whole. If included in the financial model, lenders will be sensitive to the risk profile and will be seeking assurance the anticipated income projections are both realistic and sustainable over the term of the concession.

It is in the Public Authority's best interest to incentivize the developer to maximize these revenue streams, for DRIC's overall benefit.

If excluded from the financial model, the Public Authority may want to consider alternate strategies that include joint profit sharing with the developer.

A range of alternate revenue options that may be considered include:

1. Technology based services
  - Low power linear FM radio transmission with information for travelers interspaced with advertising information
  - WiFi transmission
  - Web site advertising
  - Variable message signage advertising
  - CCTV feeds to media outlets
2. Retail and food functions at the plazas
  - Fuel for commercial trucking and retail refueling
  - Duty free as identified
  - Restaurants/food services
3. Other
  - Static Advertising
  - Rental properties for customs brokers and storage

The extent to which advertising might be used in and around the customs plaza would need to be carefully evaluated to verify that sign locations will not be considered a distraction and safety risk.

## 8.0 Financing

### Funding Split

At this early stage, SNC-Lavalin can only make assumptions on the details of DRIC's optimal structure, but it will certainly be funded through both equity and debt. Since the onset of the financial crisis, lenders have often required Equity Providers to inject a higher proportion of equity than in past project financing or P3 transactions. Provided that the special purpose vehicle (SPV) will be remunerated through availability-type payments, a highly leveraged capital structure with a debt-to-equity (D/E) ratio of approximately 85/15 to 90/10 can be achieved. This would provide the lowest cost of capital to DRIC and, therefore, the best value for money for the project.

On traffic-type revenue model project gearing could be as follows:

- ▶ Up to 10 percent traffic risk: 85:15 to 90:10
- ▶ Up to 10 to 20 percent traffic risk: 80:20

If a full toll payment mechanism is utilized for the project or a portion thereof, a considerably larger amount of equity will be required. A D/E range of roughly 60:40 to 75:25 will likely be required to gain comfort from lenders. This D/E range may only consider the ratio of sponsor equity to senior lending provided by the bank or capital markets. This ratio does not necessarily incorporate other forms of subordinated debt such as the Transportation Infrastructure Finance and Innovation Act (TIFIA).

SNC-Lavalin and its financial advisors will be committed to finding an innovative financing solution through a competitive price analysis process. The final level of equity required for the SPV will be the result of several factors:

- ▶ The ability to reduce stranded risks at the SPV

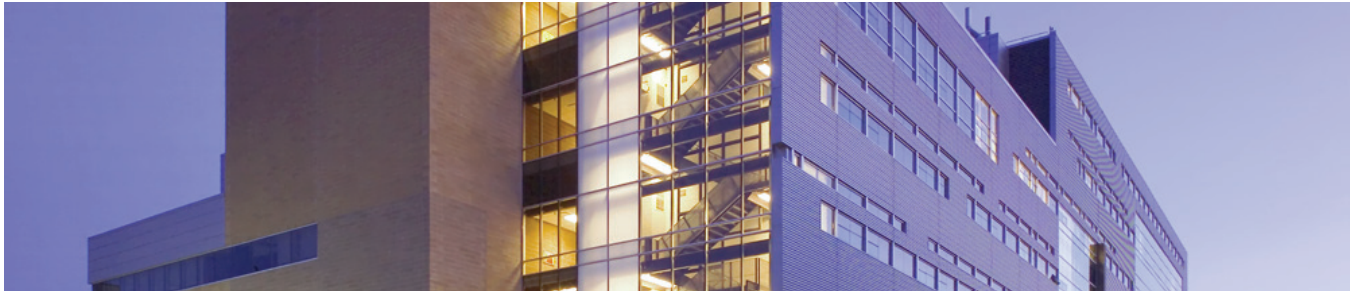
level and pass down most risks to the Design-Build JV and Facilities Management (FM) provider

- ▶ The robustness of the final financial model to stress tests such as higher-than-expected interest rates, inflation rates, and EPC, O&M and/or lifecycle costs. Although subcontracts will be in the form of fixed-price, date-certain contracts, lenders look at such scenarios to test the bankability of the financial plan
- ▶ The financial strength of the Design-Build JV members
- ▶ Risk mitigation packages provided by the Design-Build JV, including performance bonding, liquidated damages, letters of credit (LCs) or parental guarantees
- ▶ The level of substantial completion payments
- ▶ Risk allocation under the Project Agreement (PA) including the termination regime

### Type of Debt Facilities and Main Assumptions

In order to reach the lowest funding cost at financial close and in view of optimizing leverage, eliminating finance risk, evaluating market and project conditions, and analyzing interest rate volatility and debt alternatives such as the one described below, lenders will perform thorough due diligence.

**Senior bank debt facility with a club deal approach:** A club deal with fully committed financing removes or substantially transfers syndication risk. Lenders now take an average C\$75 million ticket but larger tickets (C\$125 to C\$150 million) are being seen.



Lenders offer:

- ▶ “Hard” mini-perms with short-term refinancing obligations of about seven years
- ▶ “Soft” mini-perms, with strong incentives for the concessionaire to refinance after seven to nine years of operations through aggressive interest rate increases, reflecting the cost of liquidity faced by the banks

However, market conditions have improved. We now see some lenders willing to lend with longer terms and with less severe contractual refinancing agreements.

**Senior bank debt facility – underwriting:**

While some lenders are willing to underwrite, they will require a premium on the financing in the form of a market flex to cover for syndication risk.

**Capital markets:** Bond financing can be widely distributed (public bonds) or sold to a few institutional investors (private placement). In both cases, a rating from a rating agency (Moody’s, Standard and Poors’) is required. With capital markets recovering and institutional investors returning, bond capacity has increased and pricing improved. The bidders and their financial advisors should monitor the bond solution to determine its attractiveness relative to senior bank debt. Bond financing is characterized by negative carry, which increases the overall project cost. Negative carry can be mitigated by delayed draws on the bonds if only a premium is not required by delayed draws.

**Hybrid solution:** When debt exceeds approximately C\$500 million to C\$1 billion, it is common to use a hybrid solution consisting of a combination of bank and bond financing. If part of the project cost is repaid by a substantial

completion payment, short-term bank debt is usually more competitive, while the remainder of the project cost will be financed by a bond, long-term bank debt or a combination of both.

**Bridge-to-Bond Financing:** Bridge financing during construction with a hedge, followed by bond refinancing after construction is also a possibility, given that few banks are willing to lend long-term. An interest-rate hedging solution could involve interest rate swaps (in the case of bank financing), or bond forwards, bond puts or options (in the case of a capital market solution). However, under this solution, the credit spread of the bond financing will remain un-hedged.

**The solution selected** will seek the lowest possible cost of funding for the anticipated project value after interest during construction and other costs. A variety of sources may be applicable within the capital markets including taxable and tax-exempt debt. We suggest any private partner concurrently track a capital markets solution with a bank financing solution so that the lowest cost of funds is obtained and the best value for money is provided to the Public Authority. Certain characteristics of DRIC will determine the appetite of the capital markets such as concession structure, payment mechanism, and the reputation of private sector participants. For example, in both the U.S. and Canadian markets, the capital markets may be able to provide financing for the entire concession term should an availability payment mechanism be utilized, thereby reducing any refinancing risk. However, obtaining this long term financing may be difficult should a demand element be incorporated into the payment stream. Also, the bidders should consider having debt facilities in both U.S. and Canadian currencies, in the case of a dual currency payment stream, one in U.S. dollars and one in Canadian dollars.

**Any innovative financing tools:** Another key driver of the financing structure is the extent of the completion payment which will reduce the need for a long term committed financing and reduces the risk from a lenders perspective. It should be noted that such completion payments could be achieved by the governments' assistance program and with special features of DRIC could be put forward such as the improved safety measures for passenger and freight traffic.

Government incentive could turn some financial instruments more attractive on one side of the border but may also limit the number of institutions which could be involved in the financing.

### **Transportation Infrastructure Finance Innovation Act (TIFIA)**

The Transportation Infrastructure Finance and Innovation Act of 1998 established a federal credit program under which the U.S. Department of Transportation (USDOT) may provide credit assistance to major transportation investments of critical or national significance. TIFIA credit assistance provides a low cost, long tenor, subordinate source of financing. The use of such TIFIA financing has become commonplace over the last two years due to bank market constraints, with many of the largest projects to reach financial close in the U.S. depending on the credit assistance for a large portion of their financing packages. It is feasible that the North Tarrant Express, Port of Miami Tunnel, I-595 and Capital Beltway projects would not have reached financial close had this funding mechanism not been available. It is likely that DRIC will qualify for TIFIA financing due to its nationally and regionally significant nature.

Actual TIFIA loan terms are subject to negotiations with the USDOT on a project-

by-project basis. SNC-Lavalin's intended financial advisor, Scotia Capital's GIF team, have first-hand knowledge of TIFIA credit facilities with extensive experience in negotiating and securing TIFIA loans.

Details regarding the split between U.S. and Canadian project costs for the bridge will need to be determined to establish the relevant project costs applicable to TIFIA funding, but it is highly likely that this credit assistance program will play a major role in any financing.

### **Private Activity Bonds (PABs):**

The U.S. SAFETEA-LU federal transportation funding reauthorization bill provided authorization for up to US\$15 billion of tax-exempt Private Activity Bonds (PBA) to finance qualified surface transportation facilities. These debt instruments present a potential financing solution to any private partner selected to develop DRIC. PABs have been used twice on transportation projects in the U.S. (the Capital Beltway HOT Lanes Project and the North Tarrant Express), and are contemplated for several more projects going forward. Although subject to the US\$15 billion volume cap under the Safe Accountable Flexible Efficient Transportation Equity Act (SAFETEA-LU) legislation, it is not anticipated that funding will be constrained by the time DRIC applies for any allocation. Also of note, PABs, are not subjected to the Alternative Minimum Tax if issued by the end of 2010, as a result of the American Recovery and Reinvestment Act (ARRA), further reducing the cost of debt. SNC-Lavalin's intended financial advisors have extensive experience with these facilities through their role as financial advisor to the Capital Beltway transaction in Virginia.

Risk mitigation could also be improved by the use of Swaps:





- ▶ Interest rate swaps (floating to fixed from Financial Close and for the entire concession term): for terms up to 35 years
- ▶ Inflation swap if consumer price index (CPI) component of the payment or tolls is sufficiently large to justify the cost of structuring and the appetite of the market
- ▶ Currency swaps, could consider having debt facilities drawn both in U.S. and Canadian currencies in the case of a dual currency payment stream, one in U.S. dollars, one in Canadian dollars. Alternatively, there could be one single stream of payment in one currency, with a currency swap entered between U.S. and Canadian, i.e. outside the scope of the private partner's financing

## 9.0 Respondent's Experience

SNC-Lavalin works in partnership with governments worldwide to develop public-private solutions for transportation and infrastructure projects, and has been successfully adapting to the emerging P3 project delivery format. The following selected projects are examples of P3 projects in which SNC-Lavalin has been involved:

### SNC-Lavalin Featured Projects

#### 407 ETR Project, Toronto, Canada



SNC-Lavalin and two other partners entered into the largest privatization in Canadian history in May 1999. A successful bid was awarded for a 99-year lease to own, operate, design, build and finance an existing portion of the 407 electronic toll road in Greater Toronto, and to design, build, own and operate the east and westward extensions of the world's first fully electronic, open-access toll highway. SNC-Lavalin's role was 16.8% equity investor.

#### Canada Line Rapid Transit Project, Vancouver to Richmond, Canada

The Canada Line Rapid Transit Project was procured as a C\$1.9-billion, P3 with a 35-year term. SNC-Lavalin provided partial financing, design, construction, operation and maintenance for this contract that was completed 110 days ahead of schedule and within budget in August 2009. The scope involved the integration of 18.5-km and 16-station rapid transit line into unique



urban networks using elevated, underground, and at-grade components. SNC-Lavalin's role was 33.3% equity investor, financing co-arranger, EPC contractor and operator.









#### Trans-Canada Project, New Brunswick, Canada



SNC-Lavalin Inc. led the "Brunway" consortium that was awarded the contract to complete the four-lane Trans-Canada Highway across the province. The project included the design and construction of 98 km of new 4 lane divided highway, 6 new interchanges, 2 reconstructed interchanges, 24 grade separations (over passing roadways), 5 major river crossings, 72 water crossings and the upgrade of 128 km of existing four lane highway. The project also includes the operations maintenance and rehabilitation of 275 km of 4 lane highways, 138 bridges and all other associated infrastructure until 2033. SNC-Lavalin's role included construction financing arranger, EPC contractor and operator.

## Joint Venture Partner Featured Projects

Each JV partner has been carefully selected in order to maximize the value we can bring to DRIC. The SNC-Lavalin team combines world class expertise in concession and DBFO projects with a solid understanding of delivering large complex projects in the United States and Canada. American Bridge, Barton Malow, Granite Construction and EllisDon's portfolio of projects includes those with a similar size, complexity and scope as DRIC, as illustrated in the below Figure 9-1.

	Contract Type	Project Management	Regulatory Approvals	Preconstruction Services	Civil/Procurement/Construction	Bridge/Procurement/Construction	Building Procurement/Construction	Quality Management System	Operations & Maintenance	Project Value	Status
	Bid-Build	✓	✓	✓	✓	✓		✓	✓	US\$71 M	Completed
<p><b>American Bridge: Lions Gate Bridge Rehabilitation</b> – The design-builder and general contractor for the reconstruction of this suspension bridge. The work included the removal of the entire 40 ft wide x 2,778 ft long stiffening through truss, replacement with a 53 ft x 2,2778 ft deck truss. The bridge remained fully operational throughout construction.</p>											
	Bid-Build	✓	✓	✓	✓	✓		✓	✓	US\$1.6 B	Under Construction
<p><b>American Bridge: SF/Oakland Bay SASB Superstructure</b> - Construction of a new 625m single-tower, self-anchored suspension bridge. The steel tower is 160m tall, composed of four legs strutted together. The 565m suspended span includes a 385m main-span and a 180m side span.</p>											
	Construction Management	✓	✓	✓	✓		✓	✓		US\$398 M	Completed
<p><b>Barton Malow: Detroit Metro Wayne County Airport North Terminal Redevelopment</b> - A 30-gate terminal complex, replacing the airport's older complex, 840,000 sf facility includes a multi-airline terminal with a Federal Inspection Station. The project scope also included demolition of the existing Davey Terminal, Marriott Hotel, and airside and landside civil, including 600,000 sf of apron.</p>											
	Construction Management	✓	✓	✓	✓		✓	✓		US\$520 M	Under Construction
<p><b>Barton Malow: C.S. Mott Children's Hospital &amp; Women's Hospital</b> - New 775,000 sf inpatient facility includes 11 levels with base-ment. New outpatient clinic with office spaces will add 225,000 sf. Additional construction includes demolition of existing office building, connections between buildings, improvements to parking structure, and site improvements.</p>											
	Design Build Joint Venture	✓	✓		✓	✓		✓		US\$1.3 B	Completed
<p><b>Granite: I-15 Reconstruction</b> - Joint Venture design-build freeway improvement project that included the reconstruction of 16 miles of Interstate 15; two major interchanges; and reconstructing 146 bridges, ramps and viaducts. This included construction of four full cross street interchanges. The I-15 Reconstruction was completed approximately 3 months ahead of schedule.</p>											
	Design Build Joint Venture	✓	✓	✓	✓	✓		✓		US\$420 M	Under Construction
<p><b>Granite: "New I-64"</b> - The "New I-64" is the first ever design-build project in Missouri and will reconstruct 9 miles of highway on I-64 and repair or rebuild 34 bridges along the alignment.</p>											
	Construction Management	✓	✓	✓	✓	✓	✓	✓		C\$ 1 B	Completed
<p><b>EllisDon: Toronto International Airport</b> - Over the last two decades EllisDon has been involved with the redevelopment and major renovations at Toronto International Airport, highlights include: Terminal 2; Terminal 1 Parking Structure; Terminal 3; Terminal 3 Pier "C"; Automated People Mover; and Cogeneration Unit. Similarities to DRIC project, such as the multiple buildings on one site, extensive civil work, high security facilities and a retail aspect.</p>											
	Build-Finance		✓	✓	✓	✓	✓	✓	✓	C\$ 214 M	Under Construction
<p><b>EllisDon: Bluewater Hospital</b> - The Bluewater Hospital in Sarnia, Ontario, is the largest public redevelopment in the city. This 325,000 SF hospital will provide the following new services: Emergency; Surgical/operational suites; and Multiple layer bridge connecting the new and old building. This is just one of our many P3 projects currently under construction.</p>											



## Local Contracting

The small, minority, women and disadvantaged business participation programs are matured and more formally established in the U.S. than in Canada. The U.S. programs engage a broader sector of the employment and business community; whereas in Canada, the focus is limited to First Nations' participation and opportunities and does not cater to other special interest groups.

In Canada, the Aboriginal Skills and Employment Partnership Program (ASAP), established in 2003, promotes a collaborative approach between industry and First Nations. Although non-binding, many major construction projects in Canada will establish a First Nations initiative in support of the Federal obligations to consult with First Nations. Typically these initiatives focus on three streams:

1. Training and mentoring Aboriginal youth, women and disabled in non-traditional occupancies
2. Project employment opportunities for trained staff
3. Contracting opportunities for businesses with aboriginal majority ownership

On the C\$140 million William R. Bennett Bridge in Kelowna, Canada, First Nation contracts were awarded for archaeological investigations and construction employment opportunities were promoted to First Nation communities.

For the 2010 Winter Olympics, VANOC established 'Blade Runners,' a Aboriginal youth employment training program that instructed and mentored 24 youth in construction related trades.

Typically in Canada the overall percentage participation of First Nations is much lower (less than three percent) than U.S. Minority Women -

Owned Disadvantaged Business Enterprise (M/WDBE) programs.

Our U.S. joint venture partners have extensive experience in participating in and exceeding M/WDBE project objectives. Granite Construction, for example as shown in Table 9-1, Project Subcontracting Goals, exceeded project targets in the range of 8 to 15 percent participation with actual participation between 10 to 21 percent.

Table 9-1: Project Subcontracting Goals

Project	Goal	Actual
George Bush Turnpike I-35/SH 90 Interchange	12.0%	17.7%
Central Expressway, Segment II (US 75)	15.0%	20.3%
Dallas County IH-45	8.2%	9.9%
George Bush Turnpike, Section 24	10.0%	11.63%
183-A Tollway	12.7	20.83%

SNC-Lavalin's expectation for DRIC is that local resources and local contracting will have maximum opportunity to participate in the scope work. For example, on the Canada Line Rapid Transit Project in Vancouver, Canada, over 400 contracts were procured and approximately 75 percent of these had contract values up to C\$1 million; with most of the work performed by local firms.

# 10.0 Conditions Precedent

Prior to initiating the qualification and proponent selection process, it will be necessary for the appropriate legal framework (including international treaties and agreements among United States, Canada and related governmental authorities) to be determined and adopted. Although all agreements may not be finalized yet, proponents expect that there will be no major obstacles, political or otherwise, that may occur and delay the selection process and project delivery; that relevant documentation will be made available to proponents when the procurement process is launched.

In addition, it would be advisable to provide proponents with a detailed analysis of the applicable legal framework considering the involvement of multiple jurisdictions (treaties, bilateral treaties, U.S. and Canadian federal laws, state and provincial laws and local laws).

P3 projects not only require a legal framework that adequately supports governmental authorization and equitable P3 procurement processes at all levels, but they must also address all relevant operational aspects of a concession agreement including: (i) security, appropriation and taxation issues; (ii) governmental and concessionaire's legal immunities and limitations of liabilities, (iii) transfer or delegation of authority to the concessionaire and/or its agents, (iv) assets' ownership, disposal and transfer, (v) tolls collection and payment and related fees and penalties and enforcement issues (such as the use of toll photographic device by the concessionaire), (vi) use of personal information by the Concessionaire, (vii) environment and sustainable development issues, and (viii) construction and labor issues; etc.

From a financing standpoint, procurement documentation should reflect current market conditions. Furthermore, in order to make DRIC financially more attractive, all necessary steps required to qualify DRIC for any governmental financial incentives should already be completed. In that regard, qualification of DRIC for any federal, provincial, and state financing infrastructure program, including qualification under the TIFIA credit program or with respect to the PABs should have been undertaken. Finally, special attention should be given to appropriation issues considering the number and the nature of governments involved.

In regards to the technical aspects of the project, proponents expect that the Public Authority will have anticipated all material project scope issues that might influence its successful execution. As noted, developers need clarification on issues of scope risk and schedule risk in order to provide competitive pricing. Thus, understanding who the authority having jurisdiction for each element of DRIC is, and what their standards or minimum requirements are, become important considerations. For a project such as DRIC, where there are many different agencies involved, the developer needs to understand the benchmarks and standards for design performance and who will ultimately make the final decisions. In this regard, a clear and detailed matrix of responsibilities would be expected by proponents, such matrix comprising also financial and legal responsibilities.

Finally, because a P3 approach is favored, special care should be given to the preparation of the output specifications in order to reflect the reality of such approach, thereby allowing proponents to provide innovative solutions and the best value for money.

## DETROIT RIVER International Crossing

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**SNC • LAVALIN**



**Proposal of Interest**  
**for the development of the**  
**Detroit River International Crossing Project**  
**under one or more**  
**Public-Private Partnerships**

Presented by:

Guy David  
On behalf of Gowlings' National Infrastructure Team

**March 15, 2010**

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## **Introduction**

As one of Canada's most experienced law firms in P3 development, we are pleased to provide this response to the Request for Proposal of Interest (RFPOI) issued by the Michigan Department of Transport (MDOT) and Transport Canada (TC) (MDOT and TC being the Sponsors) for the development of the Detroit River International Crossing Project. Words and expressions defined in the RFPOI have the same meanings when used in this Proposal.

This Proposal is divided into three parts: Part 1 considers your requirements as to the Project, discusses some of the structural and jurisdictional complexities and presents some ideas on the structuring and execution of the Project. Part 2 considers the Project's needs for legal representation. Part 3 describes our experience and capabilities to assist you with the Project.

## **PART 1- Structuring the Project**

### **Overview of Project Components**

The Project has four components: the Bridge, the US Plaza, the Canadian Plaza and the I-75 Interchange. The Canadian Plaza will connect with the Windsor Essex Parkway (WEP) currently being developed by the Government of Ontario using a P3 approach. The I-75 Interchange will be connected to the US Plaza and I-75.

The Bridge will be jointly owned by MDOT and TC, will be contractually operated under a 100-year concession arrangement under which MDOT and TC will have an over-sight function, will be mainly privately financed, will have a unified operation and management and a structure that ensures continuous dedication to its public purpose. The Bridge will be located in both the US and Canada.

The US Plaza will have two components: i) the secure FIS, which will either be owned by the GSA or owned by the MDOT and leased to the GSA and ii) a vehicle inspection area outside the secure FIS which will be owned by the MDOT and used by the MSP. The secure FIS will fall under the operational control of the CBP. Its US governmental users will include the USDA, APHIS and the FDA. Design standards will be set by the GSA and the CBP. The MSP will set the design standards for that portion of the US Plaza that it will occupy outside the secure FIS. We are assuming payment streams will be provided by the GSA and the MSP (or MDOT) to cover the construction, operation and maintenance of the US Plaza. The US Plaza will be located entirely within the US.

The I-75 Interchange will be owned by the MDOT and will connect the US Plaza to I-75.

The Canadian Plaza will be owned by TC and used by the CBSA and the Canadian Food Inspection Agency. Under section 6 of the *Customs Act* (Canada) the Bridge operator is required to provide, equip and maintain the Canadian Plaza without charge to the Government of Canada. The Canadian Plaza will be located entirely within Canada.



We assume a construction project including all four components carried out by a single lead developer would have an over-all lower cost and would be logistically easier to construct. However, there are several factors that may counter-balance these economics of scale, including the following ones:

- The difficulty for a single developer to deal with multiple owners;
- The lead construction company would be limited to large multinational constructors with operations in both Ontario and Michigan, thereby limiting opportunities for US or Canadian firms operating on a smaller scale;
- Possibility of risk transference and contagion between project components;
- Difficulty in fully transparent allocation of pricing between components and different price allocations between bidders may impede Sponsors in identifying a single best value bid;
- Differing design and construction specifications for each portion of the project;
- Different funding models for the US and Canadian Plazas;
- Different amortisation and financial profiles for each component;
- Different operational and maintenance requirements for each component;
- Different design life and life-cycle maintenance requirements for each component;
- Different bonding, insurance, security and risk allocation requirements between the owners of the distinct components;
- Foreign exchange considerations.

We are proposing a governance model for the Bridge that differs significantly from the other components and for this and other reasons discussed below we are suggesting that the Bridge might best be structured as a distinct element of the Project with a more permanent project authority than would be provided for under a P3 model. As regards the Plazas, we note that the building design and facilities maintenance specifications will be determined by governmental user requirements without any known commonalities between the two Plazas. We note that associated building and operating costs will also each be in the national currency of the Plaza location. For these reasons, the jurisdictional and logistical complexities in combining the two Plazas into a single construction project or combining them with the Bridge might outweigh the benefits. We would make the same observation about the I-75 Interchange, although combining it with the US Plaza could simplify construction logistics. On the other hand, if the interchange were a stand-alone project, MDOT would be able to proceed with it on its own. From a functional standpoint, we assume it would be preferable to integrate this interchange into the I-75 system rather than treat it as part of the US Plaza. We discuss these considerations in more detail below.

## **The Bridge**

Matters to be considered in deciding on the best procurement and operational/maintenance structure for the Bridge include:

1. Project Entity: What kind of entity is best suited to operate the Bridge over the term of the concession, keeping in mind the bi-national ownership of the Bridge;

2. Governance: What kind of oversight will be required for the Bridge and how can the Sponsors best exercise that oversight, given the jurisdictional issues involved;
3. Financing: Through tolls, the Bridge can finance its construction, operation and maintenance costs- however, various toll-setting principles and methodologies are possible; what is the most efficient regulatory model for the tolls;
4. Traffic/Revenue Risk: Who will assume the risk of the variability of toll-based traffic (traffic risk).

Typically essential infrastructure is either publicly owned and operated or privately operated (through ownership or a concession) on a profit-motivated basis with some regulatory controls attached to the private sector. Public sector ownership and operation typically carries lower financing costs, no formal regulatory structure, but higher operating expenses, neglect of life-cycle maintenance and the possibility of broad political considerations rather than user preferences influencing decision making. The RFPOI eliminates the option of public operation, therefore we will focus on what type of private entity is best suited to operate the Bridge.

The RFPOI appears to be leaning towards a private sector “concessionaire” which we assume to be a profit motivated entity under a P3 structure.

A profit-motivated P3 structure would provide efficiency, but would carry increased financing costs, and a structural tension between the toll-paying users of the Bridge and the profit motives of the concessionaire. Rate regulation is often used to reconcile user interests and the private sector service provider’s profit motive.

The Bridge operator could conceivably receive agreed upon availability payments for the Bridge, in which case the Sponsors would beneficially own the tolls collected and would assume traffic/revenue risk. The operator’s return on equity would be built into the financial model pursuant to which the availability payments would be determined. This would avoid the need for rate regulation of the Bridge operator. However, it would shorten the amortization of the Bridge to the available term of financing, which would be about 35-40 years with an amortizing bond. This would in turn result in tolls that would be higher than economically required. By assuming traffic risk, the Sponsors would be taking on a very significant financial risk, as well as the political risk associated with the setting of tolls. This would beg the question- why not own and operate the Bridge outright and finance it with public funds. If a private sector P3 Bridge operator were to assume traffic risk, the operator would also require ownership of the tolls. This would then require some kind of rate regulation, which would be cumbersome, extremely complex in a bi-national multi-jurisdictional context and at best would simply place a damper on the Bridge operator’s pricing power without reconciling user and service provider interests.

There is an interesting middle ground between public ownership and operation, on one hand, and profit-motivated private sector operation on the other. This could be achieved through the creation of a non-profit tax exempt Bridge Authority that would operate independent of the Sponsors and would have significant user representation built into its governance structure. No profits would be payable by this entity, whether by way of dividends or other distributions of any kind. Its mandate would be limited to operation and maintenance of the Bridge in the best interests of users. Its structure would significantly protect it from bankruptcy. The Bridge

Authority would assume traffic risk and have the ability to set tolls to meet its financial requirements in accordance with agreed upon charging principles and methodology. The toll revenues would be set at a level to finance the amortization of the construction cost of the Bridge over its design life and pay for operating and maintenance expenses and future capital expenditures.

The right to set tolls to meet financial requirements would eliminate the need for an equity buffer in the capital structure of the Bridge Authority. Therefore, the Bridge Authority could finance itself solely with debt, which would reduce its cost of funds, given that debt is much less expensive than equity. The amortization period could be much longer than with a P3 structure, which would further reduce the levels of tolls. The right to set tolls at the level required to meet its financial requirements would result in the Bridge Authority achieving a very high credit rating, which would further reduce its cost of funds.

The Bridge Authority would have a board of directors made up mainly from representatives of the Sponsors and Bridge users. The Sponsors would exercise their oversight through their power to elect directors and their participation on the board. US and Canadian user representatives would also be elected or appointed to this board by their respective constituencies. Defining the categories of user groups having divergent economic interests would require some analysis, but one can envisage long-haul trucking industry representatives, automotive and automotive parts industry representatives as well as local commercial and individual passenger traffic representatives. Alternatively users could be classified by size and type of vehicle to come up with representative categories for toll-setting purposes. The Bridge Authority should operate with a good deal of corporate and financial independence, much like NAV CANADA (which owns and operates the Canadian civil air navigation system) and the Canadian airports (although the airports do not operate on a user-pay user-say basis). Such an entity would have more independence from the Sponsors than US municipal infrastructure authorities such as ports, airports, transit systems etc. have from their municipal owners. The user representation on the board would greatly reduce or eliminate the need for rate regulation because the directors of the Bridge Authority would be the *de facto* rate regulators. Charging principles and an agreed methodology would provide rules for the allocation of rates among the different categories of Bridge users, but utility-type rate regulation should not be required.

The length of the concession and the right to set rates would eliminate the need for an equity buffer in the capital structure of the Bridge Authority. The absence of equity would remove the need to earn and distribute profits, which would in turn reduce the need for rate regulation. From chicken to egg, the absence of rate regulation would in turn reduce the need for a financial buffer typically provided by substantial equity. Whatever buffer was needed to absorb traffic risks and stabilize short term revenue fluctuations could be provided with reserves funded from debt or an agreed upon level of retained earnings.

The Bridge Authority should have a clearly expressed mandate that would limit the scope of its operations to enable it to function with minimal oversight from the Sponsors other than in their role as directors. The role of the Sponsors would be similar to that of shareholders: they would appoint their director representatives, appoint the auditor, approve the financial statements and ensure that financial control mechanisms meeting agreed standards are in place. Otherwise,

management would be in charge of day to day operation. The board of directors would exercise the primary oversight of management, approve budgets, tolls and set management compensation.

The design and construction components of the Bridge would not typically be carried out by the same firm that undertakes the operation and maintenance of the Bridge. Therefore, the Bridge could be constructed under a publicly-tendered design-build contract issued by the Bridge Authority. The Bridge Authority could then undertake its own operations and maintenance or sub-contract for these services.

Whoever signs the construction contract will require access to funding. From an administration and logistics standpoint, it would make sense for the Bridge Authority to contract for the construction of the Bridge. The Bridge Authority should have ready access to the debt capital markets based on:

- the length and strength of the concession agreement;
- the right to set tolls at a level required to meet its financial requirements.

Alternatively, the construction contract could be structured as design-build-and finance during construction, with the construction financing being taken out by the Bridge Authority on substantial completion. This would result in a higher project cost because of a higher cost of funds for contractor-provided construction financing. However, it would fully price construction risks into the cost of financing and instil private sector lender oversight into the construction, which would produce a more robust financial structure and likely mitigate the possibility of cost overruns or quality deficiencies.

In a design-build-finance during construction approach, the private sector lenders would be concerned about the Bridge Authority's ability to secure take-out financing. This could be alleviated by the Bridge Authority obtaining a credit rating and filing a registration statement and prospectus establishing its borrowing program before the construction contract is signed, with actual borrowings being delayed until substantial completion triggers the takeout financing requirement.

Given the bi-national span of the Bridge Authority's Sponsors and users, selecting the best "vehicle" for the Bridge Authority will be more complex than if the entity were wholly US or Canadian based. Three basic approaches readily come to mind:

- Entity created by a treaty between the United States and Canada;
- A corporation or other corporate type vehicle incorporated under US or Canadian federal or state/provincial laws; and
- a trust or other contractual form of body.

We are assuming that it would not be feasible or possible within an acceptable time-frame to create a commission-type body by treaty and have it ratified by the US Congress and the Canadian federal government. Therefore we are not proposing that option, but would definitely consider it as a desirable approach if it were practically feasible. Given the length of the concession, such an entity may be worth the effort involved in creating it.

As to a corporate structure, the major obstacle we see is political in that the entity would have to be incorporated under, and governed by, either US or Canadian laws, resulting in a jurisdictional imbalance in favour of one or the other of the bi-national Sponsors. If this jurisdictional imbalance is not an issue, we would definitely recommend a tax exempt not-for profit corporation as being a suitable form of corporate vehicle for the Bridge Authority. That entity could be formed under the laws that best fits its intended structure and operating requirements, whether US or Canadian.

A trust structure could also be considered. A trust can be created by contract, it can be given a quasi-perpetual existence, and it can operate on a basis that does not engage the financial liability of the Sponsors. It can also be subject to more than one set of governing laws. Other contractual arrangements could be considered but the trust form is the most obvious.

A high degree of public oversight over corporate governance, finances and financial reporting and disclosure could be achieved by ensuring that the Bridge Authority raises its debt in the public markets in both Canada and the US and thereby falls under the oversight of the SEC and Canadian securities regulators.

Some of the advantages of the approach described above can be summarized as follows:

- permanent body aligned to Sponsors desire to ensure continuous dedication of the structure to its public purpose;
- non-governmental private sector operation “by the users for the users”;
- alignment of interests between Bridge users and operating entity: “user pay, user say”;
- absence of equity reduces financial cost and need for rate regulation;
- dedicated single purpose organization would be significantly protected from bankruptcy or insolvency;
- potential to become a valued contributor to the civic life of the adjacent communities.

We recommend that the Sponsors begin considering the issue of Bridge Authority structure at an early stage. We could assist in this task by developing a full range of options for consideration and an analysis of their pros and cons against the desired outcomes of the Sponsors and practical requirements needed to properly operate as a stand-alone semi-autonomous entity with Sponsor and user oversight.

## **The Plazas**

The US Plaza will ultimately be financed by user availability payments whereas, under the *Customs Act* (Canada), the Canadian Plaza will ultimately be financed by tolls. As we discuss below, this should not make a great deal of difference in how the Plaza projects are structured.

The Plazas are essentially social infrastructure building projects that share similarities with most social infrastructure (public hospitals, schools, police stations, courthouses etc.). In their details and operations, the Plazas most closely resemble courthouses and police stations. Their users are public authorities, they may have more than one user and each user has its own special

requirements. The Plazas' systems and operations are not complex. The Plazas would be well-suited for a P3 procurement and operation/maintenance structure.

A typical P3 structure for the Plazas would be based on a 30-year design-build finance and operate contract awarded to a consortium composed of an equity provider who would put up 8% to 10% of the cost of the project, a design-builder, an FM contractor and debt financing. A "Project Co." would be established by the consortium to undertake the project and would subcontract construction and operation/maintenance to the relevant consortium members. Construction costs would be privately financed. Sponsor payments would commence on substantial completion and would be based on availability rather than usage. Interest only would be payable during construction from the equity contribution. Principal and interest would be paid following substantial completion from future availability payments made by the governmental Sponsor of the Plaza. A 30-year structure would not require any pricing re-set, but would include both fixed payments and flow-through variable payments for items such as utilities and certain types of contracted maintenance and other services.

In our view, the main issue regarding the Plazas is whether any cost saving synergies could arise from either common design and construction, or common operation and maintenance. In other words, should they be structured as a single P3 covering both Plazas or as separate P3's.

If the Plazas are separate projects from the Bridge, we believe it would be conceptually and administratively easier for each Plaza to be structured as a separate sub-project on a P3 model that meets the requirements of the governmental owner and users of that Plaza. While the same consortiums of builders and facilities managers could bid on both Plaza projects, we expect that the differences between the requirements of each owner and user group will be such that trying to bring both projects under a single structure would add complexity without providing any off-setting cost benefits.

The building cost, O&M costs and revenues of the US Plaza will be in US dollars, whereas these items will be in Canadian dollars for the Canadian Plaza. There would be a loss of financial efficiency in a structure that had to price in the variables associated with the dual currency aspect of the operation. Also, the building code requirements and output specifications for each Plaza will be different, as each will be governed by local building codes and governmental user requirements. Similarly, the O&M specifications will be driven by local requirements and user needs.

However, harmonization of building life and life cycle maintenance standards and hand-back requirements would be advantageous as this would preserve the effective functionality of the Crossing as a whole if similar components had similar building lives. It would also facilitate coordination of long term capital improvements as the two Plazas eventually reach the end of their design lives. But it is not necessary to combine the two Plazas into a single P3 project to achieve this, so long as both Sponsors agree on similar high-level parameters.

There are several Canadian courthouses that have been built, financed and operate on this basis. A recent US example being procured on the same basis is the new Long Beach CA courthouse project in which our firm is involved.

While you could consider having the Bridge Authority undertake the Plaza development, this would have to be compellingly justified under a cost-benefit analysis. From a functional standpoint, both types of infrastructure are substantially different. The major business of the Bridge Authority will be to forecast traffic, set tolls, and maintain and improve traffic flow through operations and maintenance activities and new capital projects. These business activities are substantially different from those involved in the construction, operation and maintenance of the Plazas on a P3 basis. Moreover, with time, the governmental user requirements of each Plaza may change and user requirements in one country may evolve differently than in another. Plaza owners would have more clout if they interfaced directly with the P3 Project Co. operating their Plaza (which could be replaced in the event of unsatisfactory performance) rather than with the permanent and autonomous Bridge Authority.

As regards financing, each Plaza has a different structure that may influence the procurement approach. If the US Plaza is owned by the GSA, building-cost financing may not be required and FM contracts can be of much shorter duration than with a P3 structure. If this Plaza is owned by the MDOT, then a P3 structure could be based on the future lease payments to be provided by the GSA for the secure FIS, with the MDOT also contributing its share of availability payments for the MSP vehicle inspection facility.

As regards the Canadian Plaza, if it is structured as a P3, the most efficient structure would be for Transport Canada to provide availability payments to the Project Co. operator on substantial completion, and recover those back from the Bridge Authority either on a lump sum present value basis or as a distinct component of toll revenue. In this way, the Project Co. will benefit from Government of Canada risk rather than Bridge Authority risk on its revenue stream. Similarly, the Bridge Authority would not be assuming Project Co. commercial risk in the course of satisfying its *Customs Act* (Canada) obligation to provide the Canadian Plaza free of charge.

To summarize, we see many advantages in having the MDOT sponsor the US Plaza and Transport Canada sponsor the Canadian Plaza, in both cases using a P3 structure with a 30-year concession agreement.

### **The I-75 Interchange**

The I-75 Interchange is a relatively straight-forward highway inter-change project. Since this component is situated entirely in the US, and will be under the sole ownership and oversight of the MDOT, it would seem to make sense that it be constructed either as a stand-alone project or as part of the US Plaza if this Plaza is to be owned by the MDOT. We would expect maintenance of the interchange to be integrated into the maintenance of the I-75 and its interchanges within the City of Detroit. While it may seem easier from a construction standpoint to integrate the I-75 Interchange into the US Plaza, the ensuing complexity of having various federal agencies involved in this part of the project (as opposed to the MDOT having sole responsibility), may negate the construction efficiencies. Since the operation and maintenance of the US Plaza will be fundamentally different from the operation and maintenance of the interchange, we do not see any advantage flowing from the integration of the operation and maintenance of the interchange with that of the Plaza, other than perhaps snow removal.

As a stand-alone project, the MDOT could choose the model that best suits its financial and oversight requirements. It would seem to be more efficient to functionally and legally integrate the interchange with the existing I-75 system within the City of Detroit rather than integrate it into the US Plaza project. Thereby, the treatment of the interchange would be similar to the approach adopted by Ontario for the WEP, except that given its smaller size, the construction and maintenance of the interchange might be traditionally tendered rather than built and operated on a P3 basis.

If it is intended for the I-75 Interchange to be financed from toll revenues, this could be accomplished in a manner similar to the financing of the Canadian Plaza, as described above. That is to say, the Bridge Authority could make a lump sum payment to the MDOT and build this into its financing model.

### **Project Interface Agreements**

With a bi-national not-for-profit Bridge Authority and two separate Plazas constructed and operated by the private sector as P3 projects (plus the I-75 and the WEP) there will be a need for interface among the parties, especially in terms of setting compatible critical paths to project completion and ensuring that the financing and in-service requirements can function independently one of the other. Interface agreements will also be required to facilitate construction of the various components. Interface agreements may also be required during the operational phase of each component.

### **Joint Governing Entity**

Our model for the Project's procurement structure would result in a more active role for the Joint Governing Entity (Partnership) during the design, procurement and construction phase than if the project were awarded to a single developer.

The Partnership would constitute a steering and governance committee that would develop and agree upon the high level principles for the structure of the Project. It would also be responsible for developing the form of the Bridge Authority, its governance structure and seeing to its establishment and the appointment of its first directors. Once the Bridge Authority became operational, it would assume procurement responsibility for the Bridge. The procurement could be subject to the approval of the Joint Governing Entity or of the individual Sponsors but the parties would be encouraged to "hand off" the Bridge procurement to the newly established authority mandated with that task.

The Joint Governing Entity would be responsible for ensuring that the Project components are aligned and compatible, both in terms of critical path and functional interface when completed. It would also be involved in developing the Interface Agreements between the components of the Project. It could also provide a dispute resolution forum for interface issues that arise during construction, and also proactively develop rules that will avoid such issues. The Joint Governing Entity could continue to provide the official forum for meetings between the Sponsors for so long as this remained mutually beneficial.



We would not envisage the Joint Governing Entity serving as procurement authority for the individual components of the Project, other than perhaps the Bridge (although our preference would be for the Bridge Authority to be established early enough to itself manage the Bridge procurement and construction process). However, the Joint Governing Entity would ensure coordination of the various streams of procurement activity and project planning to mitigate any loss of efficiency resulting in the segmentation of the Project into its constituent components.

## **PART 2- The Role of Legal Counsel in the Project**

With the issuance of the RFPOI, the Project has reached a stage where it will require a formalization of the Joint Governing Entity and legal guidance and opinions in order to consider, agree upon and document the structure of the Project and its various components.

Legal counsel would assist the Sponsors establishing the terms of reference of the Joint Governing Entity and in the review of the technical or other proposals provided in response to the RFPOI. Legal counsel will also be required to assist with the preparation of the RFP(s), especially for drafting project agreements that would typically be included in a P3 RFP package. Legal counsel will be required to review and advise on comments made by bidders on the project agreements, and in the review of proposals and selection process.

In terms of implementing the Project as we have described it in Part 1, legal counsel would play an essential role in helping you chose the type of entity best suited to serve as the Bridge Authority and then in establishing the charter of the entity and seeing to its legal creation.

The Bridge Authority, once created, will also require legal counsel to assist it with a range of matters, not the least of which will be the Bridge procurement and establishing its debt financing plan.

In the approach we describe in Part 1, MDOT and TC would each independently implement the P3 procurement of their respective Plazas and each will require legal counsel for that process. If a P3 structure is opted for, it is unlikely that experienced P3 infrastructure project counsel will be found within government. Therefore outside counsel will be required for these sub-components. A single law firm with suitable experience should be able to advise on most aspects of both Plaza P3 Projects and prepare compatible documentation for each project. Local counsel would work with Project counsel in the jurisdiction in which Project counsel did not have its main base to cover off matters of local laws, but a single firm acting as Project counsel would contribute to the alignment of the various components of the Project.

Based on the foregoing requirements, we believe we could make a significant contribution to the advancement of the Project by becoming involved at an early stage. In broad terms, our scope of work would include:

- Assisting with the formal establishment of the Joint Operating Entity and if necessary providing an initial secretariat or similar type service;
- Reviewing the various responses to the RFPOI with the Sponsors and assisting with the development of a definitive structure for the Project;
- Should the Sponsors choose to adopt our suggested approach to the Bridge Authority, assisting with the establishment of the Bridge Authority;
- Assisting the Sponsors/Bridge Authority with the Bridge procurement;
- Preparing RFP and P3 contractual documentation for each Plaza;
- Eventually, advising the Bridge Authority on all other legal matters required for the procurement, financing, operation and maintenance of the Bridge as well as general corporate matters relating to the Bridge Authority.

Regardless of the form of procurement the Sponsors ultimately decide to be the most suitable, we believe it would be advisable for the Sponsor partnership to select and retain experienced legal counsel as soon as possible.

## **PART 3- Our Relevant Experience to Help You with this Project**

### **Firm Profile**

Gowlings is a successful Canadian and international law firm offering the full range of services required to help domestic and international organisations achieve their objectives. Recognised for excellence in business, advocacy and intellectual property law, we provide dedicated industry expertise in a number of sectors including infrastructure, transportation, energy, real estate, financial services, technology and manufacturing. Our firm combines traditional legal services with innovative solutions to provide our clients with excellent value, service and innovation. With over 750 professionals across offices in Ottawa, Montréal, Toronto, Hamilton, Waterloo Region, Calgary, Vancouver, London (England) and Moscow, our firm is one of, if not the, largest law firms in Canada.

Our infrastructure practice is organised under the umbrella of a National Infrastructure Team encompassing all skills, disciplines and industry knowledge required to execute large infrastructure projects. We also have a formally organized and structured National Transportation Group focussing specifically on the transport industry. We have been involved in most of Canada's largest transportation infrastructure projects in the areas of surface transportation and aviation and have significant international experience in these specialized fields as well.

### **Our involvement in Detroit-Windsor area**

We have been involved in various large commercial transactions in the Detroit Windsor area for many years, including having undertaken significant mandates in the restructuring and refinancing of the automotive industry. Recent transportation projects on which we have advised that are relevant to the instant Project include:

- The Detroit Windsor Tunnel in its acquisition and during the full period of its operation by Macquarie Global Infrastructure Fund; and
- The Windsor-Essex Parkway, representing the City of Windsor in the environmental assessment conducted by the Ontario Ministry of Transportation.

### **Our experience with international crossings**

In advising Macquarie in its capacity as owner/operator of the Detroit Windsor tunnel during the period 2000-2008, we gained experience in all aspects of international crossing operations and regulation at the federal and provincial/state levels in both Canada and the United States. We subsequently advised the new owner on regulatory matters following the sale of the tunnel by Macquarie.

We also acted as counsel for the Buffalo and Fort Erie Public Bridge Authority, which owns and operates the Peace Bridge spanning the Niagara River joining Buffalo NY with Fort Erie ON in connection with the proposed twinning of the Peace Bridge.

## Our experience with other Bridge, Highway and Toll Facilities Infrastructure

Other bridge, toll facility and highway projects in which our lawyers have been involved include:

- **Confederation Bridge** – Acted for Straight Crossing Joint Venture in all aspects of the development of the Confederation Bridge linking New Brunswick to Prince Edward Island, arguably to most well known and successful P3 project in Canada to date. Our involvement commenced prior to issuance of the RFP and carried through to commercial and financial closing, substantial completion of construction and completion of the project;
- **Golden Ears Bridge** – Advised the lenders on risk allocation issues under the proposed concession agreement, and under the proposed turnkey construction and operations and maintenance agreements, for the Golden Ears Bridge Project in British Columbia;
- **NAV CANADA** – Advised NAV CANADA in all aspects of its establishment and the acquisition from Transport Canada and financing of the Canadian civil navigation system, considered to be the largest and most successful commercialization project of a Government undertaking ever carried out in Canada and one of the largest of such projects in the world to date;
- **Highway 407** – Acted for the equity participant in the negotiation and management of the supply agreement for the automated electronic tolling systems for Highway 407 north of Toronto, and acted for Macquarie Group in the acquisition of its interest in Highway 407 International Inc.;
- **Athabasca Road and Rail Project** – Advised the promoters, the Government of Alberta and financial advisors on the legal, corporate and financial structure of a proposed Road and Rail Authority to design, build, maintain and operate a road and rail link serving the Canadian oil sands between Edmonton and Fort McMurray AB;
- **Canada Line Light Rail System** – Acted for the Government of British Columbia in the development of the RAV Rapid Transit Project, now called the Canada Line;
- **2nd Yunyuk Bridge Toll Facility, South Korea** – advice on legislative and regulatory framework, risk identification, analysis and mitigation, project structuring, financial structuring, concession terms and conditions, permitting, project securities, design and construction, management, operations and maintenance;
- **Cross Israel Highway** – advice on concession structure, risk identification, analysis and mitigation, concession terms and conditions, financial structure, project securities, turnkey construction contract, toll system supply contract, and management, operations and maintenance;
- **State Highway 130, TX** – advice on risk identification, analysis and mitigation, and terms and conditions of the development, design – build and maintenance agreements;
- **Sistema Norte** – Sur Toll Road, Chile – advice on acquisition of electronic toll system;
- **Sea to Sky Highway** – Acted for the equity sponsor on the redevelopment of the Sea to Sky Highway in British Columbia;
- **Autoroute 25** – Advised the equity sponsor and assisted in the implementation of the financial structure for the P3 Autoroute 25 project in the Montreal region;
- **Autoroute 30** – Acted as counsel to the successful consortium for the design, construction, financing, operation, maintenance and rehabilitation of Autoroute 30 in the Montreal region on a P3 basis;

- **Route 1 Gateway** – Acting as consortium counsel to one of three short-listed proponents in connection with the P3 design, construction, financing, operation and maintenance of Route 1 in New Brunswick.

### **P3 Social Infrastructure Projects in which we have been involved**

In addition to the projects listed above to which you can draw parallels to the Bridge, we have been involved in a number of social infrastructure projects that conceptually resemble the Plaza development. These include a dozen or so hospital P3's across Canada as well as the following secure facilities:

- RCMP National Headquarters, ON
- RCMP Regional Headquarters, BC
- Ministry of Government Services Data Centre, ON
- South West Detention Centre, ON
- Toronto South Detention Centre, ON
- City of Toronto Source Separated Organic Processing Facility
- Peel Plaza Police Station, NB
- Durham Court House, ON
- Calgary Courts Centre, AB
- Long Beach Court House, CA
- Moncton Law Courts, NB
- Saint John Law Courts, NB
- Thunder Bay Consolidated Courthouse, ON
- Waterloo Consolidated Courthouse, ON
- Ontario Nuclear New Build Project, ON
- Ontario Provincial Police Modernization, ON

### **Contact Information**

Our contact for this Project is:

Guy David  
Partner  
Gowling Lafleur Henderson LLP  
Suite 2600, 160 Elgin Street  
Ottawa, ON Canada K1P 1C3

Telephone: (613) 786-0247  
Email: [guy.david@gowlings.com](mailto:guy.david@gowlings.com)

## LETTER OF INTEREST

March 17, 2010

Michigan Department of Transportation  
425 W. Ottawa Street  
Lansing, Michigan 48909

Attention: Mohammed Alghurabi, Senior Project Manager

Regarding: Request for Proposal of Interest for the development of the Detroit River International Crossing Project under one or more Public-Private Partnerships

Dear Mr. Alghurabi:

Kiewit and Flatiron Construction Corp. (Flatiron) have chosen to form a joint venture partnership in response to Michigan Department of Transportation and Transport Canada's Request for Proposal of Interest for the development of the Detroit River International Crossing Project.

It is our intent to contract for the entire design-construction scope of work as part of a large public-private partnership (PPP) team, generally including the Detroit River Bridge and associated approaches, the I-75 interchange, and customs and immigration plazas on both sides of the border. Once the project procurement is more clearly defined, the Kiewit/Flatiron Joint Venture (Kiewit/Flatiron) will complete our team by combining with a concessionaire partner and other required team members.

Kiewit and Flatiron have been ranked as the #1 and #2 bridge builders respectively by *Engineering News-Record*. We have participated in five major PPP contracts already. Collectively, our resume contains extensive signature bridge projects throughout North America, valued at nearly \$10 billion. Kiewit and Flatiron, together, have joint ventured on some of the largest, most complex transportation contracts, including the \$1.2 billion San Francisco-Oakland Bay Bridge - Skyway Segment (SFOBB), and the \$2.4 billion Port Mann Bridge/Highway 1 Improvements (Port Mann) project in Vancouver, British Columbia.

The Kiewit/Flatiron team members are the premiere design and construction talent in North America. Our team members have in-depth knowledge, proven expertise, and significant experience in all elements of the work. This includes extensive experience with technical specifications and local markets on both sides of the international border.

To perform the design elements of the project scope, Kiewit/Flatiron has teamed with four world-renowned organizations. Each of these designers is well suited to meet the needs of the project's requirements, bringing with them a long history of success on similar projects.

- T.Y. Lin International (TYLI) - River crossing design
- Buckland & Taylor Ltd. (B&T) - River crossing design
- HNTB Corporation (HNTB) - Plaza and I-75 interchange design
- MMM Group (MMM) - Plaza design

## Kiewit/Flatiron Joint Venture

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We are excited to be part of this international undertaking to provide new border-crossing capacity to meet the long-term demands at this very critical corridor between the United States and Canada. Please consider this letter of interest our commitment to providing you with the best and brightest the industry has to offer, and to lend our guidance and support to your needs in moving the project forward as expeditiously as possible.

Respectfully submitted,



Ralph Salamic, P.E.

Kiewit/Flatiron Point of Contact



## CONTACT INFORMATION

### POINT OF CONTACT

Kiewit/Flatiron's single point of contact is Ralph Salamie; he may be reached at:

Kiewit Companies\*  
2215 E. 1<sup>st</sup> Street, Vancouver, WA 98661  
office - (360) 694-1201 cell – (360) 609-6878 fax - (360) 694-1206  
[ralph.salamie@kiewit.com](mailto:ralph.salamie@kiewit.com).

*\*Note that Kiewit will engage a number of Kiewit affiliated companies on a project of this magnitude and diversity. All references to the Kiewit Companies in this document will be noted as just Kiewit.*

### TEAM MEMBERS

The Kiewit/Flatiron Joint Venture brings together industry experts with the most relevant experience and expertise in the areas of PPP procurement and long-span bridge design and construction. Our design-build team includes four senior leaders. Each will contribute immensely to the success of the Detroit River International Crossing (DRIC). Our key senior leaders are:

- Lee Zink - Kiewit
- Elie Homsy - Flatiron Construction Corp.
- David Goodyear - T.Y. Lin International
- Ray McCabe - HNTB Corporation

### KIEWIT - LEE ZINK CONSTRUCTION OVERSIGHT



Lee Zink has been at the forefront of bridge technology, construction methods, and contract delivery methods since the 1980s. He has directed multiple large and technically challenging projects, including the sponsorship of two PPP and four major cable-stayed bridge projects. His sponsorship of Montreal's A-25 Cable-stayed Bridge and Highway (A-25), Vancouver's Pitt River Bridge and Mary Hill Interchange and Port Mann Bridge projects have all prepared Lee well for the DRIC. Further, as the project manager on Boston's Leonard P. Zakim Bunker Hill (Charles

River) Bridge, Lee had hands on involvement in the day to day challenges confronting a technically complex and iconic project. Lee's considerable experience coupled with his management and financial acumen makes Lee the clear choice for the DRIC.

### FLATIRON CONSTRUCTION CORP. - ELIE HOMSI, PE CONSTRUCTION OVERSIGHT



Elie Homsy has more than 23 years of construction engineering experience. A recipient of the ASBI 2008 Excellence in Leadership Award and the ENR 2008 Top 25 News Makers, he provides technical innovation and value-engineering expertise on Flatiron's most complex projects, including the I-35W Emergency Bridge Replacement (I-35W) and Port Mann design-build projects. Elie has guided Flatiron participation in its three most-recent PPP projects: the Kicking Horse Canyon – Phase 2 (Kicking Horse); Northwest Anthony Henday Drive (NAHD); and Northeast Stoney Trail (NEST) in Canada.

**T.Y. LIN INTERNATIONAL - DAVID GOODYEAR PE, SE, PEng  
RIVER CROSSING ENGINEER OF RECORD**



David Goodyear is a Senior Vice President and Chief Bridge Engineer for TYLI. He has 35 years of engineering experience and has solved the challenging engineering issues involved with designing and constructing concrete, steel, segmental, and cable-stayed bridges across North America. He is nationally recognized as a premier structural engineer with the ability to deliver innovative, constructible designs. He has addressed all phases of engineering design services on over 15 major cable-stayed bridges across North America. His background working with multi-disciplined teams and seeking out public participation is extensive. David is currently leading the Kiewit/Flatiron design for the Port Mann project.

**HNTB CORPORATION - RAY MCCABE, PE  
PLAZA AND I-75 INTERCHANGE DESIGN OVERSIGHT**

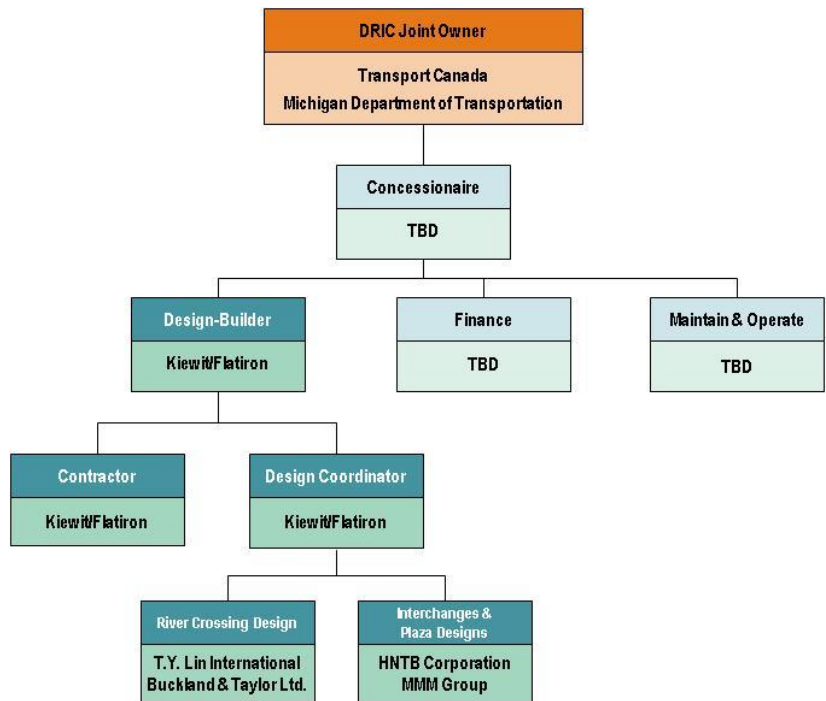


Ray McCabe is a senior vice president and HNTB's national director of bridges and tunnels; he provides direction to HNTB's bridge and tunnel design services group. Ray has been instrumental in strategically guiding HNTB's Bridge and Tunnel practice to its leadership position in the industry today. He has more than 30 years of professional experience, during which time he has been responsible for the structural design of numerous long-span, movable, signature, and complex bridge projects. Ray is an internationally recognized leader in all issues relating to long-span and complex bridge design, construction, and maintenance. He is currently leading the Kiewit design for the Honolulu Transit Elevated Guideway, Farrington Segment project.

**COMPANY INFORMATION**

**DESIGN-BUILD LEAD AND GENERAL CONTRACTOR**

Kiewit and Flatiron bring internationally recognized construction expertise to this project of bi-national significance. Our resume contains nearly \$10 billion worth of signature bridge projects throughout North America. Collectively, our experience includes some of the largest, most complex transportation contracts, including: the \$1.2 billion SFOBB in California, and the \$2.4 billion Port Mann project in Vancouver, British Columbia. This expertise and experience will enable us to complete the DRIC project in a professional manner and achieve the project and stakeholder goals.



*Figure 1: Kiewit/Flatiron will serve as the experienced Design-Build partner of a large Public-Private Partnership.*

## Kiewit/Flatiron Joint Venture

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### KIEWIT

Kiewit is ranked 1<sup>st</sup> in *ENR*'s listing of Top 25 Bridge Constructors (Sept. 2009) and is recognized as one of North America's most experienced heavy civil contractors, with a focus on major infrastructure projects.

Kiewit has extensive experience in major PPP infrastructure projects. Kiewit recently completed the \$557 million Sea-to-Sky Highway Improvement project in Vancouver, British Columbia and is in the midst of constructing the \$481 million A-25 project in Montreal, Quebec - two of North America's premier PPP infrastructure projects. We are one of two contractors in North America that have constructed a major suspension bridge in North America in the last 35 years; Flatiron being the other. The recently completed \$629 million Tacoma Narrows Bridge in Tacoma, WA, is a suspension bridge with a 2,800 ft. main-span, similar in length to the DRIC. Kiewit is currently leading the design and construction of three cable-stayed bridges in Canada including the Port Mann Bridge, the Pitt River Bridge, and the previously noted A-25 Bridge.

### FLATIRON CONSTRUCTION CORP.

Flatiron is ranked 2<sup>nd</sup> in *ENR*'s listing of Top 25 Bridge Constructors (Sept. 2009) and is a leading provider in heavy civil and bridge construction in North America. Flatiron has extensive experience in the procurement and construction of PPP model projects, including the \$125 million Kicking Horse project in Golden, British Columbia; the \$408 million NEST project in Calgary, Alberta; and the current \$995 million NAHD project in Edmonton, Alberta.

Flatiron has been responsible for the construction of a number of signature bridge projects. Among these is the Carquinez Suspension Bridge in Crockett, California. This three-span, 2,300 ft. main-span bridge was the other major suspension bridge built in North America in recent times, and at the time was the largest project ever awarded by the California Department of Transportation. Flatiron also led the joint venture that was responsible for the 11-month successful delivery of the \$234 million I-35W project in Minneapolis, MN. This multiple award-winning project was delivered under the design-build model and was completed over two months early.

### RIVER CROSSING DESIGN

#### T.Y. LIN INTERNATIONAL

TYLI is a one of the premier long-span bridge design firms in the U.S. Founded in 1954 by Professor T.Y. Lin, the firm now operates in North and South America and around the Pacific Rim on major bridge and transportation structures. TYLI's practice is proudly rooted in the design of bridges, and the firm's hallmark of engineering excellence and creativity continues to thrive at the heart of the practice. TYLI's history and innovation in both design and construction engineering, combined with advanced technology, and the best professionals in the business, ensures that clients receive designs that add value to both their transportation system and to the beauty of the landscape.

TYLI has significant experience in the design of both steel and concrete cable-stayed bridges and has one of the most successful records of construction engineering performance in the industry. Currently, TYLI is involved in the design of cable-stayed bridges throughout North America, Africa, and Asia. TYLI's resume consists of over 40 cable-stayed projects worldwide. Similar expertise in suspension bridges has also been garnered; the world's longest self-anchored suspension bridge, located in San Francisco and designed by TYLI, is presently under construction.

### BUCKLAND & TAYLOR LTD.

B&T is the premier bridge engineering firm in Canada and an internationally known long-span bridge engineer with headquarters in Vancouver, British Columbia. B&T specializes in design, independent checking, evaluation, retrofit, rehabilitation, and construction engineering for a variety of bridge types.

Bridge engineering is the sole activity of B&T. B&T has been involved in some of the world's most challenging and prestigious cable-stayed and suspension bridge projects including the Stonecutters Bridge in Hong Kong, Rama 8 Bridge in Bangkok, Rion Antirion Bridge in Greece, and the Lions' Gate Bridge in British Columbia. For decades, B&T engineers have been participated in development of the Bridge Code for Canada; they combine this background with extensive design experience in the U.S. using the AASHTO Code.

### PLAZA AND I-75 INTERCHANGE DESIGN

#### HNTB CORPORATION

Established in 1914, HNTB is nationally recognized as the #1 provider of engineering services to U.S. DOTs and is currently ranked by *Roads and Bridges* as the #2 bridge design and #3 highway design firm in the U.S. HNTB serves more than 90% of all toll agencies in the U.S. and is known and respected for work on PPP, design-build, highway, bridge, tolling, architecture, and federal services projects.

Since 1991, HNTB has served as the Engineer of Record for nearly 200 design-build projects with a total construction value over \$3.5 billion. More than 50 of these projects were with Kiewit. In addition, HNTB brings significant PPP experience working for both the owner and for the concessionaire/design-builder. HNTB serves as the Program Manager for the \$50 billion program for the Georgia Department of Transportation Public Private Initiatives Program. Likewise, HNTB served as the Engineer of Record for the concessionaire/design-builder on the \$1.2 billion Capital Beltway PPP project in Virginia.

Of significant value is the unequalled federal and security expertise HNTB offers through staff that has served in the highest levels of U.S. government and military. HNTB is able to leverage both relationships and experience in border security, federal regulations, and legislative processes. HNTB experts are active advisers on security measures for the Blue Water International Bridge Crossing and manage projects for the U.S. Government under the Secure Borders Initiative.

#### MMM GROUP

Headquartered in Ontario, Canada, MMM has developed a unique level of expertise in the planning, design, construction administration, inspection, and maintenance of facilities associated with international border crossings. MMM is a 2,000 person Canadian program management and engineering leader in PPP projects, with significant experience in the transportation and health care sectors.

MMM has designed 13 of the last 14 border crossings for the Canadian Border Services Agency, including:

- Peace Bridge
- Blue Water Bridge
- Niagara Falls Bridge Commission's Rainbow
- Whirlpool Bridge
- Queenston-Lewiston Bridge
- Bridges over the St. Lawrence Seaway in eastern Ontario

These projects are multidisciplinary in nature requiring strategic planning, traffic engineering, civil/structural/electrical/ITS design, architectural services, and a thorough understanding of the unique challenges associated with international border crossings.

MMM has provided design and construction administration services on both the Canadian and U.S. spans of many of these crossings. MMM staff has detailed knowledge of Canadian and U.S. bridge inspection standards and codes, as well as site specific seismic design and long-span live loading design criteria. MMM's staff remains up to date in the rapidly changing environment of planning and designing border crossing processing plazas.

### **COMPANY INFORMATION SUMMARY**

Our team of companies for the design and construction elements has a solid blend of experience designing and constructing transportation projects in both Canada and the U.S. We have collaborated previously on similar projects and will bring the same successful outcomes from those endeavors to the DRIC. Please see the enclosed Project Pages for details of our relevant past experience.

## **SCOPE**

### **TWO SOLUTIONS**

"Elements" of the project could be interpreted as physical elements of work or contractual elements. We have provided a response for both interpretations.

#### **PACKAGING PHYSICAL WORK ELEMENTS – BRIDGE, U.S. AND CANADIAN PLAZA, AND U.S. INTERCHANGE**

The RFPI identifies four elements of work: the Detroit River Bridge; the associated border inspection areas in the U.S. and Canada; and the connecting link to I-75 in Detroit. Each could stand alone as a separate construction package. However under a PPP delivery, we recommend all four elements be packaged into a single contract. This approach will afford a number of benefits:

- One point of contact for the entire program: A single contract will bring a single point of accountability and an integrated program;
- Reduced overhead: Fewer owner management staff needed to administer one contract;
- Streamlined financing: Allows all project costs to be carried by a single concessionaire;
- Better pricing: Design and construction economies of scale and efficiencies when completed by one team;
- The same holds true for operation and maintenance of the full project limits;
- Schedule management: With multiple contracts, if any one link is late, the project is late;
- Coordination between elements: With multiple contracts, the owner will have responsibility and risk for coordination between elements. With a single contract the single team deals with many of these issues internally; and
- More local involvement: As a single design-build contract we'll seek more subcontractor involvement than if the project was separated into smaller contracts. A single megaproject would exhaust available resources of any one design-build team.

#### **PACKAGING CONTRACTUAL ELEMENTS – DESIGN, BUILD, FINANCE, MAINTAIN AND OPERATE**

The project could also be packaged by elements of the contract i.e., design, build, finance, maintain and operate. Based on our collective experience, packaging the contract elements into a single delivery system from the design-build perspective affords a number of benefits:

## Kiewit/Flatiron Joint Venture

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- Faster schedule: Allows the design to overlap with construction;
- Better opportunities for innovation and efficiency: Added advantage having the contractor integrated with the design team;
- Earlier cost certainty: Cost of construction is locked in much earlier;
- More risks shared with the contractor; and
- Less owner design management resources required.

There are additional advantages related to bringing the finance, maintain, and operate elements under the same umbrella, but we will leave it to the companies that perform these elements of work to elaborate.

### BUSINESS MODEL

Since the DRIC project will be developed as a tolled facility, the Michigan Department of Transportation (MDOT) and Transport Canada (TC) have a number of business models to choose from. The main alternatives are: 1) Toll revenue model; 2) Availability payment model; or 3) Hybrid model.

#### TOLL REVENUE MODEL

Under a toll revenue model, the private partner would finance, design, build, operate and maintain the DRIC and collect and retain all toll revenues generated by the DRIC. The private partner would contribute equity and seek financing from prepared lenders using a “project financing” lending rationale. Lenders would rely solely on the capacity of the project to generate sufficient cash to cover operating costs, repay debt, and provide a return to equity investors. No additional guarantees, corporate or otherwise, would be sought from the equity sponsors. This model has been applied on the *Highway 407 project in Ontario*. Under this model, the private partner and its lenders assume a considerable degree of demand risk. Lenders are normally quite reluctant to assume demand risk, particularly if there are competing infrastructure assets, and will want to be protected from this risk through a combination of higher coverage ratios and/or lower gearing.

#### AVAILABILITY PAYMENT MODEL

Under an availability model, the private partner would also finance, design, build, operate and maintain the DRIC but would receive payment in the form of performance based monthly payments, e.g. availability payments from Owner. The public sector would retain all toll revenues and the associated traffic risk. If the private partner performs according to the requirements, it would receive the full agreed upon amount. Should the performance of the asset not meet the required service standards, deductions would be applied against the agreed upon amount. Such a model has been applied to the recently completed *Golden Ears Bridge in Vancouver, British Columbia*.

#### HYBRID MODEL

Under a hybrid model, the private partner would receive availability payments and also collect tolls but would return a portion of the toll revenues to the public entity. Under the agreement, the private partner would receive minimum revenue protection and would share in any excess toll revenues. This provides much more flexibility in that the private partner could propose combinations of availability/toll revenues to match its own appetite for traffic risk. This model has been successfully applied on the *A-25 project in Montreal, Quebec*. The public sector entities can also impose constraints on the payment parameters to determine the tolls.

### TERM OF AGREEMENT

The length of the PPP agreement can vary from 20 to 99 years. More typical terms are between 20 and 35 years. Such terms provide enough time for toll revenues to ramp up and reach their potential. A time frame of 30 years also corresponds with a common period for long-term debt providers on PPP projects. Finally, a period of approximately 30 years is consistent with other PPP projects for project hand back to the Owner, and associated life-cycle risk that the private sector has managed and is comfortable assuming.

### OTHER REVENUE

Opportunities often exist for additional revenue to be generated in PPP projects. In the case of DRIC, duty free shops are an obvious avenue. Billboard advertising could also be considered subject to environmental concerns. In addition, prepaid name-bearing components (e.g. the “Ford” Plaza) could also enhance the revenue profile. Such additional revenues normally account for a very small portion of overall revenues (5-10%) for the private partners and are usually not included in base-case revenue projections because of the risks associated with attempting to project or estimate the value of these future contributions.

### FINANCING

Financing structure will largely depend on the business model ultimately adopted by MDOT and TC. Debt/equity ratios of 90:10 are typical in availability payment models. Models introducing more revenue risk typically require more equity, potentially as high as 60:40 debt/equity.

Based on our design-build experience, the track record of success and the financial strength and support of the design-build contractor plays a significant role in determining the final risk profile/rating for the project. This should not be underestimated and should form part of selection criteria related to the ability to reach financial close.

At this point, our team is essentially a design-build partnership. Over the coming months, we will be selecting a leading developer/financing partner suited to this type of project.

### RESPONDENT'S EXPERIENCE

#### **PUBLIC-PRIVATE PARTNERSHIPS**

The Kiewit/Flatiron team combines the experience of two of the premier contractors and four of the premier design firms involved in technical bridge construction, border crossings, and PPPs.

The following project pages of select PPP and design-build transportation projects profile the combined strength of our team and demonstrate our recent history in the U.S. and Canada.

Please note that we have included design-build projects as part of our PPP relevant experience. As a design-build role player on a PPP team, experience from the following design-build transportation projects is very relevant to the role we will play on the DRIC project.

## Kiewit/Flatiron Joint Venture

### A-25 Cable-stayed Bridge and Highway, Montreal, Quebec

Firm/Role	Description
<p>Concession A25 S.E.C.</p> <p><u>DRIC Team Members:</u> Kiewit</p>	<p>This <b>design-build PPP project</b> will improve public transportation and provide an alternate route for freight transportation between Montreal and the North Shore. The scope of work involves constructing 7.2 kilometers of a new four-lane divided highway between Henri-Bourassa Boulevard in Montreal and Highway 440 in Laval and a new six-lane, <b>1.2 kilometer long cable-stayed bridge</b> across the Riviere des Prairies. In addition, crews will construct a pedestrian path and a reserved public transit lane.</p>
<p><b>Owner/Contact</b></p> <p>Quebec Ministry of Transportation 500 Blvd. René-Lévesque Montreal, Quebec H2Z 1W7 Sandra Sultana (514) 873-4377 post 2200</p>	
<p><b>Contract Type</b></p> <p>PPP/Design-Build</p>	
<p><b>Cost</b></p> <p>\$461,654,974</p>	
<p><b>Schedule</b></p> <p>Aug. 2007 – Jul. 2011 (proj.)</p>	



### Sea-to-Sky Highway Improvement, Vancouver, British Columbia


Firm/Role	Description
<p>S2S Transportation</p> <p><u>DRIC Team Members:</u> Kiewit</p>	<p>The Province of British Columbia, represented by the Ministry of Transportation and BC Transportation Financing Authority, awarded this <b>design-build finance operate project</b> to S2S Transportation Group, which included Peter Kiewit Sons Co., a subsidiary of Kiewit Corporation, as the design-builder. The project was one of the first public-private partnerships to reach financial close within the North American transportation market. The design-build team was supported by the prime designer and approximately 20 other local sub-design firms. The project involved upgrades to 100 km. (62 mi.) of the Sea-to-Sky Highway (Highway 99) between Vancouver and Whistler, British Columbia. Work included the construction of 48 new bridges/interchanges, 219 MSE retaining walls, 2.4 million cu. meters of earthwork, and 450,000 metric tons of asphalt paving. The project was managed in four sections, defined by geography, to enhance efficiency and assure construction quality.</p>
<p><b>Owner/Contact</b></p> <p>BC Ministry of Transportation dba Transportation Investment Corporation Office 1300, 1075 W. Georgia Vancouver, BC V6E 3C9 Gary Webster (604) 605-5942</p>	
<p><b>Contract Type</b></p> <p>PPP/Design-Build</p>	
<p><b>Cost</b></p> <p>\$542,263,173</p>	
<p><b>Schedule</b></p> <p>Jul. 2005 – Sep. 2009</p>	






## Kiewit/Flatiron Joint Venture

### Northwest Anthony Henday Drive (North Edmonton Ring Road), Edmonton, Alberta


Firm/Role	Description
Flatiron-Graham <u>DRIC Team Members:</u> Flatiron	<p>Flatiron is managing the team that is designing and constructing the northwest portion of a new ring road around the city of Edmonton, Alberta. The North Edmonton Ring Road, also called Northwest Anthony Henday Drive, is a new 21 kilometer (13 mile) section of highway with two- and three-lanes that extends from Anthony Henday Drive at Yellowhead Trail on the west side of Edmonton to Manning Drive Freeway in the north. The <b>design-build PPP project</b> includes nine new interchanges, four flyovers, and two crossings over railways. Some crossings have multiple structures, bringing the total number of bridges to 29. This is the third portion of the ring road to be commissioned by the Alberta government.</p> 
<b>Owner/Contact</b>	
Alberta Transportation and Infrastructure 2 <sup>nd</sup> Floor Twin Atria Building, 4999-98 Avenue Edmonton, AB T6B 2X3 Neill McQuay (780) 415-1076	
<b>Contract Type</b>	
PPP/Design-Build	
<b>Cost</b>	
\$967,240,206	
<b>Schedule</b>	
Aug.2008 – Nov.2011 (proj.)	

### Northeast Stoney Trail (NEST), Calgary Alberta


Firm/Role	Description
Bilfinger Berger BOT <u>DRIC Team Members:</u> Flatiron	<p>The northeast portion of the Calgary Ring Road, also called Northeast Stoney Trail was procured as a <b>Public Private Partnership</b>. The Province of Alberta chose Bilfinger Berger BOT to develop the project, and Bilfinger selected Stoney Trail Constructors, a joint venture led by Flatiron, to design and build the new 13 mile portion of the ring road. Flatiron was responsible for constructing the northeast section of the ring road, which extends from Deerfoot Trail, the main north-south route through Calgary, south to 17 Avenue SE. The project included 23 bridge structures and six interchanges, including one major interchange at Deerfoot Trail and one at the Trans-Canada Highway 1. According to the Alberta government, Deerfoot Trail is the heaviest traveled road in the entire Province of Alberta, with an anticipated volume of 30,000 to 40,000 vehicles daily. Under the PPP financing model, the road was finished two years earlier than would have been possible with conventional delivery and was opened to traffic ahead of schedule in Nov. 2009.</p> 
<b>Owner/Contact</b>	
Alberta Transportation and Infrastructure 2 <sup>nd</sup> Floor Twin Atria Building, 4999-98 Avenue Edmonton, AB T6B 2X3 Neill McQuay (780) 415-1076	
<b>Contract Type</b>	
PPP/Design-Build	
<b>Cost</b>	
\$396,617,089	
<b>Schedule</b>	
Apr. 2007 – Nov. 2009	

## Kiewit/Flatiron Joint Venture

### Kicking Horse Pass – Phase 2, Golden, British Columbia


Firm/Role	Description
Flatiron Constructors, Inc. <u>DRIC Team Members:</u> Flatiron <b>Owner/Contact</b> British Columbia Ministry of Transportation P O Box 893 Golden, BC V0A 1H0 Jon Jensen, (250) 344-3822	<p>Kicking Horse Pass is a portion of the scenic Trans-Canada Highway that runs between Golden and the Yoho National Park's western border in BC. Flatiron reconstructed approximately three miles of new four-lane highway and constructed a new Park Bridge over Kicking Horse Canyon under the <b>design-build PPP model</b>. The new 1,328 ft. long bridge was the first curved, incrementally-launched, bridge in North America, supported by five piers standing nearly 300 ft. tall. The girder launching process involved launching four main steel girders uphill from west to east using a hydraulic launch system that erected two girder pairs, one span at a time, until the total length had been launched. The project opened early to traffic on August 30, 2007. Additional work included 260 ft. rock cuts, three million cu. yd. of excavation and demolition of the old Park Bridge.</p> 
<b>Contract Type</b>	
PPP/Design-Build	
<b>Cost</b>	
\$121,512,589	
<b>Schedule</b>	
Oct. 2005 – Aug. 2007	

### Port Mann Bridge / Highway 1 Improvements, Vancouver, British Columbia


Firm/Role	Description
Kiewit/Flatiron General Partnership <u>DRIC Team Members:</u> Kiewit, Flatiron TYLI, HNTB <b>Owner/Contact</b> British Columbia Ministry of Transportation Metro Tower 1 – 2400-4710 Kingsway Burnaby, BC V5H 4M2 Jeff Freer, (604) 313-8800	<p>In February 2009, <b>Kiewit/Flatiron General Partnership</b> was selected as the <b>design-build</b> contractor for this project which includes widening of the Highway 1 corridor, and construction of the new Port Mann Bridge and the Fraser Heights connector. Construction includes upgrading 17 interchanges and improvements to 28 separate overpass/underpass structures. The overall 2.3 kilometer long bridge includes the record main span cable-stayed <b>bridge</b> across the navigation channel, the 360 meter long south approach supported by nine piers on the Surrey side of the river, and 865 meter long north approach, on the Coquitlam side is supported by 15 piers, four of which are in the water. The approach bridges are a combination of span-by-span and balanced cantilever precast segmental construction. The new connector work includes the construction of a <b>new interchange</b> and a new 500 meter long bridge over sensitive wetlands.</p> 
<b>Contract Type</b>	
EPC/Design-Build	
<b>Cost</b>	
\$2,304,409,080	
<b>Schedule</b>	
Sep. 2008 – Nov. 2014 (proj.)	

## Kiewit/Flatiron Joint Venture

### Pitt River Bridge & Mary Hill Interchange, Port Coquitiam, British Columbia

Firm/Role	Description
Peter Kiewit Sons Co. <u>DRIC Team Members:</u> Kiewit MMM	<p>Under this <b>PPP contract</b>, Kiewit is responsible for the design and construction of the bridge, highway and interchange, along with the demolition of existing structures, for the Pitt River Bridge and Mary Hill Interchange. The new cable-stayed bridge, which represents approximately \$100 million of the total contract amount, is located between the two existing bridges that are open to traffic. The new bridge accommodates three lanes of westbound traffic and four lanes of eastbound traffic, as well as facilities for cyclists and pedestrians. It has also been designed to accommodate a future additional lane for HOV or light rail rapid transit. The 1,250 ft. long bridge, with 625 ft. main-span, has two sets of three 200 ft. tall towers, which support three rows of cable stays. This design was chosen to limit the number of in-water piers to just one. While maintaining our seven-month early completion schedule, we successfully incorporated the Ministry's addition of a bus lane to the <b>design-build contract</b>. The cable-stayed <b>bridge open to traffic only 31 months after Notice to Proceed</b>.</p> 
Owner/Contact	
British Columbia Ministry of Transportation 2400-4710 Kingsway Burnaby, BC V5H 4M2 Gord Ruffo, (604) 892-8080	
Contract Type	
PPP/Design-Build	
Cost	
\$197,383,405	
Schedule	
Dec. 2006 – Jun. 2010 (proj.)	

### Cooper River Bridge, Charleston, SC

Firm/Role	Description
Flatiron Constructors, Inc. <u>DRIC Team Members:</u> Flatiron TYLI	<p>The new Cooper River Bridge links the town of Mount Pleasant to downtown Charleston and replaced the existing Grace Memorial and Silas N. Pearman steel truss bridges. This <b>design-build project</b> opened to traffic one year ahead of schedule. The Cooper River Bridge is 2.5 miles in total length and includes two major <b>high-level interchanges</b> on each end of the bridge. The cable-stayed <b>crossing</b> carries eight lanes of traffic - four in each direction - and also features a pedestrian walkway/bikeway. The main-span is 1,546 ft. long and provides a 1,000 ft. navigational channel with a minimum vertical clearance of 186 ft. above the Cooper River. The new channel accommodates fully loaded freighter and container ships allowing for much-improved shipping in Charleston Harbor. Each 574 ft. tall, diamond-shaped concrete tower is protected from ship collision by an innovative rock island surrounding the base of the tower. To further ease the passage of large ships, the deck at mid-span rises just over 200 ft. above the water.</p> 
Owner/Contact	
South Carolina Department of Transportation 955 Park Street Columbia, SC 29202 Dan Shealy, (803) 737-1308	
Contract Type	
Design-Build	
Cost	
\$540,270,000	
Schedule	
Dec. 2001 – Jul. 2005	

## Kiewit/Flatiron Joint Venture

### Tacoma Narrows Bridge, Tacoma, WA

Firm/Role	Description
Tacoma Narrows Constructors <u>DRIC Team Members:</u> Kiewit TYLI, HNTB	Tacoma Narrows Constructors (TNC) was a 50/50 <b>design-build</b> joint venture responsible for the design and construction of the second <b>long-span suspension bridge</b> constructed in the United States since 1964. The project included a new 5,413 ft. long and 72 ft. wide suspension bridge, with a 2,800 ft. main-span and two 510 ft. tall towers. The scope of work involved constructing massive caissons requiring more than 77,000 cu. yd. of concrete and six million pounds of steel. The suspension system included 21 in. dia. main cables assembled from 6,000 tons of steel wire, and bridge deck of 46 steel truss sections with precast concrete roadway deck. Improvements to more than three miles of SR 16 increased capacity to six divided lanes from Jackson Ave. in Tacoma to a new 36th Street Interchange in Gig Harbor included toll facilities with <b>8,000 sq. ft. toll plaza</b> building,
<u>Owner/Contact</u> Washington State Dept. of Transportation 310 Maple Park Avenue SE Olympia, WA 98504 Linea Laird, (206) 267-6834	
<u>Contract Type</u> EPC/Design-Build	<ul style="list-style-type: none"> <li>• Originally <b>negotiated as a PPP</b>, but later changed to design-build</li> <li>• Many similarities to DRIC:                             <ul style="list-style-type: none"> <li>▪ Water crossing with a 2,800 ft. main-span</li> <li>▪ Suspension bridge carrying six lanes of highway traffic</li> <li>▪ Steel orthopedic tub superstructure</li> <li>▪ Includes a toll plaza and approach highway</li> </ul> </li> </ul>
<u>Cost</u> \$627,435,201	
<u>Schedule</u> Sep. 2002 – Mar. 2008	



### Leonard P. Zakim Bunker Hill (Charles River) Bridge, Boston, MA

Firm/Role	Description
Atkinson Kiewit, a joint venture <u>DRIC Team Members:</u> Kiewit TYLI, HNTB	A signature project of Boston's multi-billion dollar Central Artery/Tunnel, is the Leonard P. Zakim Bunker Hill Bridge spanning the Charles River. The 10-lane <b>asymmetrical cable-stayed bridge</b> has been recognized as a monumental achievement in American bridge engineering and construction. It was the first asymmetrical cable-stayed bridge in the US and the widest cable-stayed bridge in the world. Kiewit Pacific Co., working with both TYLI and HNTB, led the joint venture (note that Atkinson did not formally participate after filing bankruptcy shortly after bidding) that began design and construction of the structure in Sep. 1997 and opened to traffic in Mar. 2003. The bridge's main elements are the two inverted Y-shaped hollow-core concrete towers. Eight lanes of I-93 traffic pass between the legs of the towers, and two lanes of local traffic are cantilevered off to the bridge's east side. In addition to being the widest in the world, the bridge is the first "hybrid" cable-stayed bridge in the US, using both steel and concrete in its frame. The bridge was built within a busy transportation corridor that already houses the Massachusetts Bay Transit Authority's Commuter Rail and Orange Line.
<u>Owner/Contact</u> Massachusetts Highway Department 10 Park Plaza Boston, MA 02116 Peter Zuk, (617) 248-2800	
<u>Contract Type</u> Bid Build	
<u>Cost</u> \$110,570,000	
<u>Schedule</u> Sep. 1997 – Dec. 2002	

## Kiewit/Flatiron Joint Venture

### San Francisco-Oakland Bay Bridge – Skyway Segment, Oakland, CA

Firm/Role	Description
Kiewit/FCI/Manson, JV (KFM) <u>DRIC Team Members:</u> Kiewit, Flatiron TYLI, HNTB	KFM constructed the first of a four-phase replacement of the existing San Francisco-Oakland Bay bridge. The twin 1.2 mi. long bridges accommodate ten lanes of traffic. Substructure work consisted of 160 steel-cased, cast-in-place piles, each 8 ft. in diameter and up to 330 ft. long. 28 pre-fabricated steel footing boxes weighed up to 900 tons and after ballasting, up to 2,000 tons support each pier ranging in height up to 115 ft. Each segment was precast by Kiewit/Flatiron in Stockton, California, and barged to the site. Segment erection was performed in a balanced cantilever method with a self-launching erection device. The project accomplished many “firsts” including: <ul style="list-style-type: none"> <li>• It is the largest-ever single contract in Caltrans history</li> <li>• The largest cast-in-steel shell piles ever driven.</li> <li>• The segments are among the largest ever erected in the world.</li> <li>• Erection of the two 1,700-ton orthotropic structural steel transition spans were the largest-ever lifts in Caltrans history.</li> </ul>
<u>Owner/Contact</u> California Department of Transportation (Caltrans) 727 30th Street, 2nd Floor Sacramento, CA 95816 William Howe 510-286-4444	
<u>Contract Type</u> Bid Build	<ul style="list-style-type: none"> <li>• Although a bid-build project, this project has several similarities to DRIC:               <ul style="list-style-type: none"> <li>• Marine operations and heavy picks</li> <li>• Construction of major foundation elements</li> <li>• Design of innovative erection methodology and equipment</li> </ul> </li> </ul>
<u>Cost</u> \$1,230,357,441	
<u>Schedule</u> Feb. 2002 – Mar. 2008	



### Carquinez Suspension Bridge, Crockett, CA

Firm/Role	Description
Flatiron-Cleveland Bridge <u>DRIC Team Members:</u> Flatiron	The new Carquinez Suspension Bridge carries traffic westbound on I-80 over the Carquinez Straights just north of San Francisco. This new three-span 3,465 ft. long structure is North America's first suspension bridge of its kind to be built in the last 35 years. Each 407 ft. tall tower is supported by twelve three-meter-diameter and 90 meter long rock-socketed drilled shaft piles. Reinforced concrete pile caps transfer vertical and lateral loads between the piles and the towers. The suspended superstructure utilizes a steel orthotropic deck section 1,056 meters in length. The 24 deck sections were transported on three ocean-going vessels from Japan and jacked into place directly from the ship using the bridge's main suspension cables. The bridge is designed to withstand both major wind and seismic disturbances.
<u>Owner/Contact</u> California Department of Transportation 3045 Research Drive, Richmond, CA 94806 Bill Bornman (925) 260-5516	
<u>Contract Type</u> Bid Build	
<u>Cost</u> \$231,000,000	
<u>Schedule</u> Apr. 2000 – Dec. 2003	



### LOCAL CONTRACTING PARTNERS

#### PARTNERING

Partnering with local contractors on large scale projects is critical to all parties. These projects are typically of such great magnitude that no single contractor can easily complete construction of all aspects of the project on their own. The Kiewit/Flatiron team has found that partnering with local subcontractors strengthens the project team by bringing local experience and local resources into play. Typically, we subcontract between 25 and 40 percent of the total construction value on these types of project.

In the past, the Kiewit/Flatiron team has been able to develop excellent working relationships with local contractors, and in some cases, we have become a mentor to the smaller contractors. This provides an excellent opportunity to develop and strengthen the local work force.

##### **Autoroute 25 – Montreal, Quebec**

At the outset of the project it became very apparent that while the precast deck panel subcontractor had vast experience in precast concrete, it had little experience with design build, or even DOT contracts. The subcontractor began receiving quality incident reports, was required to submit shop drawings multiple times for correction, fell behind in the pre-casting schedule, and had significant trouble reading the plan set.

Rather than develop an adversarial approach to the situation, the project team worked with the fabricator to guide them thru the complexities of the design-build process, the extensive DOT specification requirements, and shop drawing review procedure. To overcome the design conflicts and maintain approval of the hundreds of shop drawings, weekly meetings were held with the designer, fabricator, and Kiewit to resolve issues before they impacted the schedule. At the meeting, tasks were assigned with required completion dates, shop drawings were prioritized, and the overall schedule was reviewed. Also, to supplement the weekly coordination meeting, informal discussions were held nearly daily to help the fabricator interpret the complex plan set, and understand the requirements of the DOT specifications.

After all was said and done, the precast panels critical to the project schedule, were completed on, or ahead of schedule. Additionally, by working with the subcontractor, the contract change orders submitted were minor and settled almost immediately.

#### TRAINING

The project team's commitment to partnering with local contractors can be extended to the excellent relationships that have been developed with local craft unions. Projects of this size and type often require a large craft workforce, and for that reason, offer an excellent environment for young craft to work shoulder to shoulder with seasoned journeyman. It is typical for 90 percent of our craft forces to be hired locally, which often means that intensive training is implemented throughout the project term.

##### **Kicking Horse Canyon, British Columbia**

Throughout construction, Flatiron provided many opportunities to the local workforce. During the project's life, the Western Canadian construction labor force was being taxed beyond its capacity. Large swells in residential, infrastructure and oil sands development had created shortages in the qualified workforce in the region, creating an opportunity for the men and women who had traditionally worked on family farms or in the forest industry.

## Kiewit/Flatiron Joint Venture

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While this group was experienced with heavy equipment, they were not experienced with heavy construction equipment or the construction industry. Through the life of the project, Flatiron was able to train the local workforce to become rock truck operators. Through mentorship they achieved the level of experience needed to perform work without any added risk to the public, other operators, or employees.

These newly trained employees, the majority of which happened to be women, became qualified operators and integral to Flatiron's labor force. As more women joined the team, they made it a more inviting environment for other women to apply. Many of these newly trained rock truck operators have continued employment, and are now part of the heavy equipment operations in project locations within the region.

### DEVELOPING DBE PARTNERS

In many cases, large design-build projects, such as DRIC, present an extremely high level of risk for small DBE firms to manage. The risk associated with the ambiguity of scope until the plans are released for construction, often makes it difficult for the small firms to bond and bid work. However, the Kiewit/Flatiron team has found that these projects are an excellent opportunity to subcontract with local DBE firms. As much as 15% of our subcontracted volume is allocated to DBE firms. To accomplish this, the team works with local communities to set aside specific scopes of work, and prequalify DBE firms. The firms then are allowed to bid on those scopes once the plans are complete.

#### San Francisco-Oakland Bay Bridge - Skyway Bridge, Oakland, CA

In early 2002, as part of a joint venture, Kiewit and Flatiron were selected to construct the \$1.04 billion "Skyway Segment" of the eastern span crossing the San Francisco Bay. Naturally, since the new twin span bridges were to cross the bay, the project relied heavily on the company's marine fleet. While the project team has an impressive list of marine equipment, the team relied on the DBE firm Westar Marine to perform the marine service duties.

Constant communication and extensive logistical planning between the project team and Westar Marine proved to be very beneficial to both parties. Originally contracted to supply \$5M in marine service to the project, the excellent partnership that developed allowed the project team to expand Westar Marine's scope of work to \$20M. Ultimately, allowing Westar Marine to graduate from the DBE program.

### CONDITIONS PRECEDENT

It is important that projects proceed in as a direct manner as possible. The larger, and therefore the more complex the project, the greater the need to set the project up for success by removing impediments or completing tasks that will assure success. These can broadly be placed into three categories.

- Business Matters
- Design Issues
- Operational Matters

A project or program must make business sense. This is especially true for PPP projects. Issues that provide uncertainty should be removed and issues that promote a strong business case should be included. These business matters include:

## Kiewit/Flatiron Joint Venture

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- A strong rationale for the project must be developed and supported by the most senior leaders of all involved parties. The rationale must be supported by a unified consensus of support.
- The basis of the project to exist, such as fundamental permits and treaties, must be provided. This includes the Senate-approved permit due to the project's international nature.
- Accurate and reliable traffic and revenue studies that potential concessionaires can rely upon to support the business case.
- A clear understanding of toll restrictions on the existing Ambassador Bridge. Without set restrictions, it is difficult to rely on any traffic modeling data for the DRIC.
- Legislation put in place that provides for the collection of tolls and provides tolling authority.
- Clearly defined 'value of money' determination.

The design must be completed in sufficient detail to adequately define what is to be built.

- This definition should be limited to defining where the project will be built and the clear definition of all project scope items.
- The design should provide project specific and standard specifications. Adopting either Canadian or U.S. standards will avoid confusion.

A project like the DRIC has many inter-related components that enable it to operate. They must be clearly defined to understand the business case.

- The afore referenced rationale must provide users an understanding of what to expect from the project and what the concessionaire will need to provide over the term of the concession.
- Clearly define the authority between the public and private sector as well as political responsibility.
- Public reporting of performance including definition of penalties for poor performance.
- Establishment of a Joint Powers Authority, or similar body, which will oversee operation of the bridge. The organization must be empowered to make decisions that will bind users of the facility as well as the concessionaire and provide for representation from the multiple governments involved in the project.

### CONCLUSION

Kiewit/Flatiron would like to thank you for this opportunity to provide our Letter of Interest for the advancement of the Detroit River International Crossing. It is our hope that our team, our extensive experience, and the information provided to you regarding preferred packaging business models and available opportunities enable the project to move forward in an expeditious manner.

Once again, thank you and we look forward to the next phase of this project.

### KIEWIT/FLATIRON JOINT VENTURE





**MACQUARIE**

RESPONSE TO THE REQUEST FOR PROPOSAL OF  
INTEREST FOR THE DEVELOPMENT OF THE DETROIT RIVER  
INTERNATIONAL CROSSING PROJECT UNDER ONE OR MORE  
PUBLIC PRIVATE PARTNERSHIPS  
MARCH 2010



MACQUARIE

## 1.0 LETTER OF INTEREST

*A letter indicating, if applicable, the firm's or team's interest in developing this project on a non-binding basis and identifying the type of interest (e.g., developer, financial investor, design-build contractor, lender, or operator).*

17 March 2010

Mohammed Alghurabi  
Senior Project Manager  
Michigan Department of Transportation  
425 W. Ottawa Street, P.O. Box 30050  
Lansing, Michigan 48909

Dear Mr. Alghurabi

**Re: Response to the Request for Proposal of Interest for the Development of the Detroit River International Crossing Project (the "Project") Under One or More Public Private Partnerships**

Macquarie is pleased to submit this non-binding letter of interest ("LOI") to assist the Michigan Department of Transportation ("MDOT") and Transport Canada ("TC") develop policy, structure the procurement process and the project agreement, as well as briefing the State of Michigan's legislature and the executive branch of the Government of Canada.

Macquarie regards the Project as a potentially attractive development and investment opportunity. Macquarie's interest in the Project will be influenced by the business model under which the Project is intended to operate, the structure of the procurement process and documentation, the range of permissive and restrictive conditions, and the elements included in the Project (see Sections 4.0, 5.0, and 10.0 below). We have provided our perspective on the content requested in the Request for Proposal of Interest issued and dated 27 January 2010 ("RFPOI") with the hope that our comments assist MDOT and TC. We would be delighted to make ourselves available to provide additional perspective if required.

Macquarie's interest in the Project would be as a potential developer, a financial advisor and a potential equity investor (through its managed funds or third party investors) and a lender.

### ***Indicative Proposal of Interest***

This LOI, and the broader RFPOI response, expresses current intentions only. It is not an offer capable of acceptance and shall not otherwise give rise to a binding contract. It does not constitute a commitment to acquire, underwrite, place and/or distribute any assets, financing or securities in relation to the Project. Unless and until a procurement process has been established or definitive agreements are entered into regarding a bidding process, no member of Macquarie will be under any obligation whatsoever with respect to the proposed project or otherwise.

This letter and its contents are provided solely for the benefit of MDOT and TC in connection with and for the sole purpose of the Project. This LOI and the broader RFPOI response is addressed solely to MDOT and may not be used for any other purpose. Other than as set out below, it may not be reproduced, disseminated or quoted at any other time or in any other manner without our prior written consent.

We understand this letter may be disclosed to the legislative branch of the State of Michigan, TC, and the executive branch of the Government of Canada in connection with the overall approval of the Project. By receiving a copy of this RFPOI response, any parties listed in the RFPOI acknowledge that this letter is being provided for its information only and may not be relied upon for anything other than informational or instructive purposes. This LOI may not be relied upon by any party other than those listed in the RFPOI and, without limiting the generality of the foregoing, Macquarie accepts no liability whatsoever for any reliance placed by any of those parties on this LOI or its contents.

### **Other terms and conditions**

Any final, binding offer will also be subject to the receipt of all necessary internal, external, and regulatory approvals, the finalization of relevant agreements for any acquisition to the satisfaction of Macquarie and satisfaction of the other conditions referred to in this LOI.

As with all Macquarie's principal transactions, the submission of a bid for an asset would be subject to an approval process customary for similar financial institutions.

Transactions involving third party funds as well as funds or similar vehicles managed by an entity controlled by Macquarie may also require approvals, including from that entity's Board. These approvals will be sought once we have a satisfactory due diligence outcome, and prior to the submission deadline.

The process for final debt financing commitments will be completed contemporaneously with Macquarie's approval process.

We look forward to working with MDOT and TC in developing and successfully delivering the Project.

Yours faithfully,



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**Christopher Voyce**  
Senior Managing Director  
Macquarie Capital (USA) Inc.



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**George Zakem**  
Managing Director  
Macquarie Capital Markets Canada Ltd.

## **2.0 CONTACT INFORMATION**

*Name and contact information (address, phone, fax, and email) for the individual who will act as the Respondent's principal contact throughout the process for this particular RFPOI and description of the individual members of the respondent's team with experience related to the objectives of the Partnership as described in this Request.*

### 2.1 RESPONDENT'S PRINCIPAL CONTACT

Please contact George Zakem or Andrew Ancone (details below) if you wish to discuss any of the comments included below, or require clarification of any aspect of this RFPOI response.

**George Zakem**

Direct: 416-607-5186

Mobile: 416-889-4200

Fax: 416-848-3699

Email: [George.Zakem@macquarie.com](mailto:George.Zakem@macquarie.com)

**Andrew Ancone**

Direct: 212-231-1660

Mobile: 646-824-1722

Fax: 212-231-1717

Email: [Andrew.Ancone@macquarie.com](mailto:Andrew.Ancone@macquarie.com)

### 2.2 DESCRIPTION OF TEAM MEMBER EXPERIENCE RELATING TO RFPOI OBJECTIVES

#### **CHRISTOPHER VOYCE**

Christopher leads Macquarie's toll road advisory practice for North America. Christopher has over 14 years of experience in developing and closing complex infrastructure financings in Australia, Asia, Canada and the U.S. and is currently active in Mexico. He primarily focuses in toll roads but has experience in the rail, airport, and utility sectors and across all aspects of the capital structures.

Christopher's recent transaction experience in the road sector includes the I-595 Project, the Port of Miami Tunnel Project, advising Cintra and Meridiam on the North Tarrant Express and the IH-635 Project in Texas, leading Macquarie's involvement in the Midtown Tunnel Project in Virginia, the A25 Project in Montreal, Québec, the Sea-to-Sky project in Vancouver, British Columbia, and bids for FARAC1 and FARAC2 in Mexico.

#### **ANDREW ANCONE**

Andrew Ancone joined Macquarie in 1996, prior to which Andrew worked in project finance. He has led transactions and provided specialist advice in relation to a number of seaport transactions including a U.S. west coast terminal transaction and a U.S. east coast terminal transaction.

Andrew has worked on numerous high profile transactions in the U.S., including the acquisition of Express Energy Partners, Global Towers Partners, Hawaii Gas Company, and the Aquarion Water Companies. In addition, Andrew has advised on the acquisition of Hakone Turnpike in Japan, the debt and equity financing of InterGen in Singapore, and the structuring and financing for Maxis Telecommunications in Malaysia.

#### **GEORGE ZAKEM**

George joined Macquarie's Corporate Finance Group in 2001 and heads Macquarie's PPP Team in Toronto. George is an engineer with 21 years experience in project management, acting first as project manager of international development projects and, during the past 11 years, in transportation infrastructure financing as financial advisor and developer.

George has worked on some of the highest profile transportation PPP projects in Canada including the toll financings for the Autoroute-25 Completion Project ("A25") and Autoroute-30 Project ("A30") in Québec, Confederation Bridge in Prince Edward Island and the Highway 407 ETR Central Project in Ontario and is currently Project Director for Macquarie's efforts on the Windsor-Essex Parkway PPP bid.

#### **FREDERIC BETTEZ**

Fred joined Macquarie in 2004 and since 2006 has worked on PPP transactions. Fred acted as Assistant Project Director on both the A25 and A30 projects in Québec, where he also led negotiations with the subcontractors on the design-build agreement, operations, maintenance, and rehabilitation agreement, and the tolling agreement. Fred was also the coordinator for all investor and lender due diligence advisors such as technical, traffic, accounting, tax, and legal.

Currently, Fred is Project Manager for a Macquarie-led consortium's upcoming bid on the Windsor-Essex Parkway PPP project. Fred is well informed about the state of the capital markets, and the pricing and appetite of investors for large transportation projects, having recently completed two capital markets advisory mandates in Ontario.

### **3.0 COMPANY INFORMATION**

*Brief description of the firm's or team members' lines of business and experience in the delivery of transportation infrastructure projects under a public-private partnership model (i.e. design, build, finance, operate and maintain).*

#### **3.1 DESCRIPTION OF THE FIRM'S OR TEAM MEMBER'S LINES OF BUSINESS**

Macquarie's expertise is in the development of infrastructure projects, management of infrastructure assets, and equity investor/developer/financial advisor of PPP transactions worldwide.

#### **MACQUARIE GROUP LIMITED**

Founded in 1969, Macquarie Group Limited (the "Macquarie Group") is a leading global financial institution headquartered in Sydney, Australia with a global reputation for innovative corporate advisory solutions and expertise in infrastructure assets, notably transportation infrastructure. The Macquarie Group's main business focus is making returns by providing a diversified range of services to clients. The Macquarie Group provides services to and acts on behalf of institutional, corporate and retail clients and counterparties around the world.

Macquarie Group Limited is listed on the Australian Stock Exchange (ASX:MOG) with a market capitalization of just over US\$17.1 billion (as of March 12, 2010 closing price) and is rated "A-" by Standard & Poor's, "A2" by Moody's Investors Service and "A" by Fitch IBCA.

As an owner and manager of significant community assets, the Macquarie Group works closely with governments around the world to deliver important services including utilities, airports, and roads. The Macquarie Group's approach to risk management is long-standing. Strong risk management practices are embedded in business unit management with central oversight of credit, market, funding, compliance and operational risk. These, together with committed, quality staff are key drivers of the Macquarie Group's success.

## ORGANIZATIONAL STRUCTURE

The organizational structure of Macquarie Group is divided into a banking group and a non-banking group. The banking group consists of: Banking and Financial Services Group; Macquarie Funds Group; Fixed Income, Currencies and Commodities ("FICC"); Macquarie Securities Group; Corporate and Asset Finance Division; and the Real Estate Banking Division. The non-banking group consists of Macquarie Capital, and certain activities from the Macquarie Securities Group and FICC. Macquarie Capital is a significant component of the non-banking group, and encompasses Macquarie's Canadian and U.S. PPP activities through its Macquarie Capital Advisors and Macquarie Capital Funds divisions.

## MOST RECENT FINANCIAL RESULTS

The Macquarie Group Limited is well capitalized and well funded. It has a year end of March 31, but provided the following key points during an operational briefing on February 9, 2010: assets under management of A\$342 billion; capital of A\$11.9 billion, A\$4.5 billion in excess of Macquarie Group's minimum regulatory capital requirement; and additional funding initiatives undertaken with a US\$1 billion 10-year bond in January 2010, and bringing total Macquarie Group non government guaranteed debt issued to US\$2.5 billion over the last six months.

In the Macquarie Group's six-month results at September 30, 2009: six month net profit after tax C\$452 million; operating income after writedowns, impairments, equity accounted gains/losses, and one-off items C\$2.9 billion; and significant funding initiatives undertaken during the half year including an equity raise of A\$1.2 billion, and US\$1.5 billion of non-government guaranteed debt.

## GLOBAL PRESENCE

The Macquarie Group operated out of 70 offices in 28 countries and employed about 14,400 people as of December 30, 2009. This includes approximately 800 professionals working in 14 offices across Canada, and approximately 2,300 professionals in offices in 19 U.S. locations.





## INVESTMENT STRATEGY

Macquarie is a pioneer in the private sector development and operation of vital community assets. Partnership with governments and the community in providing infrastructure is Macquarie's core business, currently holding a portfolio of over 110 infrastructure assets around the world. To date, Macquarie's average length of ongoing operational concession period is greater than 25 years. Macquarie's financial security and wealth of international experience in a range of asset classes is unquestioned, and has positioned the Macquarie Group as a proven long-term partner and a market leader.

Macquarie recognizes the essential nature of the assets it owns and manages on behalf of the communities they serve. We take our community responsibilities very seriously and have a long track record of making appropriate investments to ensure the long term lifecycle performance of our assets.

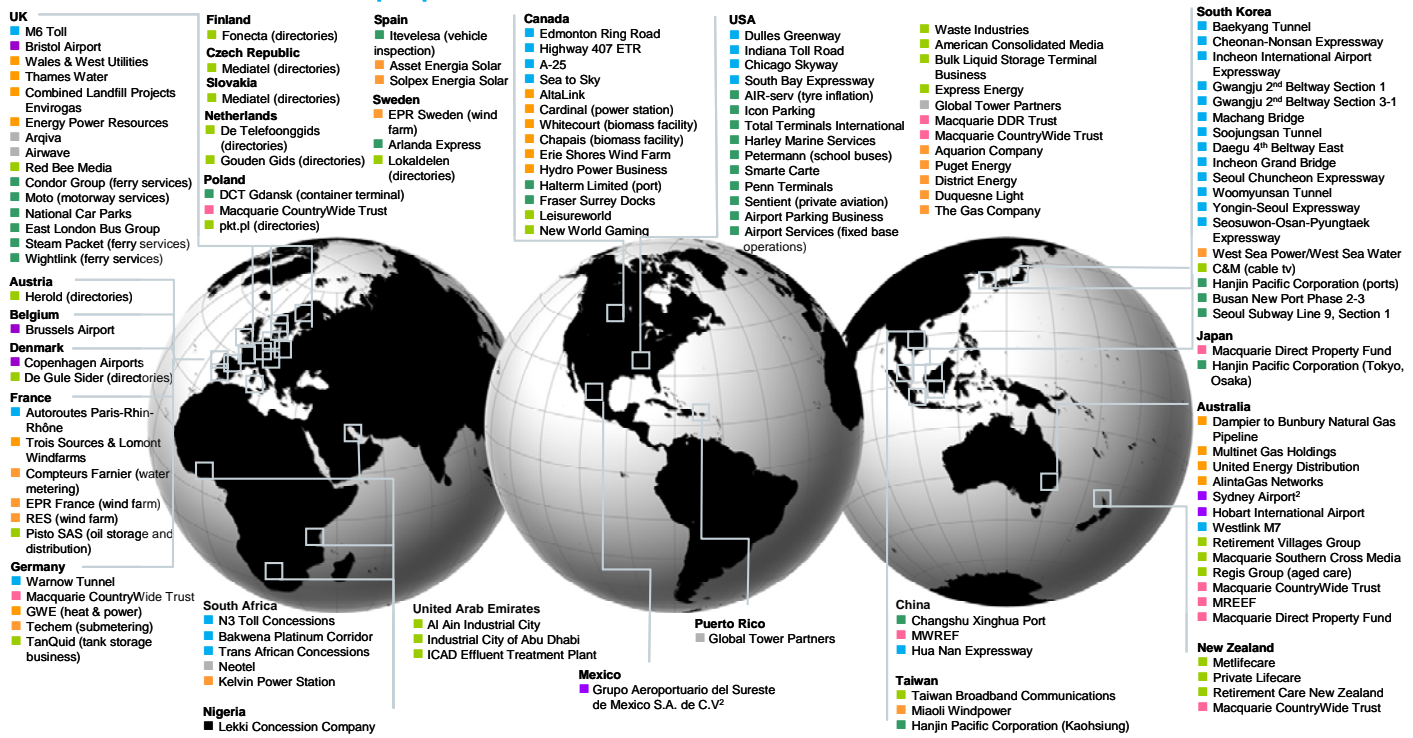
The following table sets out a few of the Macquarie Group's provisions of essential services around the world:

	<b>ROADS</b> +2.0 million vehicles per day		<b>AIRPORTS</b> +80 million passengers per annum
	<b>RAIL</b> +47 million passengers per annum		<b>BUSES</b> +340 million passengers per annum
	<b>FERRIES</b> +6.6 million passengers per annum		<b>CAR PARKS</b> +380,000 car spaces
	<b>SEA PORTS</b> +3.0 million standard container units handled per annum		<b>ELECTRICITY</b> +4.1 million households

As at 30 September 2009

Macquarie is a long-term holder of infrastructure assets. In a portfolio of more than 110 assets, Macquarie has sold only a handful of assets. The following graphic sets out the assets managed by Macquarie around the world:

**~110 businesses and ~350 properties<sup>1</sup>**



1. As at 30 September 2009. Represents businesses and assets which Macquarie Capital Funds manages on behalf of investors with various direct percentage stakes held in each.  
 2. Subsequent to the internalisation of M&P on 15 Oct 2009, Sydney Airport and Grupo Aeroportuario del Sureste de Mexico S.A. de C.V. are no longer managed by Macquarie Capital Funds.

**3.2 EXPERIENCE IN THE DELIVERY OF TRANSPORTATION INFRASTRUCTURE PPP PROJECTS**

Macquarie is a global leader in the development and delivery of transportation infrastructure PPP projects. In the last few years, Macquarie has played a role in all of the following successful PPP road projects:

Project Name	Date	Country	Description / Macquarie Role
North Tarrant Expressway	2009	U.S.	Financial advisor on the US\$2 billion North Tarrant Expressway, the only privately financed toll road project to close in the U.S. during 2009.
Port of Miami Tunnel	2009	U.S.	Macquarie acted as financial advisor for the winning consortium on the \$903 million tunnel project. Macquarie was engaged after the bid was awarded to raise the debt financing to achieve Financial Close amidst difficult market conditions, and reached financial close in October 2009.
M25	2009	U.K.	Macquarie acted as financial advisor to the winning consortium for the M25 concession. Raised £713 million in debt financing.
I595	2009	U.S.	Macquarie acted as financial advisor to a consortium bidding for the Interstate 595 concession. Raised over US\$780 million in committed debt facilities.
Airport Link	2008	Australia	Advisor to the BrisConnections consortium on its bid for the Airport Link, Northern Busway and Airport Roundabout Upgrade projects in Brisbane. Transaction size of A\$5.6 billion.
A1 Highway	2008	Germany	Advisor on the redevelopment, operation and maintenance of 73 km of the existing A1 Highway in Germany. Raised €650 million.
A-25	2007	Canada	Advisor and sponsor to the Concession 25 consortium's bid for the Autoroute 25 toll bridge in Québec. Raised C\$597 million in committed debt financing.
APRR	2006	France	Advisor to the Eiffage SA-led consortium on the acquisition of Autoroutes Paris-Rhin-Rhône motorway. Transaction value of €12.1 billion.
Indiana Toll Road	2006	U.S.	Advisor to the Macquarie Infrastructure Group led consortium to acquire the 75 year concession lease for the Indiana Toll Road in Virginia. Transaction value of US\$3.8 billion.

## 4.0 SCOPE

*An identification of all the elements of the project the respondent believes should be delivered by a single developer. Respondents may provide one or more solutions in their submission.*

The RFPOI sets out the four elements of the Project: the U.S. interchange (I-75), the U.S. plaza, the bridge, and the Canadian plaza. Since the size of the Project will be determined by the elements that are included, there seems to be only two logical solutions for procuring all four elements: 1) all elements together as one single procurement, and 2) separate the bridge and approach roads from the Canadian plaza, from the U.S. plaza and interchange (creating three separate projects).

Macquarie suggests a single procurement of all four elements to achieve greater coordination that will lead to lower costs and an improved schedule as described in the following paragraphs.

### 4.1 PROCUREMENT COSTS

All participants in PPP procurements understand that the cost to be incurred will be greater than straight design-build tenders. Thus, both the public and private sector have discussed ways to reduce the overall cost of procurement, and the first way to do this is to standardize the documentation, specifically the project/concession agreement. The procuring authority should borrow heavily from existing precedents.

If the elements are procured in more than one process, then integration issues with multiple procurements would have to be addressed, including how to supervise the interface between as many as four successful proponents. MDOT and TC are also faced with the decision of whether to have the procurements in parallel or consecutively. These decisions force evaluation of staffing requirements, resource availability, and budgeting, as well as ultimate timing for completion of all four elements. The private sector would also be faced with similar decisions on resourcing and budgeting for bidding.

Another key concern is the approval process required. MDOT and TC will require a number of government approvals (U.S. Coast Guard, Fisheries and Oceans Canada, etc.) to not only commence the Project, but also to reach commercial close. Timing for more than one procurement, as a result of these approval processes, could be too much of an obstacle to complete the Project in a reasonable time to meet the need and demand of the public.

Public sector costs will increase due to the attention to and documentation of any integration issues that may arise; in addition, private sector costs to bid this project will exceed C\$10 million, with this number inherently swelling if the elements are divided into multiple projects. The advantage to a single project is clear: it avoids these concerns entirely. Tendering the four elements as one procurement will not only save costs for both the public and private sectors, it will deliver a government-owned bridge crossing sooner and ensure greater coordination between each element.

#### 4.2 AVAILABILITY OF FINANCING

The RFPOI estimates the size of the Project at US\$2.26 billion. If the elements were divided into a bridge element, the Canadian plaza, and the U.S. plaza and interchange, they would be US\$812 million, US\$523 million, and US\$925 million respectively. Regardless of the scope, these are all large projects that need to be financed, and the availability of financing, not to mention the administrative cost of four separate financings, is an issue that needs to be carefully considered.

The payment mechanism (Section 5.0 below), term of the agreement (Section 6.0 below), and specific requirements selected by the government for the project will all be highly determinative of the availability of financing, and are discussed in more detail below. Generally though, financing will be available for all forms of scope, from the small, single element option to the full four element option (see Section 8.3 below). The advantage to a single project though, is that it not only gives MDOT and TC a wider range of options on the business model decision, but it also attracts more lenders because of its significant size and prestige. The attraction of a single project is shared by the lenders and the private sector developers.

#### 4.3 APPROACH TO DESIGN AND INNOVATIONS

With a single project containing all four elements, proponents will be provided with the most efficient submissions. Since there are four elements to the Project, the government would likely leave resource determination and capital expenditure allocation to the proponents.

Subject to the government's technical specifications and requirements, proponents could develop technical and financial innovations to improve the delivery of the concession to the government. Such innovations, while limited to the design, build, operations, finance, maintenance, and rehabilitation the Project, could propose innovations including but not limited to: a) savings in energy matters, b) environmental improvements, c) erection of structures for Other Revenue initiatives, or d) tolls booth, offices, and other structures for administration of customs and border issues.

The proponents would optimize the NPV by testing various designs and innovations as they have in past PPP projects. If the elements of the Project are separately tendered, the scope for developing innovations would be reduced.

## 5.0 BUSINESS MODEL

*Assuming that the project will be developed as a tolled facility, a brief description of a public-private partnership business models that would be considered appropriate for the project (e.g. real tolls, availability payments, hybrid, other) and what would be the benefits for the project and the public arising from each option. Also, examples of projects where such a business model has been successfully used.*



The payment mechanism defines the revenue stream to be received by the Project Company throughout the life of the concession. Each PPP arrangement requires a revenue source to, *inter alia*, finance the project, support the equity capital, provide cash flow to pay expenses, and provide a return to the sponsors. Generally, each PPP transaction may be classified as having primarily availability payments, volume-based payments, or a hybrid payment mechanism.

In the past, it has been our experience that most PPPs have been designed with availability payment structures since the services provided by the private sector to the public could not be charged to the user (e.g. hospitals, courthouses, jails, non-tolled highways, schools, etc.). However, volume deals are practical if the private sector has a source of revenue other than the government. Such assets include toll roads, airports, and utilities where end users pay for the services provided by the private sector. This Project **could** employ a user charge for the use of the bridge. However, a few specific conditions need to be in place for this structure to work:

- a. The asset or service needs to be in a quasi-monopoly or at least have high barriers to entry (either physical, financial or regulatory). This allows the private sector equity investor to feel confident in their revenue forecast, essential because, unlike other businesses, infrastructure assets cannot be moved or adapted to perform other tasks, attract other users or perform other services.
- b. A system for collecting fees (e.g. tolls) from end users must exist.
- c. The fee for service (in this case the toll) needs to be set at a level that is also economically viable for the end users. Without any guidance on the start level or permitted escalation of tolls, Macquarie's experience leads to the conclusion that toll revenue alone will not be able to support the construction of the Project, particularly when the validity of that number relies on the unpredictability of the competitive response from the owner of the Ambassador Bridge.<sup>1</sup>

As a result of these conditions, we do not believe that this project is financeable as a pure toll facility and therefore only the availability payment option and the hybrid option will be discussed below.

## 5.1 BUSINESS MODEL 1 – AVAILABILITY PAYMENTS

Under an availability deal, the government sets out a payment structure for the operating period whereby it makes payments monthly throughout the operating period. These are sometimes separated into an operations and maintenance component, a rehabilitation component, and a capital payment component (the last for repaying principal and interest on debt and equity returns). The government sets the maximum percentage of payments that will be indexed for inflation. Typically, the most efficient way to manage inflation is to allow bidders to determine what payment or what percentage of each payment stream they would like to receive inflation protection in order to maximize the efficiency of their financing structure and price submission – for example, Real Return Bonds are often in high demand.

If MDOT and TC elected to structure the payment mechanism as availability payments, it would first detail the structure of those payments. Bidders submit their required payment and MDOT and TC would select the winning bid based on the lowest net present value of all payment streams from the government. However, if Construction Payments (outlined below) are considered, the government needs to be careful the evaluation structure does not create disincentives to an early construction completion. This is because Construction Payments made earlier by the government may weigh heavier in the net present value calculations and cause a higher bid NPV.

In any PPP, the government can elect to make contributions to the project during the construction period ("Construction Payments"). Construction Payments can either be: a) construction milestone payments paid for specific items of the construction project, b) progress payments which are paid out based on the percentage of construction completed, or c) a construction completion payment paid when the contractor achieves substantial completion of the project. In every case, the Construction Payments represent significantly less than 100% of the construction costs of the project. In fact,

<sup>1</sup> MDOT Press Release of February 17, 2010 shows average weekday traffic in 2035 is expected to be 34,600 vehicles, and according to the RFPOI, the combined cost of the Project is US\$2.26 billion.

Construction Payments are typically as small as possible, or not used at all, in order to transfer as much risk as possible to the private sector financing.

Macquarie's preferred payment mechanism for this Project is (to the extent MDOT and TC wish to fund a portion of the Project) a single, large construction payment at substantial completion, accompanied by availability payments through the operating period.

Given the assumption that this is a tolled facility, the government will need to address question regarding how to administer the tolls (e.g. collection, billing, etc.). If the tolls are collected and retained by the proponent, the government would benefit from the transfer of the traffic risk to the private sector (this would fall into the hybrid category). If the tolls were collected by the government or collected by the proponent and remitted to the government, the government would remove a variable from the bid and both it and the public would benefit from the reduction in contingencies and a lower NPV.

## 5.2 BUSINESS MODEL 2 – HYBRID OF TOLL REVENUE AND AVAILABILITY PAYMENTS

Given the assumption noted in the RFPOI that the Project would be developed as a tolled facility and the relatively low projected traffic volume compared to the capital expenditure expectations, a hybrid business model can be employed. Macquarie is comfortable participating in transactions of this nature, having had experience with this type of business model before, most recently in Québec on two transactions (2007 and 2008), one of which had a similar capital cost to this Project.

In a hybrid model, the end user is charged a toll for the use of the facility. Therefore, the government must make two important structural decisions for the project: (i) which party should operate the tolling infrastructure (government, proponent or third party) and (ii) which party is best suited to bear volume risk. Factors that must be considered include:

- i. For best operating party, factors include the payment options available to users (e.g. tags, cash, electronic), and whether there any existing operators in the area that would have economies of scale (e.g. an existing tag base, existing back office operations, database of existing accounts, etc.).
- ii. For bearing volume risk, factors include the proportion of volume revenues as a percentage of total revenues, and potential for lost revenue due to border operations out of the control of the proponent (e.g. closures/delays due to increased border security or customs issues at tolling plazas).

Based on our understanding of the Project, Macquarie suggests that MDOT and TC are best suited to assume the volume risk and that a third party or a government or government-controlled entity should operate the tolling infrastructure.

In any of the hybrid models mentioned in the paragraph above, the concessionaire also receives availability payments through the operating period, which leaves the question of financing through the construction period. Generally, it is preferable to allow the proponent's to determine this as it permits the greatest flexibility for private financing. However, many governments have recently supported some form of Construction Payment which grants a lump-sum payment at construction completion.

This business model is beneficial for the government because if the toll revenue is predicted to be a high proportion of the payment mechanism, then the availability payments will be lower, and the financing commitment of the government is reduced. If the toll revenue is predicted to be a lower proportion of the payment mechanism, then the public benefits because the proponent has less of an incentive to be aggressive on toll increases (and traffic forecasts) because such assumptions have less of an impact on overall revenue. Finally, the proponents benefit by having the flexibility to forecast at least some of their revenue stream.

The concern that must be expressed at this point is with respect to traffic risk remaining in the Project. Such risks are viewed differently by each proponent and will be reflected in their bid NPV. The government should be aware that the proponent's bids can therefore cover quite a large range: a 30% difference between bid NPVs is not uncommon. Should the government attempt to provide protection to such swings (e.g. by providing a revenue floor and ceiling), Macquarie recommends that any such band be narrow, and anything outside that band be assumed by the government. These measures will ensure more consistent NPV submissions, provide government protection to "cowboy" assumptions, and add credibility to the value for money determination because the concession value across all proponents will be closer.

### 5.3 EXAMPLES OF PPP TRANSACTIONS IN DIFFERENT BUSINESS MODELS

The following table sets out a select number of U.S. and Canadian road PPPs in which Macquarie participated as a developer, equity investor, or financial advisor. They have been divided by payment mechanism to show the preferred approach in North America:

Business Model	United States	Canada
Availability	Fastracks Eagle P3 (Colorado – in bid phase) Port of Miami Tunnel (Florida) Interstate 595 (Florida)	Windsor-Essex Parkway (Ontario) Southeast Stoney Trail (Alberta) Northwest Anthony Henday Drive (Alberta) Northeast Stoney Trail (Alberta) Golden Ears Bridge (British Columbia) Kicking Horse Canyon Bridge (British Columbia)
Hybrid*		Autoroute 30 (Québec) Autoroute 25 (Québec) Sea-to-Sky Highway (British Columbia) William R. Bennett Bridge (British Columbia) Highway 104 (Nova Scotia) Confederation Bridge (Prince Edward Island)
Pure Toll	North Tarrant Express (Texas) Indiana Toll Road (Indiana) Chicago Skyway (Illinois) South Bay Expressway (California) Dulles Greenway (Virginia)	Port Mann / Highway 1 (British Columbia) Highway 104 (Nova Scotia) Confederation Bridge (Prince Edward Island)

\* Includes volume risk plus either one or both of: a) availability payments and b) government construction payments.

Golden Ears Bridge in Greater Vancouver could be a good proxy for this project's structure. The process reached financial close in June 2006, and opened to the public in June 2009. The bridge is tolled with the tolls collected by the government (through a contract with a separate company). The government therefore takes the volume risk and compensate the concessionaire with availability payments. Therefore, the proponents bid 100% availability payments.

## 6.0 TERM OF AGREEMENT

*The preferred length (years) of the Public-Private Partnership agreement under such business model(s).*

Among the numerous factors that governments must consider when evaluating options for the length of the concession term, two stand out as being of primary importance. The first is whether the concession term is fixed or whether the operating period floats based on substantial completion and the second is the overall length of the concession. These two factors may have different impacts given the particular business model selected.

Macquarie suggests a fixed, 35-50 year concession term depending on the government's approach to asset risk.

### 6.1 FIXED VERSUS FLOATING CONCESSION TERM

The fixed concession term occurs when the expiry date of the concession is defined relative to financial close. This structure doesn't address the length of construction because it's irrelevant to both the government and the concessionaire. The floating concession term occurs when the operating period begins at substantial completion, regardless of when that may occur. In this structure, the length of the construction period is significant and its effect on the overall NPV of the bid is determined by the payment mechanism.

Both the payment mechanisms selected by the government and the type or structure of the concession term play a significant role in the NPV received by the government. Generally, it's difficult to measure the impact of the structure of the concession term when toll revenue is involved, as there are many components of traffic estimates. However, there is a significant benefit to a fixed concession term when there is an availability payment mechanism. The benefit comes from the concessionaire's flexibility to have a shorter construction period and receive additional availability payments. When these additional payments flow through the financial model, the project requires less financing from debt and equity, meaning less interest being paid on that debt and reducing the amount of expensive equity required for the project. If structured correctly, these two variables can result in an improved NPV received by the government, and a better Value for Money evaluation.

The table below lists some U.S. and Canadian road transactions with fixed and floating concession terms:

Concession Term	United States	Canada
Fixed	Fastracks Eagle P3 (Colorado) North Tarrant Express (Texas) Interstate 595 (Florida) Port of Miami Tunnel (Florida) Indiana Toll Road (Indiana) Chicago Skyway (Illinois)	Port Mann / Highway 1 (British Columbia) Autoroute 25 (Québec) Sea-to-Sky Highway (British Columbia) Kicking Horse Canyon Bridge (British Columbia) William R. Bennett Bridge (British Columbia)
Floating	South Bay Expressway (California) Dulles Greenway (Virginia)	Windsor-Essex Parkway (Ontario) Southeast Stoney Trail (Alberta) Northwest Anthony Henday Drive (Alberta) Autoroute 30 (Québec) Northeast Stoney Trail (Alberta) Golden Ears Bridge (British Columbia) Southeast Anthony Henday Drive (Alberta) Highway 104 (Nova Scotia) Confederation Bridge (Prince Edward Island)

## 6.2 OVERALL LENGTH OF CONCESSION

It's generally argued that the longer the concession term, the greater the present value of future revenues and so the greater the NPV bid on any given project. This is particularly true when the payment mechanism is based on volume (e.g. a toll road) and the concessionaire takes an aggressive view on growth. Such escalated values can be attractive to government if the receipt of a large up-front fee is desired (Macquarie's Chicago Skyway and Indiana Toll Road projects, at 99 years and 75 years respectively, are two such examples).

A concession term that is **too** long, though, can result in some challenging aspects for some investors. For example, the concessionaire may be required to postpone investments to the project and the asset to minimize the uncertainty of future returns.<sup>2</sup> A study done for the OECD on successful European PPPs concluded that beyond 30-35 years the benefits to taxpayers are sub-optimal,<sup>3</sup> though still profitable. In fact, beyond that approximate time period, financing becomes more difficult as well – bond market liquidity becomes significantly smaller beyond 30 years, and long-term bank debt for PPPs doesn't exist beyond 30 years. The result is that, with concession terms greater than 35 years, proponents must assume refinancing risk regardless of the financing solution. While Macquarie's funds and other infrastructure investors have worked around these challenges, they still exist with longer-term concessions.

Financing in shorter concessions isn't as much of a concern, as the availability and variety of financing alternatives expands (while also corresponding with the terms of more liquid government bonds). However, concession terms that are too short

<sup>2</sup> Alpaos, Chiara D.; Dosi, Cesare; and Moretto, Michele; "Concession Length and Investment Timing Flexibility", Social Science Department at Fondazione Eni Enrico Mattei, February 2005, page 10.

<sup>3</sup> "Public Sector Decision Making for Public-Private Partnerships", National Cooperative Highway Research Program (NCHRP) Synthesis 391, Washington, DC 2009, page 37.

often don't allow the concessionaire to earn sufficient returns through full amortization of the underlying assets. Toll road PPPs in Mexico in the 1990s are good examples of where 5-12 year concessions led to high toll rates, uncertainty in traffic demand, and eventually failed concessions.<sup>4</sup>

For these reasons, the optimal concession term is somewhere in between these extremes. The majority of road PPPs in North America are between 30-35 years.

The following table sets out the concession term of some notable road PPP transactions in the U.S., Canada, and Mexico:

Total Concession Length	United States	Canada/Mexico
35 years and under	Interstate 595 (Florida)(35) Port of Miami Tunnel (Florida)(35)	Windsor-Essex Parkway (Ontario)(C+30) Southeast Stoney Trail (Alberta)(C+30) FARAC 2 (30) Northwest Anthony Henday Drive (Alberta) (C+30,max33) Autoroute 30 (Québec)(C+30,max35) FARAC 1 (30) Autoroute 25 (Québec)(35) Northeast Stoney Trail (Alberta)(C+max30) Golden Ears Bridge (British Columbia)(C+32) Kicking Horse Canyon (British Columbia)(25) Sea-to-Sky Highway (British Columbia)(25) William R. Bennett Bridge (British Columbia)(30) Southeast Anthony Henday Drive (Alberta) (C+30) Highway 104 (Nova Scotia)(C+30)
36-50 years	Fastracks Eagle P3 (Colorado)(46) South Bay Expressway (California)(C+35)	Port Mann / Highway 1 (B.C.)(40) Confederation Bridge (Prince Edward Island)(C+35)
51 years and over	North Tarrant Express (Texas)(52) Chicago Skyway (Illinois)(99) Indiana Toll Road (Indiana)(75) Dulles Greenway (Virginia)(C+60)	Highway 407 International (Ontario)(99)

## 7.0 OTHER REVENUE

*Identification of other business opportunities such as operation of duty free shops.*

As the RFPOI outlined in Section 3.1, there are already a number of elements for MDOT and TC to consider. As noted above in Section 4.0, Macquarie believes that MDOT and TC will receive the best value for money if it tenders all four segments in one transaction. If that does occur, this will be a large transaction for any potential proponent.

The request for Conditions Precedent is discussed below in Section 10.0, wherein we discuss impediments to the Project. Those issues are related and possibly even integral to progressing this transaction from the proponent's perspective. This Section 7.0 has the potential to distract the proponents from providing, among other things, better construction pricing, financial and technical innovations, and energy improvements. Our recommendation would be to either tender one of the suggestions below in a separate procurement process (like that for the Ontario Service Centres)<sup>5</sup> or retain it as an obligation

<sup>4</sup> Ibid.

<sup>5</sup> Infrastructure Ontario website link to the procurement: [http://www.infrastructureontario.ca/en/projects/mto/service\\_centres/profile.asp](http://www.infrastructureontario.ca/en/projects/mto/service_centres/profile.asp)

of the government to provide a portion of it by a certain point in time (e.g. provide executed agreements with retailers 6 months prior to substantial completion).

Given the opinions of the other respondents, if MDOT and TC continue the market sounding for business opportunities that might provide other revenue to the Project, some suggestions have been provided below:

- a. Retail
  - i. Duty Free Shops
  - ii. Factory Outlet Mall (similar to those in Collingwood, Ontario and Buffalo, New York)
  - iii. Gas Station / Car Wash
  - iv. Restaurants
  - v. Strip Malls (e.g. convenience store, pharmacy, banks, fast food chains, coffee shops)
  - vi. Rest Area with Vending Machines (machines similar to those in Europe – provide everything from candy to clothing to electronics)
- b. Operations
  - i. Information Booth (staffed by concessionaire)
  - ii. Tolling Operators (provided by concessionaire depending on tolling system and whether tolls are collected separately from customs and border officials)
- c. Other
  - i. Slots / Casino
  - ii. Pub (selling, among other things, liquor and food that is available in the Duty Free Shops)

## 8.0 FINANCING

*An indicative, high-level, structure of private financing for the solution(s), including:*

- *funding split (debt/equity);*
- *types of debt facilities and main assumptions; and,*
- *any innovative financing tools, including Transportation Infrastructure Finance and Innovation Act federal credit assistance (TIFIA) and Private Activity Bonds (PABs), that would be considered desirable.*

### 8.1 FUNDING SPLIT

The overall funding split will be heavily dependent on the business model ultimately selected and the overall risk allocation framework outlined in the Concession Agreement and the Instruction to Proponents.

#### **BUSINESS MODEL 1: AVAILABILITY PAYMENTS**

There have been many public-private partnerships procured in both Canada and United States using a 100% availability payment mechanism from government authorities rated A+ (Standard & Poor's) or A1 (Moody's) or higher. These projects have typically been financed using a combination of senior debt and equity in proportion of 90%:10% respectively. Amidst the financial crisis, there was downward pressure on leverage ratios to 85%:15%; recently, there has been a return to more typical levels. There is one notable exception: If the paying or guaranteeing authority contains a weaker credit rating than outlined above, downward pressure on the overall debt to equity ratio would be expected. In general, capital providers – both debt and equity – have grown accustomed to such funding splits in this type of payment mechanism and the financial stability that they deliver and are willing to allow for such highly-g geared structures.

## BUSINESS MODEL 2: HYBRID OF TOLL REVENUES AND AVAILABILITY PAYMENTS

Payment mechanisms featuring volume risk generally result in lower leveraged structures than those commonly found in 100% availability structures. The ultimate leverage ratio will be dependent on the percentage mix between toll revenues and availability payments. As toll revenue risk will be the constraining factor in the gearing ratio, it is helpful to understand what factors underpin toll revenue risk. Toll revenue risk will be driven in part by the impact of the following variables on the projected revenue forecast:

- Underlying economic conditions in both the United States and Canada as they affect bilateral trade in goods and services and overall global trade flows;
- Traffic volumes, which will be directly and indirectly affected by: a) congestion; b) the quality, proximity, and timing of the development of alternative roads and other transport infrastructure (including alternate and competing border crossings); c) toll rates; d) population growth; e) perceived value for money; and f) fuel prices; and
- The quality, quantity, and availability of prior relevant traffic history.

The financial crisis has diminished capital providers' appetite to bear toll revenue risk. The resurgence in appetite has not yet returned to the same extent as observed in availability structures. This is in part reflected by lower debt to equity ratios in toll road financings than what was seen prior to the financial crisis. In the absence of clarity regarding the future of the Ambassador Bridge or the potential competitive response of its owner, lenders and investors will heavily discount the toll revenue expectations from the bridge, thereby reducing leverage if a hybrid payment mechanism were to be selected by MDOT and TC.

### 8.2 TYPES OF DEBT FACILITIES AND MAIN ASSUMPTIONS

The type of debt facilities and associated financial terms and covenants will be a function of the business model selected. We have outlined high level indicative debt terms for both senior bank loans and senior bonds under the 100% availability payment mechanism (Business Model 1) and the hybrid toll/availability payment mechanism (Business Model 2) for both U.S. and Canadian dollars.

<b>Business Model 1 – Availability Payments</b>				
<b>Debt Product</b>	<b>Senior Secured Bank Loan</b>	<b>Senior Secured Bank Loan</b>	<b>Senior Secured Bond</b>	<b>Senior Secured Bond (Taxable)</b>
Currency	C\$	US\$	C\$	US\$
Market Capacity	In excess of C\$1.0 billion	In excess of [US\$800] million	C\$400 – C\$800 million (will depend on credit rating)	[US\$800] million (will depend on credit rating)
Gearing (Debt:Equity)	90%:10%			
Arrangement / Underwriting Fee	275 bps of debt arranged	300 bps of debt of arranged	200 bps of debt underwritten	150 bps of debt placed, lower for Investment Grade debt – <i>No dealers provide firm credit spread locks in the U.S. (i.e. no underwrites).</i>
Credit Margins	Construction: 275 bps	Construction: 300 bps	285 bps – 340 bps	[300] bps – [350]

<b>Business Model 1 – Availability Payments</b>				
	25 bps annual or bi-annual margin step-ups during operations to incentivize a refinancing	25 bps annual or bi-annual margin step-ups during operations to incentivize a refinancing	(will be credit rating dependent)	bps (will be credit rating dependent)
Commitment Fees	40% of drawn margin	40% of drawn margin	N/A	N/A
Tenor	Long-term tenors may be possible (>20 years) using soft-mini perms structures with scheduled maturity equal to between 7 and 10 years	Long-term tenors may be possible (>20 years) using soft-mini perms structures with scheduled maturity equal to between 7 and 10 years	Final maturity of 30 years with underlying average life between 20 and 23 years	Final maturity of 30-35 years with underlying average life between [20] and [23] years
Debt Service Coverage Ratios	Minimum:1.20x Average:1.25x Lock-up:1.15x Event of Default:1.05x	Minimum:1.20x Average:1.25x Lock-up:1.15x Event of Default:1.05x	Minimum:1.15x Average:1.22x Lock-up:1.15x Event of Default:1.00x	Minimum:1.15x Average:1.22x Lock-up:1.15x Event of Default:1.00x

<b>Business Model 2 – Hybrid of Toll Revenues and Availability Payments</b>				
<b>Debt Product</b>	<b>Senior Secured Bank Loan</b>	<b>Senior Secured Bank Loan</b>	<b>Senior Secured Bond<sup>6</sup></b>	<b>Senior Secured Bond (taxable)<sup>7</sup></b>
Currency	C\$	US\$	C\$	US\$
Market Capacity	In excess of C\$1 billion	In excess of US\$600 million	C\$400 – C\$600 million (will depend on credit rating)	[US\$500 million] (will depend on credit rating)
Gearing (Debt:Equity)	Unknown <sup>8</sup>			
Arrangement / Underwriting Fee	275 - 300 bps of debt arranged	275 - 300 bps of debt arranged	200 bps of debt underwritten	[150 bps] of debt placed – <i>As far as we are aware no dealers provide firm credit spread locks in the U.S. (i.e. no underwrites).</i>

<sup>6</sup> There hasn't been a financing of a hybrid payment structure in Canada since the global financial crisis. Therefore, any Debt Service Coverage Ratio expectations are estimates.

<sup>7</sup> The project finance bond market in the U.S. closed few transactions over the last 24 months. The capacity and pricing is less certain than the bank loan execution. The indications shown in the table above are based on current expectations and deals executed in the tax-exempt bond market.

<sup>8</sup> As mentioned earlier, in the absence of clarity regarding the future of the Ambassador Bridge or the potential competitive response of its owner, the extent to which lenders and investors discount the toll revenue expectations from the bridge is unknown.



Business Model 2 – Hybrid of Toll Revenues and Availability Payments				
Credit Margins	Construction: 275 - 300 bps  25 bps annual margin step-ups during operations to incentivize a refinancing	Construction: 275 - 300 bps  25 bps annual margin step-ups during operations to incentivize a refinancing	300 bps – 350 bps (will be credit rating dependent)	300 bps – 350 bps (will be credit rating dependent)
Commitment Fees	40% of drawn margin	40% of drawn margin	N/A	N/A
Tenor	Hard mini-perms with maximum tenors equal to 7 – 10 years	Hard mini-perms with maximum tenors equal to 7 – 10 years	Final maturity of 30 years with underlying average life between 20 and 23 years	Final maturity of 30 years with underlying average life between 20 and 23 years
Debt Service Coverage Ratios	Minimum:1.30x – 1.35x Average:1.40x – 1.50x Lock-up:1.15x – 1.20x Event of Default:1.05x – 1.10x	Minimum:1.30x – 1.35x Average: 1.40x – 1.50x Lock-up:1.15x – 1.20x Event of Default:1.05x – 1.10x	Minimum:[1.25]x Average:[1.22]x Lock-up:[1.15]x Event of Default:[1.00]x	Minimum:[1.30]x Average:[1.50]x Lock-up:[1.20]x Event of Default:1.00x

### 8.3 FINANCIAL INNOVATIONS

As a bilateral undertaking between the United States and Canada, the Project can benefit from the myriad of innovative financing programs available in both countries. Macquarie has identified the following financing programs as being highly beneficial to the overall financial structure for the Project: export credit agencies in both the U.S and Canada (Export-Import Bank of the United States and the Export Development Canada); Transportation Infrastructure Finance and Innovation Act federal credit assistance (“TIFIA”); and Private Activity Bonds (“PABs”).

#### EXPORT DEVELOPMENT CANADA (“EDC”)

EDC is Canada’s export agency, helping exporters and investors expand their international business. As part of their suite of financing and assistance programs, EDC offers a Project Finance program. Through this program, EDC can and does act as a direct lender to non-domestic infrastructure projects. They add lending capacity and provide structuring expertise and direct financing of complex, large-scale global projects across a variety of industry sectors. This program would allow EDC to participate in the financing of the U.S. portion of the Project. However, as part of the Canadian government’s *Budget Implementation Act* of 2009, the federal government extended EDC’s mandate for a period of two years. This mandate extension allows EDC to participate as a direct lender in domestic projects that demonstrate trade-enabling features to the Canadian economy. Subsequently, EDC would be permitted to participate in the Canadian portion of the Project **as well as** the U.S. portion, and would do so on terms equivalent to those provided by the commercial banks involved in the Project. As part of this financing support, EDC is able to underwrite an amount of debt equal to that of the largest lender in the syndicate. The mandate extension expires on March 12, 2011.

#### EXPORT-IMPORT BANK OF THE UNITED STATES (“EXIM”)

EXIM offers a similar program to that offered by EDC entitled *Structured and Project Financing*. Through this program, EXIM offers guarantees and direct loans to finance U.S. exports for the construction and operation of projects through structured finance transactions, including limited recourse project finance. This program could be utilized to help finance the Canadian aspects of the Project that are being developed by U.S.-based suppliers and/or contractors. EXIM lends and/or guarantees debt capital at more competitive rates to those provided by commercial banks and has no single project dollar limits.

## FEDERAL CREDIT ASSISTANCE: TIFIA

The *Transportation Infrastructure Finance and Innovation Act* of 1998 established a federal credit program for eligible transportation projects of national or regional significance under which the U.S. Department of Transportation may provide three forms of credit assistance – secured (direct) loans, loan guarantees, and standby lines of credit. The program's fundamental goal is to leverage Federal funds by attracting substantial private and other non-Federal co-investment in critical improvements to the nation's surface transportation system. TIFIA provides an extremely competitive and structurally flexible source of debt capital. The TIFIA program has helped finance many public-private-partnerships in the United States, where Macquarie has been involved (e.g. Port of Miami Tunnel Project; I-595 Corridor Improvements Project; and the North Tarrant Express Managed Lanes Project).

## PRIVATE ACTIVITY BONDS (“PABS”)

PABs are a form of municipal security. In order to be PAB eligible, either of two sets of conditions set out in Section 141 of the Internal Revenue Code need to be satisfied. The following non exhaustive list of private activity bonds are qualified bonds under federal tax laws: Exempt facility bonds; Qualified 501(c)(3) bonds; Qualified 501(c)(3) bonds; Qualified mortgage bonds; and Qualified redevelopment bonds. The use of PABs can expand the available pool of capital to help fund the Project by accessing a different investor base. Current market capacity per issue is between US\$400 million and US\$600 million, depending on the underlying credit rating of the bonds. In normal market conditions, issuing tax-exempt securities should be more attractive than issuing the equivalent taxable debt to reflect the inherent value of the tax attributes of the securities. While PABs are typically subject to the alternative minimum tax (“AMT”), the American Recovery and Reinvestment Act of 2009 has temporarily repealed AMT treatment for all PABs issued in 2009 and 2010. The municipal bond market had a near record year in 2009, with a total issuance volume of US\$409 billion. The successful sale of the PABs for the North Tarrant Express PPP project during the fourth quarter of 2009 indicates signs of recovery and market appetite for project-related bonds. The success of the North Tarrant Express PABs could serve as a model for future projects, subject to an extension of the temporary repeal of AMT treatment.

## 9.0 RESPONDENT’S EXPERIENCE

*A brief description of the respondent’s experience in:*

- *Public-private partnerships – provide brief examples to demonstrate the Respondent’s experience and successful participation in the design, construction, financing, operation and/or maintenance of transportation infrastructure projects.*
- *Local Contracting Partners – provide brief examples of past practice of partnering with local contractors and minorities, women, and other historically disadvantaged business enterprises on similar projects consistent with the Partnership’s objective of maximizing participation by these groups.*

### 9.1 PUBLIC-PRIVATE PARTNERSHIP EXPERIENCE

Over the last 5 years, Macquarie Group (see Section 3.0 for organizational structure) has participated in more than 41 PPP transactions worldwide as a financial advisor and, on selected transactions, also as developer and equity investor. The total value of these PPP transactions is approximately C\$25 billion. Apart from the table in Section 3.2, selected transactions are provided in more detail below to demonstrate Macquarie’s experience and added value with PPPs in the U.S. and Canada:

#### U.S. EXPERIENCE

##### ***North Tarrant Expressway (Texas)***

*Project Overview* – The North Tarrant Expressway (“NTE”) project is a US\$2.05 billion PPP managed lanes project located in the congested Dallas-Fort Worth corridor in Texas. The project was procured by the Texas Department

of Transportation (TxDOT) on a DBFOM basis for a 52-year concession. The deal achieved Financial Close in December 2009 and was the only toll road in the US to complete funding in 2009.

*Macquarie USA's Role* – Macquarie Capital (USA) Inc. ("Macquarie USA") acted as financial advisor to the consortium selected preferred proponent.

*Transaction Highlights* – The NTE project closed on the first issuance of unwrapped tax-exempt surface transportation PABs and is the first privately developed and operated project to incorporate a TIFIA Loan which exceeded the amount of senior debt financing. The PABs were also the first surface transportation PABs issuance exempt from the Alternative Minimum Tax ("AMT") due to an exemption created in the American Recovery and Reinvestment Act of 2009 that exempted all PABs issued in 2009 and 2010 from AMT treatment.

### ***Interstate 595 Project (Florida)***

*Project Overview* – The Interstate 595 (I595) Project was is a US\$1.8 billion greenfield toll road infrastructure project procured by the Florida Department of Transportation under a DBFM PPP framework. Financial Close was achieved in March 2009.

*Macquarie USA's Role* – Macquarie acted as financial advisor, capital market advisor and debt arranger to the successful consortium, conducted due diligence and performing critical evaluations of the proposed payment mechanism, advised developers on technical and financial issues including the optimal form of security package, and managed a competitive multiple track process to lower the overall cost of capital.

*Transaction Highlights* – Macquarie accumulated valuable experience through its financial advisor and debt arranger role in the I-595 Project. Key lessons learned by Macquarie include: 1) running a multiple track method results in the optimal financing structure, 2) maintaining momentum with lenders is crucial for focusing banks on the transaction, 3) quick turn-around of financing questions help facilitate and meet timetable for debt process, and 4) including clients in the discussion of major issues improves communication between the parties and facilitates the project development process.

## **CANADIAN EXPERIENCE**

### ***Autoroute 25 Completion Project (Québec)***

*Project Overview* – The A25 project is a C\$488 million toll road infrastructure project procured by the MTQ under a 35-year DBFM AFP/PPP framework. It is a 7.2km free-flow four-lane toll road connecting Montréal with a major urban interchange and with a bridge-tunnel in Laval.

*Macquarie Canada's Role* – Macquarie Capital Advisors acted as the sole financial advisor and debt arranger to the Infras-Québec A25 consortium. Macquarie, through one of its private funds, contributed 100% of the equity for the project and still holds this position and is currently managing the construction of this asset.

*Transaction Highlights* – A25 received the "North American Deal of the Year 2007" award from Project Finance Magazine and the silver award for "Innovation and Excellence" from the Canadian Council of PPPs. Macquarie acted as sole developer and financial advisor on the transaction.

### ***Sea-to-Sky Highway Improvement Project (British Columbia)***

*Project Overview* – The Sea-to-Sky Highway Improvement Project is a C\$602 million road PPP which involves the design, construction, financing and operation of a an upgrade to the Sea-to-Sky Highway linking Vancouver and Whistler in British Columbia. The project was procured under a 25-year concession framework. Macquarie acted as sole developer and financial advisor on the transaction.

*Macquarie Canada's Role* – Macquarie acted as financial advisor to the successful consortium, and a domestic Macquarie-managed fund was the equity investor.

*Transaction Highlights* – The Macquarie-managed fund still holds the 100% interest in the project, which reached completion on time and on budget late 2009 in time for the Vancouver 2010 Olympics. The project is currently in the operations phase.

## 9.2 EXPERIENCE WITH LOCAL CONTRACTING PARTNERS

Macquarie's experience as a developer of infrastructure has necessitated partnering with local businesses to ensure labour supply, support the procurement of materials, and provide local knowledge to the design and construction teams.

Macquarie has partnered with numerous experienced local contractors as part of the winning consortium on Canadian public private partnerships. These include but are not limited to: (i) GENIVAR as subcontractors to Kiewit on A25 in Québec, (ii) with Capilano Highway Services and with JJM Construction Limited on the Sea-to-Sky Highway Improvement Project in British Columbia, and (iii) TSMI Transportation System Management Inc., a subsidiary to Lafarge, for operations, maintenance and rehabilitation on Southeast Anthony Henday Drive (Edmonton Ring Road) in Alberta.

In the United States, Macquarie's consortia have partnered with several large contractors with expertise in public private partnerships, including in 2009-2010 (i) Earthtech Consulting and GLF Construction Corporation, as subcontractors to Dragados (USA) on the I-595 Corridor Roadway Improvement Project, (ii) Archer Western Contractors and Jacobs Engineering on the Port of Miami Tunnel Project, (iii) Fluor Corporation as the prime design build contractor on the Denver Fastracks Eagle P3 (currently under procurement) (iv) W.W. Weber as a subcontractor to the prime contractor on both the IH-635 (currently under procurement) and North Tarrant Expressway in Texas. In all of these projects in the United States, the Concessionaire meets or exceeds requirements for Disadvantaged Business Enterprises ("DBE") contracting.

Macquarie has found these local partnerships add significant value to the bid due to their understanding of the local socio-economic and political complexities. Since many proponents are based internationally, such partnerships also provide comfort to the sponsors for the same reasons.

## 10.0 CONDITIONS PRECEDENT

*Brief description of those items or impediments to the project's successful implementation that should be removed or dealt with prior to the initiation of the procurement process.*

As noted in Section 9.1, Macquarie has participated in over 41 PPP transactions in the last 5 years alone. With this experience, there are a number of issues that will become barriers to a successful procurement, award, and implementation of the Project if they are not resolved prior to the initiation of the procurement process. A selection is provided below.

- a. **Governance Structure** – A joint procurement requires clearly defined parameters for interaction between all levels of government as well as associated government agencies. This can be categorized into (i) procurement issues (e.g. clarity on decision making process during the procurement) and (ii) counterparty risk (e.g. the governance of the procuring agency, its credit rating and the composition of the board of directors)
- b. **Legislative Authority** – Very clear legislative authority to both commence a procurement process and, if necessary, the authority to operate and collect tolls.
- c. **Customs Administration** – Proponents are significantly concerned with issues/obstacles that are out of their control, and include the administration of a border crossing and customs rules and procedures, national security, etc. Therefore, a detailed plan for addressing these concerns should be established early in the process.
- d. **Business Model** – A clearly defined business model improves the probability of a successful procurement. Macquarie recommends either an availability deal or a model that includes volume risk but provides a revenue floor that's guaranteed by the government. This model would include the completion of an investment grade traffic study for a project with tolling risk, or a highly-rated funding source made available for a project with availability payments.

- e. **Evaluation Criteria** – A clear evaluation criteria leads to a transparent process, and the communication of the government’s priorities to the proponents. This assists the proponents in allocating time and energy to developing and proposing innovations. Macquarie recommends the evaluation criteria be based on a two-step selection: (i) technical pass/fail and (ii) lowest NPV. Any qualitative issues such as schedule, aesthetics, local employment and procurement should be quantified and added to, or subtracted from, the NPV.
- f. **Affordability and Funding** – In a competitive bidding process, the proponents should be aware of the public sector’s affordability ceiling, if one applies. With the long lead times of procurement and recent volatility in construction and financing inputs, a Public Sector Comparison may underestimate costs at the time of bid submission. As a related issue, evidence that MDOT and TC have their funding in place or the approvals for funding the Project is required prior to the initiation of the procurement process.
- g. **Infrastructure Finance Programs** – Given the size of the Project and the sizable amount of private debt required, access to certain government-sponsored infrastructure financing would assist MDOT and TC in selecting a business model and payment mechanism while also helping to reduce proponent financing risk.
- h. **Honorarium / Stipend** – A large honorarium/stipend and an equally large break fee if the procurement process is terminated pre-bid is required given the perceived political risk. Such honorarium and break fee will provide significant comfort to the private sector (who will likely spend \$10-20 million each in pursuit costs) because it demonstrates the commitment of government to the process.
- i. **Concession Agreement** – The use of precedent documentation (including the RFP) can avoid material issues in the procurement process because of the proponent’s familiarity with such documentation. In addition, using precedent documentation will increase the likelihood that the Project will be financeable.
- j. **Permits & Approvals** – Multiple approvals are often required from the public sector. For example, the RFPOI mentions bridge design and navigation lighting must satisfy the U.S. Coast Guard, the F.A.A., and U.S. Fish & Wildlife Services. Macquarie recommends that higher level of customary approvals be done pre-bid especially those that require public consultations given the risk associated with a multi-government procurement.
- k. **Right of Way** – A significant risk would be eliminated if the public sector completed the acquisition for the right of way prior to the commencement of the procurement process.
- l. **Litigation Risk** – Recent history of projects have increased the risk of litigation on such projects. Knowledge that the government sponsor will indemnify the preferred proponent against any and all lawsuits arising from the owner of the Ambassador Bridge would go a long way to avoid unnecessary contingencies in the bid price.





BLANNERHASSETT BRIDGE | Walsh Construction Company



ANNACIS BRIDGE | PCL Civil Constructors, Inc.

## DETROIT RIVER INTERNATIONAL CROSSING PROJECT



INCHEON BRIDGE | Chodai Company, Ltd.



FATIH SULTAN MAHMET BRIDGE | IHI Inc.



LEONARD P. ZAKIM BRIDGE | Parsons Brinckerhoff

RESPONSE TO THE REQUEST FOR PROPOSAL OF INTEREST FOR THE DEVELOPMENT OF THE DETROIT RIVER INTERNATIONAL CROSSING PROJECT UNDER ONE OR MORE PUBLIC PRIVATE PARTNERSHIPS

### SUBMITTED TO:

Mohammed Alghurabi | Senior Project Manager  
Michigan Department of Transportation  
425 W. Ottawa Street | P.O. Box 30050  
Lansing, Michigan 48909



Transport  
Canada

### SUBMITTED BY:



CONSTRUCTION LEADERS





**BLANNERHASSETT BRIDGE** | Walsh Construction Company



**ANNACIS BRIDGE** | PCL Civil Constructors, Inc.

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**INCHEON BRIDGE** | Chodai Company, Ltd.



**FATIH SULTAN MAHMET BRIDGE** | IHI Inc.



**LEONARD P. ZAKIM BRIDGE** | Parsons Brinckerhoff



March 17, 2010

Mr. Mohammed Alghurabi  
Senior Project Manager  
Michigan Department of Transportation  
425 W. Ottawa Street  
Lansing, MI 48909

RE: Request for Proposal of Interest for the Development of the Detroit River International Crossing under one or more Public Private Partnerships (the "Project")

Dear Mr. Alghurabi:

Walsh Construction Company ("Walsh") and PCL Civil Constructors, Inc. ("PCL"), on behalf of its design/build partners, are pleased to submit our Statement of Interest as design/builder for the Detroit River International Crossing Project. Our team understands that the importance of this Project is to increase mobility, convenience, and security in order to support the economies of the State of Michigan, Ontario, Canada and the United States. As we formed our team, we wanted to make sure to include a good balance of firms experienced in doing work in both the United States and Canada. We also understood that this world-class Project needed to have a world-class team that was proficient in the design and construction of roads, buildings, and long-span bridge construction.

Our construction team is comprised of a tri-venture between two of the largest civil and building contractors in the United States and Canada (Walsh and PCL), and one of the largest bridge builders in the world (IHI Inc.). This construction team has extensive PPP experience in the United States and Canada, and is capable of completing any or all of the four elements of the project. IHI Inc. provides the team with world-class suspension bridge and cable-stayed bridge experience. Currently, in the United States, IHI Inc. is participating as a prime contractor on the Huey P. Long Bridge and is a subcontractor on the John James Audubon Bridge (which will be the longest cable stayed bridge in North America).

The design team is led by Parson Brinkerhoff ("PB"), a leader in the development and operation of infrastructure around the world. PB provides the team with both extensive PPP experience and local flavor, as one of PB's early design/build projects was the Detroit-Windsor Tunnel. A key member of the design team is Chodai Company, Ltd. ("Chodai"), one of Japan's premier bridge design firms. Chodai's extensive international design experience and its specialty of long-span bridges, provides unparalleled world-class design capabilities.

We appreciate the opportunity to work and partner with the Michigan Department of Transportation and Transport Canada on this critical project. Should you require any additional information or if you have any questions, please feel free to contact us at your convenience.

Sincerely,  
Walsh Construction Company



Steve Kenie  
Vice President

## SECTION 1.0 - CONTACT INFORMATION

### WALSH CONSTRUCTION COMPANY

Steve Kehle  
 Vice President  
 Walsh Construction Company  
 929 West Adams Street  
 Chicago, IL 60607



Phone: (312) 563-5966  
 Fax: (312) 563-5962  
 E-mail: sgkehle@walshgroup.com

### Description of the individual members:

As a Vice President and Business Group Leader, Mr. Kehle is responsible for overseeing the operations of Walsh Construction's Heavy/Civil Division. His responsibilities include monitoring start up and staffing, establishment of management systems, supervising project progress, and participating in owner consultations as necessary. The projects Mr. Kehle oversees include a variety of bridges, large scale highway and transportation projects, and other civil work. Prior to assuming the role of Vice President, Mr. Kehle served as the Operations Manager for the Heavy/Civil Division.

### PCL CIVIL CONSTRUCTORS, INC.

Ed Olsgard  
 PCL Civil Constructors, Inc. CONSTRUCTION LEADERS  
 3810 Northdale Boulevard, Suite 200  
 Tampa, FL 33624



Phone: 813-264-9500  
 Fax: 813-264-6689  
 Email: emolsgard@pcl.com

Mr. Olsgard has 32 years of experience with the last 10 years focusing on design/build and design assist projects. His career began with PCL in 1977, as a Project Engineer. Within two years he was a Project Manager, and just five years later he was fulfilling the role of Construction Manager. Mr. Olsgard has successfully directed numerous large scale projects, including his involvement in the \$250M Central Link Light Rail project. His experience and "know how" along with his ability to successfully manage multimillion dollar projects and maintain the stringent quality of all PCL projects, makes him well suited to assist with any project.

### IHI INC.

Keisuke Tanaka  
 150 East 52nd Street  
 24th Floor  
 New York City, NY 10022



Phone: +1.212.599.8100  
 Fax: +1.212.599.8111  
 Email: keisuke\_tanaka@ihiinc.ihi.co.jp

As Chief Operating Officer for IHI Inc., Mr. Tanaka is responsible for all of IHI's operational activities. Since starting with the firm over 28 years ago, he has been actively involved in international sales and operations. In his roles as Manager/General Manager, Mr. Tanaka has successfully pursued many projects world-wide for IHI Inc.

**PARSONS BRINCKERHOFF (PB)**

Leonard Rattigan  
 465 Spring Park Place  
 Spring Park Technology Center  
 Heindon, VA 20170



Phone: 703.742.5700  
 Fax: 703.742.5800  
 Email: Rattigan@pbworld.com

**Description of the individual members:**

Mr. Leonard Rattigan is the Director of Design-Build for Parsons Brinckerhoff (PB) with more than 36 years of world-wide experience in the area of transportation engineering including planning, design, and project management for railroads, transportation systems, highways, and major structures. He has participated in the development of many major design/build/finance programs for highways and major transportation structures. Mr. Rattigan’s design-build experience includes the Dulles Toll Road Extension in Loudoun County, Virginia, WMATA Blue Line Extension in Prince George’s County, Maryland, and the WMATA New York Avenue Station in Washington, DC.

**CHODAI COMPANY, LTD.**

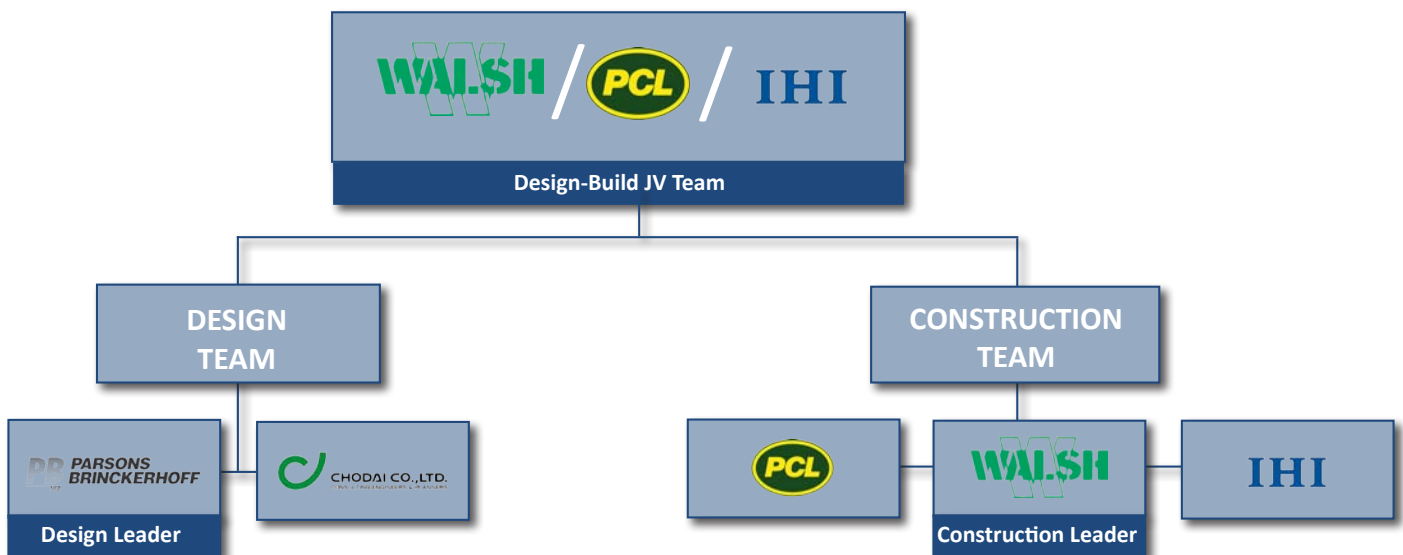
Ohyama Mitsuhiro  
 International Division, Tsukuba Office  
 CHODAI Co., Ltd.  
 730, Higashi-Hiratsuka, Tsukuba-city,  
 Ibaraki, JAPAN (ZIP: 305-0812)



Phone: ++81-(0)29.851.5111  
 Fax: ++81-(0)29.855.2221 (FAX)  
 Email: ohyama-m@chodai.co.jp

As Chief Engineer for Chodai’s International Division, Mr. Ohyama Mitsuhiro has more than 16 years of experience in the area of worldwide planning and design of bridges for highways, expressways and railways. He has mainly participated in the planning and design of concrete and hybrid bridge structures, from short to long span bridges such as Incheon Grand Bridge in South Korea (a cable stayed bridge with a main span of 800m long). Mr. Mitsuhiro also has experience in Design/Build projects such as Incheon Grand Bridge and the Taiwan High Speed Rail (THSR) project C280.

**Organizational Chart**



**SECTION 2.0 - COMPANY INFORMATION**

**WALSH CONSTRUCTION COMPANY**



Walsh Construction is a North American general contracting, construction management and design-build firm that has been performing work since its inception in 1898. Walsh is recognized as one of the the United States’ top 20 contractors. The firm has extensive expertise in a wide variety of building, civil and transportation sectors including highway and bridgework, wastewater and water treatment plants, rapid transit, educational facilities, warehouse/distribution facilities, athletic facilities, correctional facilities, office, design-build, and more. In all its years of operations, Walsh has never failed to complete a contract.

**FIRM HISTORY**

Walsh Construction has been chartered under this name since 1980. Prior to that time, corporate functions were conducted under the name of Walsh Brothers, Inc. The Company has practiced general building construction since 1898 and was incorporated in the State of Illinois in 1949.

**IN-HOUSE CAPABILITIES**

Walsh Construction delivers highly competitive, quality construction work largely because of the company’s ability to complete the majority of work with its own forces. Walsh is capable of self-performing all site survey, engineering and layout, demolition, site utility, yard piping, process equipment piping and installation, excavation, concrete work, and carpentry work. The company has invested over \$500 Million in capital equipment and regularly employs over 2,200 engineers and skilled tradesmen. All projects are constructed with Union Labor and Union Subcontractors.

**SCOPE OF SERVICES**

- General Contracting
- Preconstruction
- Project Budgeting
- Project Financing
- Construction Scheduling
- Construction Management
- Cash Flow Analysis
- Design-Build
- Tenant Space Planning/Analysis

**TRANSPORTATION EXPERIENCE**

Walsh Construction is a national leader in the construction of transportation projects, ranking third amongst the Top 50 Transportation Builders according to Engineering News-Record. Included

in the company’s transportation experience is extensive rapid transit work for public authorities across the country. Work for these clients includes transit stations, rail line segments, parking garages, tunnel work, renovations, and more. Today, the total dollar value of transit work currently under construction or completed by the Walsh Group is two billion dollars.

**HIGHWAY EXPERIENCE**

Walsh Construction’s Highway Division maintains a staff of top-flight project management personnel and is supported by extensive corporate resources. These resources include a separate in-house estimating department solely committed to highway work and in-house Foundations and Concrete Divisions that allow for extraordinary self-performance capabilities. Time and time again, Walsh Construction has proven itself as a top performer in the highway sector through the on-time, on-budget delivery of large scale transportation projects throughout the country.

**BRIDGE EXPERIENCE**

Walsh Construction was recently ranked by Engineering News-Record as the fourth largest bridge builder in the United States. With an independently functioning and fully staffed Heavy/Highway Division, the firm is able to provide specifically focused construction services on bridge projects of any scope, size, and scale.



US 90 OVER BAY ST. LOUIS | Walsh Construction Company

The company’s bridge experience includes structures crossing roadways and waterways. The Walsh Group has significant experience with major bridge construction work throughout the country for a variety of clients, including various public agencies.

With extensive experience with large-scale projects we are able to provide something that no one else can: distinctive experience underlined with incomparable management techniques.

**PCL CIVIL CONSTRUCTORS, INC.**



PCL began operations in 1906 as a general contracting company and has grown to be one of the premier heavy civil contractors in North America. Today PCL is ranked No. 7 by ENR. The PCL family of companies has an annual construction volume of more than \$6 billion. As a 100% employee-owned company, we are passionate about performing well for our clients and executing quality projects. Our core business values are Honesty, Integrity, Respect, Dynamic Culture, and Passion, and they represent the foundation of our business as it exists today. Using these core business values, PCL has continued to build the foundation of a growing business by attracting and retaining employees of the highest caliber and continually exceeding customer expectations.

**ALTERNATIVE/INNOVATIVE PROJECT DELIVERY**

Though the term “innovative project delivery” has become extremely popular, PCL has been pioneering efforts to bring alternatives to traditional project delivery to our progressive, well-informed clients for many years. We began to work formally with clients to address the need for innovative project approaches in the 1950’s. Our unique ability to self-perform all primary stages of construction provides us tremendous long term success in delivering added value to our customers. Since then, we have served as a leader in growing alternative contracting by working directly with owners, designers and financiers to develop construction management-at-risk, design-build, and public-private partnership criteria.



I-4 ST. JOHNS RIVER BRIDGE | PCL

PCL has completed \$28.3 billion in alternative delivery projects to date; \$3.3 billion of those via public-private partnership. In joint venture with Archer Western (Walsh) our Interstate-4/Lee Roy Selmon Crosstown Connector project, a \$389 million elevated roadway project, utilizes interim (GAP) financing to fund the construction costs. In

Canada, PCL served in a joint-venture to deliver the \$327 million Anthony Henday Drive Southeast Leg Ring Road project through a public-private partnership that provided that the concessionaire design-build-operate-and maintain the facility after award. In addition, we have partnered with owners and financiers on multiple social projects including schools, hospitals, and state and federal buildings. Significant examples of our alternative delivery experience are as follows:

- Interstate-4/Lee Roy Selmon Crosstown Connector, Tampa, FL
- Anthony Henday Drive Southeast Leg Ring Road, Edmonton, AB
- Northwest Anthony Henday Drive, Edmonton, AB
- MTO Highway Service Centers, Ontario
- Disraeli Bridges, Winnipeg, MB
- Durham Consolidated Courthouse, Toronto, ON
- Abbotsford Regional Hospital and Cancer Center, Vancouver, BC

**MAJOR STRUCTURES**

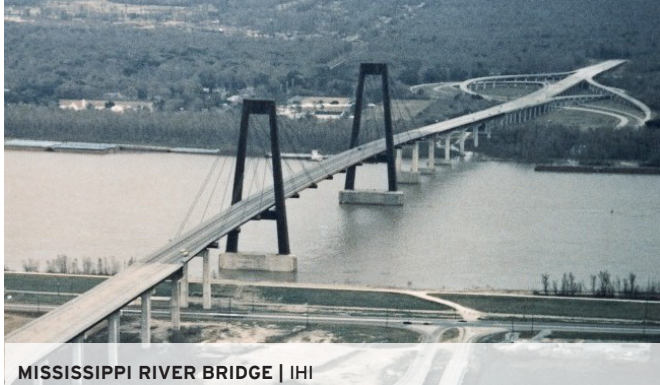
PCL has been providing excellence in construction to our clients on civil infrastructure projects since expanding into the industry in the 1930s. The construction professionals at PCL have delivered hundreds of complex bridges, interchanges, and elevated roadways across the US and Canada. Many of our projects occur in harsh or environmentally sensitive areas, with heavy traffic that must be tightly managed, or with extreme constraints on schedule and construction methods imposed by the owners. Our greatest strength lies in our ability to take on projects that would daunt most construction firms and develop innovative approaches to get the work done, better, faster, and safer. As evidence of our proficiency with bridge construction over water, we have successfully completed in excess of 60 river crossings in the US and Canada. Some of our significant project successes include:

- Alex Fraser Bridge to Annacis Island, Vancouver, BC
- Blue Water Bridge over the St. Clair River to Point Edward, Ontario, Port Huron, MI
- Chesapeake Bay Bridge Parallel Crossing, Virginia Beach, VA
- Clark Bridge over the Mississippi River, Alton, IL
- Interstate-4 High Level Parallel Bridges over the St. Johns River Design-Build, Sanford, FL
- Hart Bridge Over the St. Johns River Rehabilitation Project, Jacksonville, FL

**IHI INC.**



IHI Inc. was founded in 1977 as a wholly owned U.S. subsidiary of IHI Corporation (Tokyo, Japan), and function as the US operating company specializes in the sales and implementation of bridges, LNG and boiler plants, industrial machinery, and engineering services exclusively for the North American market.



MISSISSIPPI RIVER BRIDGE | IHI

IHI Inc.'s parent company, IHI Corporation was established in 1853 as a shipbuilding company and evolved into a leading manufacturer of complex industrial equipment and facilities. Today, IHI Inc. has seven operating units – Logistics Systems and Structures Operations; Industrial Machinery Operations; Energy and Plant Operations; Aero-Engine and Space Operations; Shipbuilding and Offshore Operations; Real Estate Operations; and other operations with the net sales of US\$14 billions.

IHI Inc. has delivered more than 4,520 bridges in Japan and 23 bridges in the US. IHI Inc. is currently participating in Huey P. Long Bridge Superstructure Widening Project as a member of prime contractor JV, and John James Audubon Bridge (the longest cable stayed bridge in North America, when completed) as a fabricator.

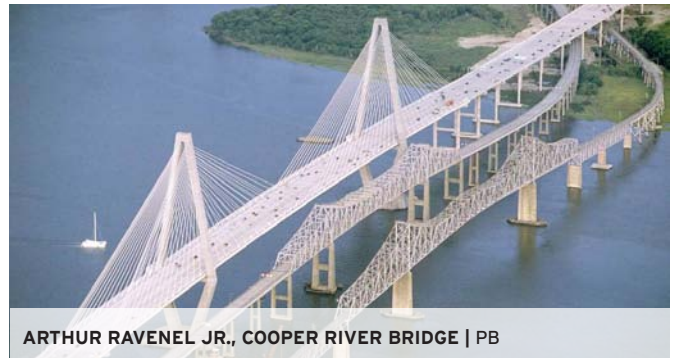


IRTYSH RIVER BRIDGE | IHI Inc.

**PARSONS BRICKERHOFF**



Parsons Brinckerhoff (PB) is a leader in the development and operation of infrastructure around the world. With approximately 15,000 employees, PB is dedicated to meeting the needs of clients and communities in the Americas, Europe, Africa, the Middle East, Asia and Australia-Pacific regions. PB offers skills and resources in strategic consulting, planning, engineering, program/construction management, and operations for all modes of infrastructure, including transportation, power, community development, water, and the environment.



ARTHUR RAVENEL JR., COOPER RIVER BRIDGE | PB

PB engineers create bridges that aren't just passages over water; they are landmarks in their own right. We work with communities and owners in both the design and construction of "signature bridges." These structures not only enhance the appearance of the surrounding area but resolve environmental problems, such as reducing congestion and improving air quality. Our signature bridges have a unique design that combines distinctive artistic elements with a functioning structure, often using unconventional materials and enhanced lighting. In addition to creating magnificent landmarks, signature bridges promote favorable land uses and neighborhood revitalization in nearby areas.


**PUBLIC PRIVATE PARTNERSHIPS**

PB has a long track record of successful Public Private Partnership (PPP) transactions in the U.S., where PPPs are still taking shape, and around the world, where these ventures are common practice. We serve in roles ranging from procurement strategy advisor for transportation agencies to due diligence advisor for private owners and investors as part of successful bidding teams. We have also taking direct ownership in infrastructure assets by investing our own equity capital. As a result, we have built a strong multilateral working

knowledge of the transportation industry and PPP market. We are able to bring a unique and comprehensive perspective to public agencies and private developers throughout the PPP transaction process. Our multidisciplinary consulting team brings together experts encompassing the full range of PPP advisory capacities, from finance and economics to procurement strategy, due diligence, transaction support, legislative support, and public policy. Moreover, our strategic consulting services are grounded in PB’s world class engineering expertise, enabling us to create a tailored approach for each transaction.

**DESIGN-BUILD**

PB’s participation in design-build dates back to the 1920s when the firm’s activities included active design and construction projects. One of our early design-build projects was the Detroit-Windsor Tunnel, the first subaqueous tunnel to connect two countries, the U.S. and Canada. PB supports design-build ventures as design-builder, owner’s engineer, and primary design consultant or subconsultant to a design-build team. We also assume design-build responsibilities with added risk/reward features. PB has completed turnkey design-build projects where our constructors held the contract and assumed the construction risk—alone or in joint venture with select contractors. PB has taken an at-risk position in design-build mostly in the power, telecom, aviation, and automotive markets.

**CHODAI COMPANY, LTD.**  **CHODAI CO., LTD.**  
CONSULTING ENGINEERS & PLANNERS

Chodai Company, LTD. (“Chodai”) was initially established in 1968 as a civil engineering firm specializing in the planning, design and construction supervision of long-span bridges. While diversifying its activities, Chodai remains as one of Japan’s premier bridge design firms with an impressive long-span bridge portfolio for projects throughout Japan and worldwide.

Chodai has extensive experience in the research and design of all types of bridges including long-span cable supported bridges such as the Akashi Kaikyo Bridge and Tatara Bridge. Furthermore, Chodai is one of the leading international firms in the application of computer technologies for conducting structural analysis, seismic analysis, and computer aided design systems.

**FIELD OF ACTIVITY**

Planning, design, supervision, and maintenance of bridges, especially long-span bridges have been one of the major focuses of Chodai. In addition to these activities, we also provide design for bridge projects, including conceptual design, detailed design, and construction supervision.



Supported by its experienced professional staff, Chodai offers its clients a full and comprehensive consultancy service, including the following:

**Aesthetic Design**

Structures are designed with the region’s history, culture, and environment in mind.

**Bridges**

Planning, designing, construction, management supervision of long-span bridges. Long span bridges have always been Chodai’s most competitive field of activity. Through participating in Hoshu-Shikoku Bridge Project, Chodai has gathered the most advanced technology and bridge design “know-how” and we are equipped to share this knowledge with our clients.

**International**

Chodai has been involved in major cable supported bridge projects and other key projects throughout the world. Moreover, Chodai has been working to demonstrate commitment to international cooperation through support to developing countries.

**Seismic & Disaster Prevention**

Seismic analysis of structure and consulting for disaster prevention resulting from urban and regional development.

### SECTION 3.0 - RFPOI OBSERVATIONS

As we are submitting our Statement of Interest as design/builder, we do not have any specific recommendations for an optimal financing solution as financing decisions will be driven by the Project’s developer. Once we have a better understanding of the Project’s scope and structure, our design/build team will then partner with the best-positioned developer and operations and maintenance provider to ensure that our team will provide the most cost effective delivery solution for the Project.

#### SCOPE

The four elements of the project – the bridge, the I-75/U.S. plaza interchange, the U.S. plaza, and the Canadian plaza – create a complex series of construction, governmental interfaces, procurement and funding issues. Ideally, it is our view that the elements of the Project should be delivered by a single entity. This will ensure MDOT and Transport Canada continuity and single point accountability to complete the full project on time and on budget. Design/build teams such as ours have the financial and technical capability to successfully design and construct the four elements of the Project. The challenge will be to structure the contractual and funding agreements to allow that to happen. As such, it is our recommendation to award the Project as one project, but to then break the project into two components to better align legal, financing, operational and maintenance requirements.

The two components would include:

<b>Component 1</b>
Design, Build, Finance, Operate and Maintain
<ul style="list-style-type: none"> <li>• Bridge</li> <li>• I 75/U.S. Plaza Interchange</li> <li>• Toll Plazas</li> <li>• Infrastructure for the U.S. and Canada Customs Plazas</li> </ul>
<b>Component 2</b>
Design and Construction
<ul style="list-style-type: none"> <li>• U.S. and Canada Customs Plazas</li> </ul>

#### BUSINESS MODEL

There are a number of alternative business models that could be used to successfully deliver the Project. The most common models that we have seen include Availability Payment Models; Real Toll Concession Models; and Hybrid Models. The challenge in selecting the most optimal model will be getting a better understanding of the Project’s economics. Can traffic forecasts and tolls support the project without any governmental subsidies? Part of the difficulty in answering that question is the uncertainty surrounding the Ambassador Bridge – will that remain as a competitor or will it be acquired by a governmental entity and the operations (revenues) and maintenance be included in this Project. Based on discussions that we have had with possible developer partners, we recommend a business model that: a) relies on a significant share of the financing to be provided by the private sector; and b) uses a payment mechanism based on Availability Payments to compensate the private concessionaire for its services. We believe this business model will provide the best value for money to MDOT and Transport Canada.

#### TERM OF AGREEMENT

Based on our prior experiences, assuming an Availability Payment scheme is utilized, a term of 30 to 50 years would be appropriate. This length of term would allow an equitable allocation of interests between the private sector and public sector and will allow for an optimal rental payment for both developer and client. Terms of comparable transactions include:

- Windsor Essex Parkway (Windsor, Ontario) – 30 years
- I-595 (Ft. Lauderdale, Florida) – 35 years
- Golden Ears Bridge (Vancouver, Canada) – 34.5 years
- North Tarrant Expressway (Ft. Worth, Texas) – 52 years



**CONDITIONS PRECEDENT**

- Procurement Process – The procurement process needs to be clear. The concession agreement and its ancillary documents should be well developed prior to the issuing of an RFQ, and should reflect a sensible risk allocation between the private and public sector. Scoring methodology needs to be well established and defined.
- Number of Shortlisted Teams – Three teams should be shortlisted. That has worked for Infrastructure Ontario on other PPP initiatives, and this was also the number of teams shortlisted on the Windsor Essex Parkway Project. As design/builder, the human and financial capital allocated to these pursuits is very significant, and limiting the RFP to three shortlisted teams creates an attractive risk/return decision.
- Minimum Experience – It is critical that there be minimum construction experience requirements. We recommend that the minimum criteria for the construction contractor to include that one of the main team members is to have successfully completed construction of a suspension or cable stayed bridge with a span of more than 75% of the span of the proposed Project.
- Right-of-Way Acquisition – It will be very important for MDOT and Transport Canada to have acquired the Right-of-Way necessary to complete the Project. Right-of-Way is a long lead time activity and can delay the project if not addressed early on in the process.
- Environmental Conditions – Environmental and permitting issues may also significantly delay the commencement of construction. If possible, it would expedite construction if conditional permits could be issued based on an indicative design. It is our view that Right-of-Way acquisition and environmental issues are the biggest risks that the design/builder cannot effectively manage and, as a result, will be an impediment to a successful Project procurement.
- Local Participation – Strong local construction participation will be critical in gaining public acceptance and enhancing political will. Public acceptance and political will are vital elements of the successful development of any PPP project.



MON RIVER BRIDGE | Walsh Construction Company



SPRINGFIELD, VA INTERCHANGE | Walsh Construction Company




LEHIGH AND POHOPOCO CREEK BRIDGES | Walsh Construction Company





US 90 OVER BAY ST. LOUIS | Walsh Construction Company


## SECTION 7.0 - RESPONDENT'S EXPERIENCE


Project Information	Project Description	Walsh Construction
<p><b><i>Allegheny River Bridge</i></b></p> <p><b>Location:</b> Cheswick, PA</p> <p><b>Owner:</b> Pennsylvania Turnpike Commission</p> <p><b>Completion Date:</b> 2010</p> <p><b>Contract Value:</b> \$190M</p>	<p>Walsh Construction is the general contractor responsible for furnishing all labor, material, equipment and work necessary to construct new dual cast-in-place segmental bridges to carry the Pennsylvania Turnpike over the Allegheny River, Allegheny Valley Railroad, Canadian National Railroad and SR 1008. The new bridge will accommodate six lanes of traffic, plus acceleration and deceleration lanes for the Allegheny Valley Interchange at the western end of the bridge. This project also includes replacement of two overhead bridges and one mainline bridge, construction of six retaining walls including MSE walls, an anchored pile wall, a soldier pile wall, and soil/rock nail walls totaling 4,055 feet with a maximum height of 73 feet, replacement of a noise wall, reconstruction of the approach roadway east and west of the Allegheny River Bridge and reconstruction of the ramps at Interchange No. 48.</p>	
<p><b><i>Blennerhassett Bridge</i></b></p> <p><b>Location:</b> Washington, WV</p> <p><b>Owner:</b> West Virginia Division of Highway</p> <p><b>Completion Date:</b> 2008</p> <p><b>Contract Value:</b> \$125M</p>	<p>Walsh was responsible for all aspects of the bridge's construction; the crossing was achieved by a span-steel-tied arch with inclined cable stays. The project includes over 30,000,000 lbs of structural steel members. When it was completed, the Blennerhassett Bridge represented the longest span of this kind in the United States. Walsh coordinated construction activities on the Ohio River, which is a navigable water, with the Owner and impacted agencies. The project was selected for the 2008 International Bridge Conference Award "Gustav Lindenthal Medal." The International Bridge Conference searches Europe, Asia and America each year to honor the top bridge engineers and bridge projects of recent times. The Gustav Lindenthal Medal is given for a single, recent outstanding achievement demonstrating harmony with the environment, aesthetic merit and successful community participation.</p>	
<p><b><i>Meyer Road Toll Plaza</i></b></p> <p><b>Location:</b> Oakbrook, IL</p> <p><b>Owner:</b> Illinois State Tollway Authority</p> <p><b>Completion Date:</b> 2007</p> <p><b>Contract Value:</b> \$45M</p>	<p>This project was a combination of highway work and a Toll Plaza Building. The Toll Plaza is a 2 story building with an occupied bridge out over 3 lanes of traffic and an unoccupied canopy continuing out over two more lanes of the highway. The intended use of this building is to collect tolls. It has both traditional hard cash booths and high speed transponder capabilities. The second floor canopy houses the electronics that monitor and control the electronic tolling. The second floor also has office space for the on-duty supervisor and locker rooms for the tollbooth employees. The first floor contains a loading dock with direct access to the freight elevator, general entrance lobby, and a State Police office/booking quarters. The basement of this building houses the mechanical and electrical equipment, including switchgear, distribution panels, ATS's, UPS back up, fire pump, and heating and cooling equipment.</p>	


Project Information	Project Description	Walsh Construction
<p><b>Marquette Interchange Reconstruction</b></p> <p><b>Location:</b> Milwaukee, WI</p> <p><b>Owner:</b> Wisconsin Department of Transportation</p> <p><b>Completion Date:</b> 2006</p> <p><b>Contract Value:</b> \$117M</p>	<p>In 2004, The Wisconsin Department of Transportation awarded Walsh Construction two sections of the \$810 M Marquette Interchange Project. The project scope consisted of the complete reconstruction of several miles of an eight-lane interstate highway, replacement of several local road bridges over the interstate highway and 20 new retaining walls, of which 13 featured the use of permanent drilled secant piles. The project had multiple phases in order to maintain traffic through the construction site at all times. This section of roadway is one of the busiest roadways in the State of Wisconsin with annual average daily traffic (ADT) of 285,000 vehicles. Walsh completed construction in 2006.</p>	


Project Information	Project Description	Walsh Construction
<p><b>I-70 "Super 70" Design Build Reconstruction</b></p> <p><b>Location:</b> Indianapolis, IN</p> <p><b>Owner:</b> Indiana Department of Transportation</p> <p><b>Completion Date:</b> 2007</p> <p><b>Contract Value:</b> \$176M</p>	<p>This design-build project consists of two separate contracts. The first contract calls for the reconstruction/widening of 3.75 miles of I-70 west of the I-70/I-465 interchange on the east side of Indianapolis. The project includes removal and replacement of pavement, widening and increasing vertical clearances of 12 bridges, reconstruction of ramps, and the removal and replacement of existing pipe and drainage structures. The second contract includes reconstruction/widening of 2.25 miles of I-70 east of the I-70/I-65 split in downtown Indianapolis. The project includes removal and replacement of pavement, widening and increasing vertical clearances of 16 bridges, construction of two new bridges taking, reconstruction of six ramps and the removal/replacement of existing pipe and drainage structures. This section of roadway has an annual average daily traffic (AADT) of approximately 180,000 vehicles.</p>	


Project Information	Project Description	Walsh Construction
<p><b>Des Plaines Valley Bridge</b></p> <p><b>Location:</b> Lemont, IL</p> <p><b>Owner:</b> Illinois Department of Transportation</p> <p><b>Completion Date:</b> 2007</p> <p><b>Contract Value:</b> \$125M</p>	<p>Walsh Construction was brought on to the Des Plaines River Valley Bridge project in November of 2005. The firm was given strict guidelines as to their construction process in order to mitigate environmental impact. Construction through the area was limited to a temporary wetlands disturbance area of 8.77 acres, and a permanent disturbance of 3.87 acres. Walsh adhered to these guidelines and started the project with a strong respect for the natural wildlife and the goals of both the Illinois Toll and Highway Authority and the EPA. The bridge was constructed on sets of four, six foot diameter columns that were poured to heights ranging from 12-75 feet. Once the columns were constructed, pier caps were poured requiring two stages of post tensioning in order to carry the bridge's load. Shoring towers were then constructed between piers, each designed and constructed to be pulled laterally in order to save on erection and dismantling costs. Once the shores were in place, the pre-cast beams segments were then erected.</p>	


Project Information	Project Description	PCL Civil Constructors, Inc.
<p><b>Anthony Henday Drive SE Leg Ring Road (1), (2), (3)</b></p> <p><b>Location:</b> Edmonton, AB, Canada</p> <p><b>Owner:</b> Alberta Infrastructure and Transportation</p> <p><b>Completion Date:</b> 2007</p> <p><b>Contract Value:</b> \$493M</p>	<p>PCL-Maxam (Joint Venture) constructed all elements of 20 bridge structures including MSE Walls. The bridge structures were constructed using both steel and pre-cast girders and varied anywhere from 2 span to 8 span structures. Several of the bridge structures were constructed adjacent and over existing roadways, highways with active traffic and two rail lines (Canadian Pacific &amp; Canadian National). The project, which forms the south east section of the City of Edmonton Ring Road, includes:</p> <ul style="list-style-type: none"> <li>• Five interchanges offering access on or off the highway</li> <li>• Six lanes between Calgary Trail/Gateway Blvd. and 50th Street</li> <li>• Four lanes between 50th street and Highway 216/14</li> <li>• 11 kilometers (6.8 miles) total length, 20 separate bridge structures</li> <li>• 124 lane kilometers (77 lane miles) of road, full freeway status</li> </ul>	


Project Information	Project Description	PCL Civil Constructors, Inc.
<p><b>Blue Water Bridge Connecting Port Huron, MI with Point Edward</b></p> <p><b>Location:</b> Ontario, Canada</p> <p><b>Owner:</b> State of MI, Dept. of Transportation</p> <p><b>Completion Date:</b> 1997</p> <p><b>Contract Value:</b> \$24M</p>	<p>The bridge has a center span of 281m and a three-lane deck 15.7m wide. The three-span continuous tied arch steel totals 451m between the anchor piers. PCL's contract also included the flanking spans totaling 345m. The flanking spans were constructed with trapezoidal steel box girders and a cast-in-place concrete deck. The foundations were constructed from conventional H-piles and large reinforced concrete slabs. Solid columns with massive crossheads completed the substructure design. The steel erectors used a substantial temporary cable-stay system that included 48m tall towers and 76 mm diameter cable rigging. The Bluewater Bridge has a continuous tied arch steel main span of 920 feet over the busy St. Clair River. The river is a fast flowing shipping lane between Lake Huron and Lake Erie. The Joint Venture avoided the use of falsework in the river by constructing 48m tall temporary tie-back towers to support the truss from the top.</p>	


Project Information	Project Description	PCL Civil Constructors, Inc.
<p><b>Alex Fraser Bridge to Annacis Island</b></p> <p><b>Location:</b> Vancouver, BC</p> <p><b>Owner:</b> British Columbia - Transportation &amp; Highways</p> <p><b>Completion Date:</b> 1986</p> <p><b>Contract Value:</b> \$51M</p>	<p>The bridge has a center span of 1,625 lf and a six-lane deck 92-feet-wide. Cable stays, four to six inches in diameter, support seven-feet-deep steel edge beams and 5½-feet-deep floor beams span between the edge beams. Precast panels 8½ inches thick rest on the floor beams and the final roadway was provided by a two-inch-thick insitu concrete topping on the precast panels. The 508-foot-high towers on each bank of the river providing support for the cables were built using tower cranes to lift forms and rebar to place concrete. The deck structure was built using the balanced cantilever method. Fifty-foot-long sections of edge beams were installed on each side of a tower and secured by cables. Floor beams were then installed between the edge beams and the precast panels were placed immediately afterwards. Once clear of the towers, derricks located on the partially completed decks were used to position all steel and concrete members for the rest of the structure.</p>	


Project Information	Project Description	PCL Civil Constructors, Inc.
<p><b><i>I-4 Interchange @ SR-408 (E/W Expressway),</i></b></p> <p><b>Location:</b> Orlando, FL</p> <p><b>Owner:</b> FL DOT, District 5</p> <p><b>Completion Date:</b> 2008</p> <p><b>Contract Value:</b> \$128M</p>	<p>This project consisted of the construction of two ramp bridges connecting SR-408 and I-4, as well as the widening of five existing bridges on I-4 and local streets. The bridge types included steel girder, steel tubs, concrete U-beams, AASHTO beams steel widenings, and AASHTO widenings. The test pile program for H-piles began on the first contract day in two different locations. This project was in an urban environment consisting of abandoned utilities and utility conflicts, which required schedule changes. Due to the schedule duration, multiple operations were simultaneously being completed. The erection of structural steel over I-4 was completed during nighttime activities, with no incidences. Reconstruction of toll ramps and bridges were completed with no impacts. Demolition of existing structures over I-4 and the railroad, along with the existing parking garage, required extensive planning and coordination.</p>	


Project Information	Project Description	PCL Civil Constructors, Inc.
<p><b><i>I-4 /St. Johns River Bridge Replacement Design-Build</i></b></p> <p><b>Location:</b> Sanford, FL</p> <p><b>Owner:</b> FL DOT, District 5</p> <p><b>Completion Date:</b> 2004</p> <p><b>Contract Value:</b> \$110M</p>	<p>This project required construction of parallel high level bridges over the St. John’s River just north of Orlando, Florida. The project included construction of two, three-lane Florida Bulb T-Girder bridges over the St. John’s River, as well as demolition and removal of the existing river bridge, originally built in 1964. Each of the new bridges are 2,600 feet in length and have a maximum vertical clearance of 45 feet in the navigation channel. The Florida Bulb-T superstructure is founded on concrete piling with cast-in-place footings, columns and caps. This project involved the replacement of the existing 4-lane bridge with two new 3-lane high level bridges. The original bridge had the highest volume of traffic per lane in central Florida, at the time, and traffic had to remain uninterrupted during construction. By self performing all major components of work, PCL was able to save 4 months on the construction of the new bridges.</p>	


Project Information	Project Description	PCL Civil Constructors, Inc.
<p><b><i>I-95 Weigh-in-Motion Enforcement Station</i></b></p> <p><b>Location:</b> Martin County, FL</p> <p><b>Owner:</b> FL DOT, District 4</p> <p><b>Completion Date:</b> 2009</p> <p><b>Contract Value:</b> \$24M</p>	<p>This project involved the design and construction of a Weigh-in-Motion Enforcement Station and Static Scale Facilities for commercial truck traffic on Northbound I-95. The scope consists of new interstate entrance and exit ramps, concrete roadway and truck parking, curb, gutter, sidewalk, lighting, enclosed drainage and cross-drains, stormwater management ponds, pavement marking, vehicle signalization systems and signing. The scope also includes the administration building, inspection barn, and weigh-in-motion static scale. Specific details of the project include:</p> <ul style="list-style-type: none"> <li>• Total ramp distance of 1.8 miles, Concrete paving of 38,000 sy</li> <li>• Weigh-in-motion scale, Two static scale</li> <li>• Signalization includes dimensioning lasers</li> <li>• Administration building - 3,040 sf</li> <li>• Inspection barn - 2,200 sf</li> </ul>	


Project Information	Project Description	IHI Inc.
<p><b>Tatara Bridge</b></p> <p><b>Location:</b> Hiroshima / Ehime, Japan</p> <p><b>Owner:</b> Honshu Shikoku Bridge Authority</p> <p><b>Completion Date:</b> 1998</p> <p><b>Design Contract Value:</b> \$45M</p>	<p>This project is a cable-stayed bridge, with a main span of 890m connecting the Islands of Ikuchi and Oumishima, as part of the Shimanami Motorway for the Honshu-Shikoku Bridge Project, with an overall length of 59.4km. In 1990, it was decided that the bridge would be constructed with a semi-fan stay cable arrangement. A steel box girder cable-stayed bridge with a main span of 890m was selected to avoid the huge anchorage blocks, which would be required for a suspension bridge. The construction started in April 1992 and was completed and opened to traffic in April 1999, as the world's longest cable-stayed bridge. The towers are inverted Y-shaped steel structures, with slits in an upper tower for aesthetics and enhanced aerodynamics. The suspended girders are primarily stream-lined steel box girders, but pre-stressed concrete girders make up the end spans supported by the intermediate pier to act as a counter-balance to the weight of the main span. The stay cables are parallel wire strand, the biggest of which has 379 7mm diameter wires, encased in polyethylene tubes, with surface dimples to enhance their aerodynamic stability and are arranged in two planes.</p>	


Project Information	Project Description	IHI Inc.
<p><b>Fatih Sultan Mehmet Bridge</b></p> <p><b>Location:</b> Bosphorus Strait, Turkey</p> <p><b>Owner:</b> Ministry of Public Works and Settlement</p> <p><b>Completion Date:</b> 1988</p> <p><b>Contract Value:</b> \$130M</p>	<p>Fatih Sultan Mehmet Bridge across the Bosphorus Strait is one of the most important gateways for physical distribution between Asia and Europe. Adopting a suitable and safe construction method, this object of international navigation has been kept opened during the construction.</p>	


Project Information	Project Description	IHI Inc.
<p><b>Akashikaikyo Bridge</b></p> <p><b>Location:</b> Akashi-strait, Japan</p> <p><b>Owner:</b> Honshu-Shikoku Bridge Authority</p> <p><b>Completion Date:</b> 1998</p> <p><b>Contract Value:</b> \$3.6 billion</p>	<p>Construction of the tower required precision on the micron order so as to ensure performance and service life. These tower blocks with high quality requirements were fabricated at KURE SINGU works, and are of the highest quality. In addition, tower cranes manufactured by IHI were used in the construction of the blocks.</p>	


Project Information	Project Description	Parsons Brinckerhoff
<p><b>Leonard P. Zakim Bridge</b></p> <p><b>Location:</b> Boston, MA</p> <p><b>Owner:</b> Massachusetts Highway Department</p> <p><b>Completion Date:</b> 2004</p> <p><b>Design Contract Value:</b> \$2M</p>	<p>PB, in joint venture, was responsible for conceptual and preliminary-phase services for the concrete, steel and hybrid alternatives for the 745-foot-long main span cable-stayed bridge and management of final design and construction-phase services for the structure, which is one of the principal elements of the multibillion dollar Central Artery/Tunnel Project.</p>	

Project Information	Project Description	Parsons Brinckerhoff
<p><b>DFW Connector CDA</b></p> <p><b>Location:</b> Dallas/Ft. Worth, TX</p> <p><b>Owner:</b> Texas Department of Transportation</p> <p><b>Completion Date:</b> 2014</p> <p><b>Contract Value:</b> \$63.9M</p>	<p>PB, as the lead designer for a series of improvements to roadways between Dallas and Fort Worth, Texas. The Texas Transportation Commission awarded the joint venture team to develop, design and build 8.4 miles of the SH 114/121 corridor (known as the DFW Connector); including major interchanges at SH 121 and International Parkway. By using a comprehensive development agreement (CDA) design-build method, the right-of-way, design and construction phases of work are accelerated—minimizing impacts to businesses and the traveling public. A CDA, like a public-private partnership, enables private-sector partners to assist the state in getting needed transportation implemented sooner, with less financial risk to Texans.</p>	

Project Information	Project Description	Parsons Brinckerhoff
<p><b>William Natcher Bridge</b></p> <p><b>Location:</b> Owensboro, KY</p> <p><b>Owner:</b> Kentucky Transportation Cabinet</p> <p><b>Completion Date:</b> 2002</p> <p><b>Design Contract Value:</b> \$3.8M</p>	<p>PB provided preliminary studies and design, final plans, specifications, and cost estimates for the design of a steel cable-stayed bridge over the Ohio River. The new crossing connects U.S. 231 northeast of Rockport, Indiana with U.S. 60 northeast of Owensboro, Kentucky. It consists of a 4,505-foot-long, four-lane bridge with a 1,200-foot main span, two 500-foot side spans, a 1,345-foot approach on the Kentucky side, and a 960-foot approach in Indiana.</p>	

Project Information	Project Description	Chodai Company, Ltd.
<p><b>Rungyang Changjiang Bridge</b></p> <p><b>Location:</b> China</p> <p><b>Owner:</b> Jiangsu Province</p> <p><b>Completion Date:</b> 2005</p> <p><b>Contract Value:</b> \$700M</p>	<p>The Rungyang Changjiang Bridge is an integral part of the main highway network in Jiangsu Province and this bridge forms the primary access across the channels in the Changjiang River. The bridge is a single-span, two-hinge suspension bridge, and crosses the main stream of the river with a maximum span of 1,490m, which distinguishes this bridge as the longest suspension bridge in China and the third longest in the world. The roadway carries six lanes of traffic, with a design speed of 100km/hr. The bridge was completed and opened to traffic in May 2005. The towers are constructed of reinforced concrete and the stiffening girder is made of shallow-depth steel box. The main cables are made of 264 prefabricated strands, with each strand consisting of 127 5.3mm diameter wires. Soil freezing methodology was employed to control groundwater to facilitate construction of the slurry wall at the north anchorage.</p>	

Project Information	Project Description	Chodai Company, Ltd.
<p><b>Nanjing Yangtze River Third Bridge</b></p> <p><b>Location:</b> China</p> <p><b>Owner:</b> Construction Commanding Dept.</p> <p><b>Completion Date:</b> 2005</p> <p><b>Contract Value:</b>\$362M</p>	<p>This project is a cable-stayed bridge, with a span arrangement of 63m + 257m + 648m + 257m + 63m. The steel towers rise to 215m above sea level and have A-shaped, curved tower pylons and with four cross-beams. The lower cross-beam is located 36m above the tower base and is made of reinforced concrete, but the three other cross-beams are made of steel. This was the first major cable-stayed bridge in China to be constructed with steel towers. The suspended deck is a shallow steel box girder with a 37.16m wide by 3.2m deep orthotropic deck. The bridge has a floating suspended deck, which has longitudinal elastic supports at the towers. Chodai was involved in the technical review of the tower design, the aerodynamic study, including wind tunnel testing and vibration control methods, and provided consulting services for the fabrication and construction of the towers.</p>	

Project Information	Project Description	Chodai Company, Ltd.
<p><b>Tatara Bridge</b></p> <p><b>Location:</b> Hiroshima / Ehime, Japan</p> <p><b>Owner:</b> Honshu Shikoku Bridge Authority</p> <p><b>Completion Date:</b> 1998</p> <p><b>Design Contract Value:</b> \$45M</p>	<p>This project is a cable-stayed bridge, with a main span of 890m connecting the Islands of Ikuchi and Oumishima, as part of the Shimanami Motorway for the Honshu-Shikoku Bridge Project, with an overall length of 59.4km. In 1990, it was decided that the bridge would be constructed with a semi-fan stay cable arrangement. A steel box girder cable-stayed bridge with a main span of 890m was selected to avoid the huge anchorage blocks, which would be required for a suspension bridge. The construction started in April 1992 and was completed and opened to traffic in April 1999, as the world's longest cable-stayed bridge. The towers are inverted Y-shaped steel structures, with slits in an upper tower for aesthetics and enhanced aerodynamics. The suspended girders are primarily stream-lined steel box girders, but pre-stressed concrete girders make up the end spans supported by the intermediate pier to act as a counter-balance to the weight of the main span. The stay cables are parallel wire strand, the biggest of which has 379 7mm diameter wires, encased in polyethylene tubes, with surface dimples to enhance their aerodynamic stability and are arranged in two planes.</p>	



## Local Contracting Partners

Walsh and PCL have maintained a longstanding commitment to small business participation, with a special focus on integrating small and disadvantaged businesses into their projects. Integration of small business subcontractors has been a consistent requirement in their numerous nationwide federal, state and municipal projects. Walsh and PCL have a record of achievement in exceeding contract required hiring goals is well documented and punctuated with awards.

### WALSH CONSTRUCTION AWARDS AND KEY SUCCESSES

- 2008 Midwest Construction’s Top Project -Midwest Construction Magazine, Dan Ryan Expressway - DBE
- 2007 Illinois Road & Transportation Builders Association Diversity Award for highest diversity percentages among all contractors in the region.
- 2007 Platinum Level Nation S.T.E.P. Award from Associated Builders and Contractor’s Association given to Archer Western’s Atlanta Office
- 2007 Illinois Department of Transportation Awards - Subcontractor of the Year awarded to Mosley Construction (Local DBE Subcontractor) CRC Reinforcing Installation for work done on Dan Ryan Expressway

### PCL AWARDS AND KEY SUCCESSES:

- Central Link Light Rail C755 Project achieved a DBE participation of 15.8%, exceeding the project goal of 12%; 2)
- Minneapolis Central Library project achieved participation of 21.4%; and 3)
- Home Depot Center project achieved a 27% participation goal. In addition to these significant achievements in supporting and advancing minority participation,
- PCL has been recognized by the Greater LA African American Chamber for outstanding minority participation in 2008 and 2009, and in 2003
- the Minnesota American Indian Chamber presented us with the Buffalo Award for our efforts on behalf of minority entrepreneurs

### Targeted Small Businesses include:

- VOSB – Veteran Owned Small Business
- SDVOSB–Service Disabled Veteran-Owned Small Business
- 8a Small Business Certification

- SDB – Small Disadvantaged Business
- MBE Minority Business enterprises
- WBE Women Business enterprises

Aside from direct outreach approaches, a variety of sources were used to identify qualified Small Businesses to serve as subcontractors on this project.

- **Existing company source lists**
- **U.S. Small Business Administration Subcontracting Network (SUB-Net)**
- **U.S. Small Business Administration Dynamic Small Business Search (DSBS)**
- **Central Contractor Registry (CCR)**
- **Disadvantaged Business Job Fairs**
- **Mentor/Protégé Relationship Program**
- **Subgard Program** –assist DBE/SBE/WBE/MBE is a comprehensive insurance product that we provide to qualifying subcontractors in lieu of requiring them to provide a performance bond.

The Walsh/PCL Team will look to engage local subcontractor participation on both sides of the river, including qualified SBE/DBE firms, during the proposal, design, and construction stages of the project. The Walsh/PCL Team has a history of supporting and furthering SBE/DBE firms by proactively fostering their meaningful participation throughout the project.



**DRAGADOS USA**

**Detroit River International Crossing Project**  
**RESPONSE TO THE REQUEST FOR PROPOSAL OF INTEREST**  
March 17, 2010

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## 1. Contact Information

<b>Name:</b>	Cristina Rives	Daniel Paredes
<b>Title:</b>	VP Finance and Accounting	Project Manager
<b>Company:</b>	ACS Infrastructure Canada Inc.	ACS Infrastructure Development Inc.
<b>Mailing/Courier Address:</b>	150 King Street West Suite 805 P.O. Box 48 Toronto, Ontario	919 Congress Avenue, Suite 525 Austin, TX 78707
<b>Telephone:</b>	305-332 4235	512-236-1700
<b>Facsimile:</b>	305-424-5401	512-236-1810
<b>Email address:</b>	crives@acsinfra.com	

## 2. Company Information

ACS Group (“ACS”) has more than 40 years experience in developing, financing operating and maintaining limited access facilities, highways, toll roads, railroads, railways and bridges. A total of 67 concessions have reached financial close to date including approximately 3,000 miles of highways, 973 miles of railways, 16 airports, 6 ports and terminals and 2 bridges.

Since 1994, ACS has consistently been ranked at the top of the list of the “World’s Top Transportation Developers” (ranked #1 by Public Works Financing since 1994 for over 10 years).

ACS Group has over 142,000 employees, with a presence in 68 countries and annual revenues, as of December, 2009, of US\$22.48 billion. ACS divides its activities in five principal areas: Concessions, Industrial Services, Construction, Energy and Environment & Logistics as shown in figure 1 to the right, which can be present in all phases of the development of the infrastructure from the financing to the Client hand back. ( See figure 2 below.)



Figure 1

Our experience and extensive track record exemplifies ACS’s capabilities and partnering experience, both key issues in making challenging infrastructure projects become a reality.

ACS Infrastructure Development and ACS Infrastructure Canada Inc. (“ACS”) are the North American subsidiaries of Iridium Concesiones de Infraestructuras, S.A., the concession arm of of **ACS Group**. ACS started operating in the North American Public Private Partnership (“PPP”) Market in 2006 and since then, the company has been awarded four unique and challenging PPP projects including the A-30 in Montreal, with a total investment of US\$1.5B, the I-595 in Florida with a project investment of US\$1.6B, the I-69 Trans Texas Corridor in Texas and the Mid Currituck Bridge in North Carolina. Currently ACS is bidding on the South Fraser Perimeter Road in Vancouver (BC) and on the Windsor Essex Parkway in Ontario through ACS Infrastructure Canada Inc. which was incorporated in December of 2009 to manage the Canadian transactions.

ACS manages PPP's all around the world and in a variety of environments, including limited access facilities used by very high traffic volumes, e.g., the I-595 Highway in Florida, USA, the Vespucio Norte in Chile and EMESA Calle 30 in Madrid, as well as highways and bridges in cold winter environments, such as the Fredericton – Moncton Highway in New Brunswick and the A-30 Highway in Quebec, Canada. In addition, it is worth mentioning that the first PPP project in the USA was the Teodoro Moscoso Bridge in Puerto Rico and ACS was the awarded team to develop this project back in 1992.

ACS has developed numerous PPP projects with all types of payment mechanisms. Availability payment transactions such as Emesa Calle 30, A13 Thames Gateway, M7/M8 Portlaoise, N25 Waterford, and most recently the I-595 Improvements Project in Florida. The A-30 in Canada is a hybrid of availability payment and traffic risk and Central Highway in Chile is an example of a traffic risk transaction.

Our extensive experience in North America gives us a clear understanding of the financial markets and allows us to tailor our financial approach to best suit the cash flow and risk profile for the Detroit River International Crossing Project.

**CONSTRUCTION ACTIVITIES RANKING**

**Worldwide:**

- Ranked 2nd by Net Profit (Forbes)
- Ranked 6th by Total Revenue (ENR)

**Europe:**

- Ranked 1st by Net Profit (Forbes)
- Ranked 2nd by Market Value (Forbes)
- Ranked 4th by Total Revenue (ENR)

Dragados USA and Dragados Canada which operate in the USA and Canada, respectively, are both subsidiaries of the Spanish firm Dragados, S.A. which is the construction arm of the ACS Group and has over 65 years of international experience in the construction and rehabilitation of roads, bridges, tunnels and highways around the world. The ACS Group is listed in the 2008 ENR Global Construction Source Book as the 8th Top Global Contractor. Dragados has total annual revenue of US\$ 9.3 billion in 2008 with approximately 16,000 employees. The company has built over 5,300 miles of highways, 3,100

miles of roads, 1,500 bridges, 810 miles of tunnels, 1,200 miles of railways, rail transit and numerous rail facilities, and airports.

As a major international contractor, Dragados has worked on complex and challenging projects including the design and construction of major urban highways and bridges involving very high traffic volumes and, thus, requiring efficient management of traffic and public involvement, as well as, construction of complex structures requiring specialized personnel and strict quality control systems that are applicable to this project.

Dragados is also the largest PPP contractor in the world with over 65 Concession Projects delivered for the ACS Group worldwide.

Dragados began its North American operations in 1997 by building the Fredericton Moncton highway in New Brunswick and it is now building the A-30 in Montreal, Quebec.

In the last three years, Dragados USA has won and is participating in the construction of the following Projects: In New York, Dragados runs two Metro construction contracts (East Side Access Manhattan Tunnels for \$428 million and two Metro Caverns for \$796 million), the I-287 roadway contract (\$140 million) and is performing the refurbishment of three dams for the New York State Department of Environmental Protection (\$70 million); In Florida, Dragados is performing a rehabilitation of the terminal in Miami International Airport (\$135 million) as well as the I-595 Improvement Project (\$1.5B) in Fort Lauderdale. In March 2008, Dragados was also awarded a 68 mile-high, single arch dam contract in



Puerto Rico (\$182 million).

In addition, Dragados has acquired three companies over the last two years that add to its respective construction experience and resources in North America to the ACS Group. These companies are Schiavone, John P. Picone and Pulice.

ACS Group also has unparalleled experience on the integration of Intelligent Traffic Systems (ITS), Toll Operations Systems and environmental control systems worldwide. ACS Group has experience covering a variety of toll systems, including innovative Open Road Tolling (known as Multi-lane Free-Flow Tolling) and Intelligent Transport Systems.

As an industrial developer, the Group is capable of providing an integrated approach by creating synergies and leveraging our expertise in our different areas of work. We not only provide innovation in terms of design and construction methods, but also financial innovation due to our experience with all types of financing instruments in the USA, Canada and worldwide. We also guarantee that we will return a highway in the best conditions exemplified by our excellent operation, maintenance and rehabilitation track record. All of these qualifications are supported by a strong balance sheet, which ensures execution in a timely manner.

ACS Groups' Main Figures are as follow:

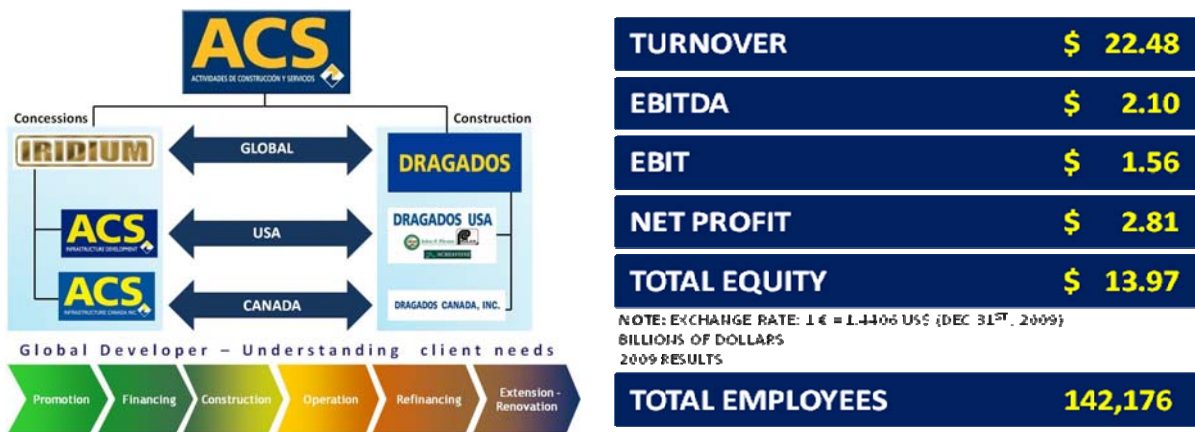


Figure 2

### 3. Letter of Interest

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March 17<sup>th</sup>, 2010

Michigan Department of Transportation  
425 W. Ottawa Street, P.O Box 30050,  
Lansing, Michigan 48909

**Att: Mohammed Alghurabi, Senior Project Manager.**

**Ref: Detroit River International Crossing Project.**

Dear Mr. Alghurabi,

ACS and Dragados are enthusiastic about this future procurement opportunity, and are proud to present this document as proof of our interest in the Detroit River International Crossing Project (the "Project"), for developing, financing, constructing, operating and maintaining the Detroit River International Crossing Project. At ACS and Dragados we are confident that we have all of the capabilities needed to bring this project to a successful end. We understand the need for this development as the current existing infrastructures have no capacity to absorb the expected growth in the volume of transactions between the USA and Canada. As several studies have shown, this increase in capacity is needed in the near future.

ACS Group ("ACS") has been ranked number 1 according to the Public Works Financing since 1994. ACS started operating in the North America PPP Market in 2006 and since then, the company has been awarded four unique and challenging PPP projects including the A-30 in Montreal, the I-69 in Texas, the I-595 in Florida, and the Mid Currituck Bridge in North Carolina. Currently ACS is bidding on the South Fraser Perimeter Road in Vancouver (BC) and on the Windsor Essex Parkway in Ontario.

ACS has the experience required for this type of venture and a proven record of attaining financial close, even in difficult scenarios, due its expertise in the financial markets for projects the size of the proposed Detroit River Crossing, including all four of its sections. As a recent example of our capabilities, we can illustrate I-595 (US\$1.6 billion) which reached financial closed in March 2009 or A-30 (US\$1.5 billion), which reached financial close in September 2008. ACS also has been the pioneer in the development and implementation of Open Road Tolling System in Central Highway in Chile

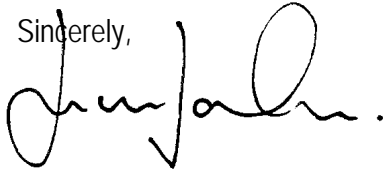
In addition to the projects that ACS has been awarded in the past years, the market has also recognized ACS's capabilities and leadership in the North American sector by honoring us with the award of "North American Developer of the Year" by Project Finance Magazine in March of 2010.

On the Construction side, Dragados has built more than 1,500 bridges and 3,110 miles of roads worldwide of which 15 have been built as cable-stayed. Dragados is actively working in the North American market by not only building all of the PPP's ACS has been awarded above, but also by participating in major Design Build Contracts such as the reconstruction I-287 Highway, New York Subway ESA Tunnels CM009, Reconstruction of Croton Falls Dams, ESA Manhattan Structures I-CM019, North Terminal Improvements, Miami International Airport and Construction Portuguese Dam, Ponce, Puerto Rico.

ACS and Dragados have the expertise to adapt to any type of procurement that Transport Canada ("TC") and Michigan Department of Transportation ("MDOT") are envisioning and we will assemble a team specifically tailored for the project needs, therefore assuring the best results, which means gathering the best in each field.

ACS and Dragados provide the experience, financial strength, engineering knowledge, construction expertise, and operation and maintenance capabilities which guarantees the success of the project through all its phases and we are interested in the Project as a whole: developer, financial, investor, design build contactor and operator. At ACS and Dragados we understand the challenges that these types of projects present and we are prepared to find the very best solution.

Sincerely,



Juan Santamaria, COO



## 4. Scope

Based on our experience as Developers, Operators, Financiers, Equity Providers and Contractors, we believe that the best approach would be **to procure it as one single project all together** as shown in the picture below. The reasoning behind our proposed solution is as follows:



- ✓ The infrastructure **makes sense as a whole**: the financial feasibility and therefore the success of the project are dependent on all combined sections and therefore they should all be guaranteed under a unique contract.
- ✓ **Reduction of interferences with third parties**: Dividing the project's responsibilities into different contracts implies MDOT and TC will have to interact with a different developer for each contract. Therefore, MDOT and TC will

have to agree on an inter-phase agreement to govern the relationship among the different developers that will be concurrently building the project. This introduces a noteworthy interface management risk for the public.

- ✓ **Reduction of time and cost** to the administrations involved; procuring different contracts is increases the procurement time process and increases the procurement cost.
- ✓ **Synergies**: It is more efficient for a single entity to complete design and construction of all the sections within the project as a whole. At the end of the day it is an integrated approach and one single schedule. This will significantly reduce indirect costs. The project, once delivered, will start the operation as a whole and will immediately serve the purpose for which it was built.
- ✓ **Efficiency** for the public sector partners as they just have to interact with one Party.
- ✓ The size of this project is large but manageable as one single project
- ✓ **Competitiveness is granted**: There are a number of developers in the market, capable of bidding on a project of the DRIC proportions. As is evidenced by the fact that there are many projects on the market nearing \$USD1.5B that have closed recently, such as the A-30 and I-595 respectively. The Windsor Essex Parkway is also an example of this as there were 5 groups that submitted prequalification packages to Infrastructure Ontario.
- ✓ If the risk of the Project is carefully allocated between the private and public sector and responds to the project needs, the financial market is deep enough to allow different financing methods, including but without limitation the following: Short and Long Term Bank Facilities, Short Term Bonds, Wrapped Bank Facilities, Wrapped Bonds, PABs, TIFIA, other tax exempt alternatives, Subordinated debt, etc., and the adequate combination of them is key to a successful financing.

## 5. Business Model

We do have the capacity, resources, experience, team capabilities and the knowledge to work on all types of PPP models and we would participate in the Project no matter what model is finally selected. Our recent experience in different models provides us with a deep understanding of the different advantages and disadvantages of each solution.

The selection between an availability payment model and a real toll one will highly depend on the following factors:

- ✓ Will the revenues be enough to cover the necessary investment?
- ✓ Which is the most adequate risk profile of the revenue stream that provides greater benefits for the taxpayers?
- ✓ How much risk are the public sector partners, MDOT and TC, willing and able to take?

It seems according to the information that has been made public, that for the project to be feasible in case of a funding gap (traffic and other sources of revenue not enough) MDOT and TC will have to assign public funds to the Project, in form of construction payments and/or availability payments depending on their accessibility to resources and budgetary constraints of time. This has been the case in the A-30 in Canada where the T&R revenues are not enough and the Ministry will have to provide both availability payments and payments during construction. Another possibility is “co-financing” structures where the public partner is providing a minority part of the funding. In those structures the public partner may be providing a subordinated loan or capital grants.

Under a traffic revenue risk scenario, the contract may be structured in a way that the public partner may recoup its share through revenue sharing mechanisms that come in place if the revenue stream proves to be significantly higher than initially expected. This would provide a potential benefit to the Public Sector should the future revenues grow above the preliminary forecast.

Another very important factor to analyze is the project’s feasibility in regards to the cost of financing. In the current market conditions traffic risk will be highly priced by the lending markets and, in the end, this may affect the viability of the project. The financing structure will be different depending on the risk profile of the project. This factor may be determinant upon the project’s feasibility if the financial institutions conclude that the risks inherent to the project development and operation are unacceptable, meaning non-financeable, or request additional guarantees.

Availability Payment structures do not preclude the public sector from charging tolls to the users. For example, in the I-595 Project, Florida Turnpike is responsible for the collection of tolls, however, the Department of Transportation is paying the Concessionaire an annual fee subject to the Concessionaire complying with all the Infrastructure operation and maintenance requirements. In this case, the availability payment model allows the public sector to retain the capacity to set tolls. While the private sector will always be incentivized to maximize revenues, the public sector may use the toll rate policy to achieve or favor different goals, such as relieving congestion in the area or maximizing public use of the facility.

This structure has also been adopted in cases where the traffic and revenue stream was subject to specific uncertainty that would have had a significant impact on the cost of financing. In the case of the I-595 the possibility of a competing transit rail being built in the mid-term had an impact on the risk profile of the project which in turn could have impacted the project’s feasibility.

This could be the case in the DRIC. Traffic risk in this project is linked to the share of traffic with the already existing facilities, the Ambassador Bridge, the Blue Water Bridge and the Detroit Windsor Tunnel. The evolution of rates in those facilities as well as any possible improvement to those facilities will be carefully analyzed by the lenders. Risk sharing mechanisms should be analyzed to reduce the uncertainty and the existence of such competing facilities could create an issue for the transaction. If this uncertain, though, it might be better to procure it as a traffic risk type deal

Another aspect that will have to be analyzed in detail is the border crossing time, which will be entirely out of the Concessionaire's control but it may have a significant impact on future traffic as the benefit of the time saving that the infrastructure provides does not outweigh the inconvenience of the waiting period at immigration.

To sum up, a Traffic risk type Transaction is desirable if the Client is able and capable of covering the funding gap if any. In addition the Client could fix a profit sharing mechanism for which both Client and the Private sector could benefit from the increased in traffic.

### **I-595 Case Study-Availability Type Transaction**

Financial Structure: The credit loan agreement was signed on March 3, 2009 and consists of two tranches, A and B. The maturity date for Tranche A amounts to US\$ 526M and its maturity date is September 30, 2018 whereas Tranche B amounts to US\$ 256M and its maturity date is December 31, 2019. The Equity Contribution Agreement was also signed on March 3, 2009 for an amount of US\$ 208M with a Maturity of one year with automatic yearly renovation. The TIFIA Loan Agreement was signed on March 2, 2009 for an amount of US\$ 678M and its maturity date is December 31, 2042. The floating interest risk was hedged with 9 swaps, and closed on March 3, 2009. The Payment and Performance Bond posted by the Developer was USD\$ 250M.

Business Model Used: This project is the first availability payment project in Florida and one of the first major availability based AFP/PPP deals to close in the United States. The FDOT will make 2 kinds of payments: Final Acceptance Payments (FAP) and Maximum Availability Payments (MAP).

- ✓ **FAP** are linked to the accomplishment of seven milestones through the construction period, although they will not be paid until the Concessionaire reaches Substantial Completion. The payment of the first milestone includes a bonus to be paid if the Concessionaire reaches all of the milestones within the period stated in the Concession Agreement.
- ✓ **MAP** calculation is based on the number of Segments that are open and available to the public. It is measured through the Concessionaire's conformance with the Contract Documents, including the minimum operating and maintenance requirements. In case of non compliance, payments will be reduced. FDOT assumes the Inflation Risk indexed at a 3% fixed rate on 70% of the MAP and the remaining portion of the MAP is indexed at CPI. Once the construction work is finished, the FDOT will collect the tolls electronically via toll gantry which shall be the source to pay the Concessionaire.

### ***Project Relevance***

Financial Close ("FC") was reached on March 3<sup>rd</sup>, 2009 during extremely challenging financial circumstances. However, due to innovative financing and the consideration of all financing aspects ACS was able to create a 10% reduction in costs from what the FDOT had originally envisioned. The Financial Close was achieved with a club deal of 12 banks and with sources from TIFIA. Equity contributions are back-ended at the end of the construction period. Tranche A and Tranche B of the Senior Debt will be repaid, respectively, with the FAP and MAP received from the FDOT. The floating rate risk and the inflation risk are covered by a swap and the availability payment mechanism respectively. A refinancing is expected to take place prior to the 10th anniversary of Financial Close. All parties found their objectives being met, thereby creating a unique win-win situation. **For this project, ACS was awarded "Best Project of 2009" by ARTBA, "North American Transportation Deal of the Year" and "North American Developer of the Year" both by the prestigious magazine "Project Finance". The COO of the company was also awarded "Entrepreneur of the year 2009" by ARTBA**

### A30 Project Case Study-hybrid Type Transaction

Upon FC, NA30 was created to guarantee the Developer's obligations in respect to the Project. A financing package, including a Construction Bridge Loan, Senior Debt and Equity was signed on September 25, 2008. The Construction Bridge Facility is a 5-year revolving loan amounting to US\$ 273M. The Senior debt has a maturity of 30 years and amounts to US\$ 759M. It will be available to pay for costs during the construction period, and will be repaid from the Construction Payments to be received from Ministère des Transports du Quebec ("MTQ"). The Equity contribution is US\$ 212M.

A fixed price turnkey construction contract was provided jointly and severally by the contractor joint venture and their obligations were supported by a US\$ 94M letter of credit.

There are four different kinds of payments to be received from the MTQ. Each payment stream shall include a deduction schedule designed to provide a performance incentive.

- ✓ **Construction Payments:** Province pays 50% of all construction period costs. These payments take place during the Construction phase and shall be used to repay the Construction Bridge Facility.
- ✓ During the Operation period, the Client will make the following payments:
- ✓ **Toll Revenues:** Tolls are collected by the concessionaire on behalf of the MTQ which makes monthly payments to the Concessionaire. If the revenue is above a certain threshold, it is then shared on a 50/50 basis between the concessionaire and the MTQ.
- ✓ **OMR Payments,** paid during the Operational phase for operations, maintenance and rehabilitation.
- ✓ **Capital Payments,** paid during the Operational phase to recover the balance of the Construction period costs (administrative cost, financing costs, LoC fees etc.). These are flat monthly payments for the 30 years of operation, indexed to CPI from April 2008, starting at Substantial Completion.

#### *Project Relevance*

This project reached FC with a club deal of 13 banks, only 10 days after the collapse of Lehman Brothers and in a turbulent financial market, thus demonstrating Iridium's ability to arrange and secure financing for large projects under severe market conditions. An inflation hedge and an interest rate hedge were also arranged. The Project has been awarded the following honors and prizes:

*"North American Deal of the Year 2008", by PFI (Project Finance International Magazine)*

*"Project Finance Gold Award 2008", by CCPPP (Canadian Council for Public Private Partnerships)*

*"North American PPP Deal of the Year for 2008" by Euromoney's Project Finance magazine*

### Central Highway Case Study-Traffic Risk type Transaction.

This Project, one of the segments of the Chilean Highway System for Chile's Department of Concessions, includes the Design, Construction, Financing, Operation and Maintenance of the North - South System in Santiago de Chile. This project has been financed with Wrapped Bonds with MBIA as the Guarantor. Part of the bond was issued in local currency and the other in USD. Given that revenues are collected in local currency it was necessary to close a cross currency swap to fully mitigate currency risk. Prior to the issuance of the bond, bridge financing was used.

Iridium provided 48% of the (a) Equity - \$100 M, and (b) Subordinated Debt - \$176 M. The structure also included a Contingent Equity LoC of \$97 M to support the ramp up of operations.

The Project was rated investment grade by Moody's and S&P.

This project has been a complex one involving construction works in big urban areas (Santiago). It also involves all types of risk: construction risk, traffic risk, technological and operational including collection risk and even though these were severe risks, the company received the investment grade for the project.

As a technological success, it is worth noting that Autopista Central implemented the first free flow system in South America becoming a worldwide reference for this type of technology and could also help in the design of the best tolling solution for the Detroit River Crossing Bridge. This is the first project where the issuance of the Bond in the Chilean market was done simultaneously in Chile and in New York. This was the biggest infrastructure deal closed in Chile achieving investment grade. The project was awarded as the “Best Project Finance Deal of the Year” in 2003 by the Latin Finance magazine.

## 6. Term of Agreement

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As a whole, a traffic-risk-type transaction which is supported by a traffic study that indicates it is feasible and that competing facilities do not impact the revenue projections, is the more desirable option. In the event that revenues do not cover project costs, it could always be a hybrid with an availability payment amount to cover the gap between the revenues and the Project Costs. Under different circumstances or preferences, a pure availability payment structure could be more convenient as stated in section 5. The Term of the PPP will depend on the model which includes: the size of the project, the sources of revenues and, the time that the concessionaire would need to recover its investment.

The analysis has shown that an approximate length of 50 years will be appropriate; this figure may be different depending on the economical support to the transaction.

## 7. Other Revenue

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ACS is aware of other alternative sources of revenue in regards to this type of project. With thousands of vehicles crossing active US/Canada borders daily, the revenue potential from facilities such as rest stops, visitor centers, full service gas and maintenance garages, restaurants, duty free shopping, advertisements, etc. is of interest for this project. In the development of the Detroit River International Crossing Project, ACS will explore and research the availability and feasibility of the various options highlighted above. The impact of parking, traffic, pedestrian access and safety will be carefully analyzed to ensure that the envisioned use of the road and plaza are improved and not negatively impacted by such additions.

ACS will work with local companies and area developers to identify possible franchise companies and advertisement companies interested in the areas within and surrounding the plazas. As well, Duty Free shops while not as commonly available for road travelers in the United States would be a consideration since several border crossings between the United States and Canada have duty-free shops for car travelers. It is ACS's goal to provide superb service to the motoring public and will work diligently to explore these alternative revenue options to help bring additional funding sources to the project table.

## 8. Financing

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Over the last eighteen months, the financial markets have undergone significant changes, and, as a consequence, some financing strategies used in prior periods have become unfeasible. However, ACS (through either Iridium or ACS) has successfully adapted to this volatile environment, closing two PPP projects in North America and delivering fully financed bids on several other projects. The Proposer intends to apply similar techniques to this Project if it moves forward.

ACS's experience in previous successful projects, allows us to develop a flexible financing structure that will be approved by commercial senior lenders, bond underwriters and/or TIFIA. By relying on ACS's expertise and strength, we will be able to choose the most appropriate solution among a variety of structures that includes a traditional project finance bank financing structure and/or a tax-exempt financing option.

Currently, the most feasible financing alternatives for this Project if procured now could be (i) a long term senior bank loan and/or (ii) a tax-exempt Private Activity Bonds ("PABs"), both used in conjunction with a TIFIA loan (provided the TIFIA funds are allocated to the Project). ACS has extensive experience with the following alternatives:

**TIFIA:** ACS has been working and negotiating TIFIA funds with US Department of Transportation on several recent projects, including: the bid process of the IH-635 (TX), the bid process of the I-595 (FL) under a bond solution (although not finally issued), and the financial closing of the I-595 under a bank solution. These experiences have allowed ACS to negotiate with government authorities and to be flexible enough to comply with their different requirements. As a result of these processes some innovative solutions have been put into place by the US Department of Transportation. For instance, the I-595 project became the first project in which the USDOT participated in a project with refinancing risk. Final maturity of TIFIA loan can extend up to 35 years beyond the completion of construction and loans may be repaid early at any time without a premium. Using TIFIA in tandem with PABs may be particularly advantageous in maximizing the amount of debt supportable from project revenues. The maximum limit to use for TIFIA though is 33% of the eligible costs of the Project. In this case the High Level Analysis has been performed by assuming that only the US part would be subject to this source of financing.

*Note: TIFIA program guide, Chapter 3, Section 3-1 Eligible Projects and Costs, Eligible highway facilities include interstates, state highways, bridges, toll roads, international bridges or tunnels, and any other type of facility eligible for grant assistance under title 23, the highways title of the U.S. Code (23 U.S.C.). This also includes a category specifically permitted under the TIFIA statute, i.e., a project for an international bridge or tunnel for which an international entity authorized under Federal or State law is responsible (23 U.S.C. §601(a)(8)(B)).*

**BANK DEBT:** The strong relationship with the lenders and the adaptability of both sides allows ACS/Iridium to close deals in spite of the market situations. The Financial Close of A-30 (Quebec, Canada) was reached with 13 Banks, 10 days after the collapse of Lehman Brothers. Six months later, the Financial Close of I-595 was reached with 12 Banks. Mini-perm financing and long term amortization debt will also be explored for this project. In addition, as the market strengthens with respect to long Term Debt, it will also be explored.

**PABs:** As long as they have been allocated into the Project, Tax Exempt Bonds are also an option as a source of financing. ACS has directly pursued this allocation process with the Federal Government in the past. In particular, the issuance of these instruments was planned for the IH-635 (TX) and the I-595 (FL)

projects. In the I-595 project, this option was run until just prior to the Financial Close; through its negotiations with Broward County (the conduit issuer) ACS was able to gain the kind of invaluable knowledge needed to place this kind of debt instrument.

*Note: Title 23 § 103 (b)(1)(A) serve major population centers, international border crossings, ports, airports, public transportation facilities, and other intermodal transportation facilities and other major travel destinations" and in § 103 (c)(1)(C)(iii) to the maximum extent practicable, to connect at suitable border points with routes of continental importance in Canada and Mexico.*

ACS/Iridium also has very good relationships with **Rating Agencies** in the USA and Canada, and has reached investment grade for all of its recently closed financing deals such as the A-30 and the I-595 (A-rated), as well as in its committed bids, such as the IH-635, the Port of Miami Tunnel and the Pennsylvania Turnpike. Our experience with the rating agencies demonstrates their confidence in Dragados' credit profile, and their belief in the ability of Dragados to successfully perform and complete construction. The rating of the project will be needed in case there is a bond solution or TIFIA financing.

In addition, **the US rated bond market** has demonstrated an increased appetite over the past six months for well structured infrastructure credits, particularly by means of PABs. Depending on the nature of the revenue stream and the strength of the equity and construction contractors for the project, we will see if **an investment grade category rating is achievable** but a properly structured project with appropriate performance security packages will not have much of a problem. The increased appetite for long-term infrastructure credits has resulted in a corresponding tightening of credit spreads which means lower debt costs. ACS has a proven track record of arranging bond solutions in the United States. In fact, for the Proposer members' bids on the IH-635 in Texas and the Port of Miami Tunnel, investment grade was achieved for the bond solution, and for the bonds in I-595 in Florida, the rating agencies gave an A range category. Consistent with other US PPP projects that ACS has undertaken, if the project moves forward, ACS will select a bond underwriter that has a distribution network for bonds across the US.

In a high level exercise, and taking into account a traffic Risk Type transaction, we have seen that the amount that the project holds is between a 70-80/30-20 (debt/Equity).

In addition, the types of debt that we have analyzed include TIFIA and PABs for the US section and Bank financing for the Canadian section.

The Financial Structure also considers the need for Federal Funds besides the aforementioned instrument that could be in the form of subsidy for the construction, availability payments starting at the end of the construction period and/or a mix of them.

## 9. ACS's Experience

### A. PUBLIC PRIVATE PARTNERSHIP (PPP)

ACS is a world-class *Developer*, with proven track records in pioneering the development of PPP's. ACS enthusiastically believes in the benefits of partnering, as evidenced by the fact that we have financed, designed, constructed, operated and maintained more than 67 PPP projects to date in more than 40 countries, with many different Public Entities. ACS has consistently been at the top of the "World's Top Transportation Developers" ranking list (ranked #1 by Public Works Financing 1994 - 2005 and 2007-2008

ACS has significant successful experience in North America, such as the I-69 TTC in Texas, and financial close of the I-595 in Florida in March 2009 and the A-30 in Canada in September 2008. It is currently involved in the bid process of the South Fraser Perimeter Road Project in Vancouver and the Windsor-Essex Parkway Project in Ontario. In addition, last April ACS signed a Pre-Development Agreement (PDA) with the North Carolina Turnpike Authority (NCTA) for the Mid-Currituck Bridge in North Carolina. This extensive experience in North America gives ACS, among other things, a clear understanding of the financial markets and allows it to tailor its financial approach to the project in the most efficient way.

The **Construction** capabilities for every project that we pursue as Developers under a PPP scheme are provided by Dragados. Dragados does not only have a company in the USA but also a Canadian branch with which it is building the A-30 Project in Montreal. Dragados S.A. is the 100% owned subsidiary company construction arm of ACS Group. Dragados is listed in the 2008 ENR Global Construction Source Book as the 6th Top Global Contractor.

In addition to its US experience, Dragados also has a Canadian presence which will be an added benefit in this cross-border Project. Dragados began its Canadian operations in 1997 by building the Fredericton Moncton highway in Ontario and it is now building the A-30 in Montreal.

In the table below we show some of Dragados specific experience and technical capabilities to build bridges such as the ones proposed as solutions for the Project: Suspension Bridges and Cable-stayed Bridges.

It would be relevant to mention our experience in working together and delivering similar projects to address the Design, Build Operations and Maintenance of the Project Teodoro Moscoso Toll Bridge in Puerto Rico, USA. The construction commenced on April 1992 and was completed by February 1994. The toll bridge was one of the first PPP Contracts (design, build, finance and operate) in the United States. The toll bridge over San Jose Lagoon is 1.40 miles long and connects San Juan Airport with the city and major highways that distribute the traffic to the resort areas and main cities. The bridge structure is formed of 78 deck slabs approximately 98.4 feet long, of which 67 have a constant width of 79 feet. The other 11 have widths that vary between 79 feet and 196.8 feet.

CABLE STAYED BRIDGE PROJECTS		
PROJECT NAME	LENGTH (Ft)	CURRENT STATUS
New Bridge over the Cadiz Bay	10354.3	Operation
El alamillo Bridge	6617.5	Operation
New River over the Barxell River	2126.3	Operation
Bridge over the Deba River	1558.4	Operation
Bridge over the Ozama River, PR	1496.1	Operation
Bridge over The Ebro River in Castejon	1443.6	Operation
IV Bridge over the Guadiana River in Dadajoz	1266.4	Operation
West Access to Dos Valires Tunnel: Leo Bridge	905.5	Construction
Bridge over the Vinalopo River	902.2	Operation
"Centenario" Bridge and Acces	702.1	Operation
Viaduct of the Technological Park in Paterna	656.2	Operation
New Bridge over the Miño River	623.4	Operation
Barqueta Bridge	512.7	Operation
Bridge over the Suir River	508.5	Construction

**Operation and Maintenance.** The Developer has more than 40 years of experience in self-performing the Operation and Maintenance of similar limited access, urban, highly congested facilities including bridges in extreme weather conditions as it will be described below. This gives us an unparalleled understanding of



the critical risk factors involved in the routine maintenance, incident response and rehabilitation responsibilities of the Detroit River Crossing Project. Furthermore ACS is currently working on numerous projects worldwide including the USA and Canada, which allows to understand the specific risks involved in deduction mechanisms linked to key performance and availability indicators.

In order to demonstrate ACS's experience in all areas of the business we will provide several examples for each discipline.

In chart below we show PPP projects where ACS or any one of its related companies have been involved and where in each of the Phases of the Projects and by way of the following are descriptions of some of those projects we believe are relevant to the Detroit River Crossing Project:

- ✓ **Bridge over Cadiz Bay (Spain):** this is the largest Cable-Stayed Bridge built by Dragados.
- ✓ **TP Ferro (France and Spain) and Rotas de Algarve (Portugal and Spain).** As an example of our experience working on a border crossing project with two countries and two administrations. Also, the company has been recently awarded a project between Spain and Portugal.
- ✓ **Waterford Bypass (Ireland).** This project is being developed by ACS through a PPP with the exclusion of the Operations. In addition it explains Dragados' approach to the Design and Build of major bridges over environmentally sensitive watercourses.
- ✓ **Fredericton Moncton Highway in New Brunswick (Canada).** This project illustrates ACS and Dragados' experience in the O&M of major bridges and demonstrates the structure's maintenance strategy being implemented in the project. It is also a good example of our group's experience in providing Winter Maintenance services.
- ✓ **Chilean Highway System around Santiago (Chile).** This is a signature combination of PPP's developed by ACS in Santiago. It represents the tremendous capability of ACS to develop, design, construct, operate and maintain network highways and through this example will explain our experience as pioneers in the development of Open Road Tolling Systems and the communication strategy followed to implement the system with success.

✓ These projects perfectly represent our group's experience and knowledge in the different Phases of projects similar to the Detroit River Crossing Bridge, from construction and maintenance of major bridges to tolling operations and financing of the Deal.

Following are more detailed descriptions of the projects that we consider more relevant to the DRIC:

Bridge over Cadiz Bay is a good example of our experience building a bridge with one of the solutions that is being envisioned for the project.



**BRIDGE OVER CADIZ BAY (SPAIN)**

- Total Length: 10,354 ft.
- Cable Stayed Bridge with an opening of 1,772 ft.
- Maximum height over sea level: 226 ft.
- Draw bridge to support oversized ships
- 37 pylons
- 2 Center span support pylons with a height of 614 ft. and 594 ft. respectively

**High Speed Railway Connection Figueras- Perpignan, TP Ferro. (Spain- France)** The Concession contract involves the financing, construction, operation and maintenance of the high speed railway between Figueras and Perpignan and it is a cross border project among Spain and France.

This line serves as transportation for both passengers and goods in both directions. The project is structured as a 50-year concession to build, operate and finance the 28 mile high-speed rail link, which includes a 5.10 mile twin tube tunnel that will run just 06 miles in Spain before passing through the border and emerging in France 4.5 miles further down the line. In addition the pertinent safety connecting galleries are every 656ft, awarded to TP Ferro by the French and Spanish governments. The investment was \$USD1.5 Billion.

Being one of the first international rail project to be financed as an AFP/PPP, it attracted a wealth of international players. Due to the nature of the project and the challenging route of the line we used our extensive multidisciplinary expertise.

According to leading industry figures, the main issue facing those involved with the project is the important element of traffic risk. Unlike previously used concession models TP Ferro is not paid a lump sum every year from the two governments, instead it gets paid by the number of trains using the route. The fee depends on the size and purpose of the train, be it passenger or cargo.

This project includes the coordination between the governments of two countries which makes the project exceptionally unique and relevant to the DRIC. The complexity of this project increases even further, due to the fact that the construction risk is high, as it includes some important tunnel facilities. By having one single client with joint and several guarantees from the governments of both countries and a world leader Developer and contractor, the project has been a success.

The **N25 Waterford Bypass** is also a good example of our experience. It is a PPP Project and it is being developed by ACS under the Public Private Partnership Program as part of the Irish National Development Plan (NDP). The Project commences in Kilmeaden, in Waterford County and finishes in Silverue in County Kilkenny, includes connections to the existing N24, N9 and N29 national primary routes. The Project is comprised of 14.3 m of new motorway and 8.7 m of single carriageway roads.

There are 60 new structures including a major cable-stayed structure with a light and elegant design complementing the river and the surrounding landscape, the new Suir Bridge. It is a distinctive and impressive structure with an overall length of approximately 1560 ft (central river span of 740 ft and single 410 ft high pylon), which provides a much needed second crossing to the River Suir.



The design and construction process of the Suir Bridge is an example of our groups approach to the delivery of landmark bridges over watercourses. This project is also a good example of Dragados' approach to the Design and Build of major bridges over environmentally sensitive watercourses.

In its Canadian Experience it is worth mentioning the design, construction, operation and maintenance of the **Fredericton Moncton Highway** including the Saint John and Jemseg River bridges, which have a length of approximately 0.6 mile and maximum spans of 460 ft and 394 ft, respectively. Our experience in the maintenance of these bridges, as explained below, is a clear indicator of the efficiency of our maintenance plan for this project.

**Bridge Inspection:** The objectives of a bridge inspection, to secure the integrity of the structure and to maintain its availability, are met primarily through two types of inspections, Routine Bridge Inspections as part of road patrol activities, and Detailed Biennial Bridge Inspections, both being an integral part of the Bridge Management System (BMS).

- a. Routine Bridge Inspections: We undertake visual inspections of all bridges and components within the corridor, and record in the Defect Data Management System (DD&MS) and report all deficiencies requiring either maintenance or further inspection.
- b. Detailed Biennial Bridge Inspections: All bridges are inspected every two years except where specific deficiencies have been noted or where other directions have been issued which require more frequent or detailed inspections to be conducted. Results of the Bridge Inspection are reviewed by a Professional Engineer and recommendations are entered into the DD&MS and undertaken as directed by the PE but no later than the end of the following construction season.

**Major Structures (Saint John, Jemseg, Oromocto, Canaan, & Swan Creek Lake Bridges)** These major structures are inspected every 2 years via the use of a mobile bridge inspection unit which is capable of giving the inspectors the ability to visually inspect all areas of the bridge. Any issues identified are photographed or video logged for reference.

**Open Road Tolling System in Santiago de Chile:** ACS has contributed to the development of the New Highway System in Santiago de Chile through the Financing, Design, Build, Operations and Maintenance of three of the major Projects with an aggregate level of investment of over 2 billion \$USD.

The **Central Highway** (in operation since December 2004) is a clear example of both new construction and improvement of an existing infrastructure in a highly congested urban area without significant disruptions to traffic. The **Americo Vespucio Norte Highway** (in operation since January 2006) involved the construction of an 18-mile long highway with 3 express lanes per direction and frontage roads on both sides; the construction or improvement of 17 grade separated intersections, 25 pedestrian footbridges, new parks and green areas. Last, but not least, the San Cristobal Tunnel (under construction, to be operative this year) is a state of the art tunnel which was built by Dragados and is going to be operated by ACS through IRIDIUM.

The five concession holders have an ORT Toll System enabling users to pay the tolls without stopping. This technology uses Toll Points distributed along the road section as shown in the photograph. Last year 1,600,000 OBUs had been distributed. This technology could be, if convenient, implemented in the Project which will reduce congestion at the plaza's on both sides of the Bridge.

The combined volume of transactions for Autopista Central and Vespucio Norte projected for 2006, based on real data generated until October, was of 400,000,000 transactions with daily peaks, which in some cases have amounted to 1,000,000 Trx per day on the Autopista Central

COUNTRY	HIGHWAY NAME	MILE	COUNTRY	HIGHWAY NAME	MILE
<b>URBAN HIGHWAYS IN OPERATION</b>					
Spain	R2 and M50 Access Roads, Madrid	50	Argentina	Salta Access Highway	17
Spain	R3/M50 and R5/M50 Access Roacl. Madrid	57	Chile	Sistema A. Vespucio Nor-Poniente Highway	18
Spain	EM ESA (Madrid Calle 30)	20	Chile	Autopista Central	39
Spain	M450 Donnell- N2 Seg. 1*	9	Ireland	N25 Wateiford Bypass	34
Spain	IV145 0 Donnell- N4 Seg. 2*	9	Israel	Carmel Tunnels**	4
Spain	Ruta de la Pantanos Highway	14	South Africa	N1/N4 Bakwena Platinum Corridor	193

Spain	Santiago Brion Highway	10	UK	A-13 Thames Gate	14
Argentina	BuenosAires Northern Access Highway	74		<b>Urban Highways in Operation</b>	<b>563</b>
<b>OTHER HIGHWAYS IN OPERATION</b>					
Spain	A8-Bidelan Guipuzkoako Autobideak	48	Argentina	Route 3 - Route 205 - Route 252	609
Spain	AP1-Bidelan	29	Canada	Fredericton -Moncton Highway	121
Spain	Aucat 1 Sitges- El Vendrell Highway*	14	Canada	A30 PPP Completion	20
Spain	Aucat 2 Castelldefels- Sitges Highway*	15	Chile	Santiago- Valparaiso Highway	80
Spain	Alicante Bypass Highway	91	Colombia	Bogota Villavicencio Highway	65
Spain	Seville - Cadiz Highway	58	Ecuador	Pichincha 2- Coast Roads	190
Spain	Tarragona - Valencia Highway	140	Ireland	Dundalk Western Bypass PPP Contract	34
Spain	Valencia - Alicante Highway	93	Ireland	N25 Waterforcl Bypass	34
Spain	Los Viñedos Highway: Toledo- Consuegra	32	Portugal	Scut da Beira Interior	116
Spain	Leon - Astorga Highway	24	UK	Darrington - Dishforth	33
Argentina	Rosario Santa Fe Highway	99	UK	AI (M) Alconbury-Petreborough	13
Argentina	BuenosAires- Mar del Plata Highway	226	UK	A419/A417 Swindon-Gloucester	32
				<b>Total Highways in Operation</b>	<b>2216</b>
<b>URBAN HIGHWAYS UNDER CONSTRUCTION</b>					
Chile	Sistema A. Vespucio: El Salto - Kennedy Hwy	3	USA	1-595 Corridor Improvements Project	12
Greece	Ionia Odos with the PATHE Highway	235		Urban Highways under Construction	250
<b>OTHER HIGHWAYS UNDER CONSTRUCTION</b>					
Spain	Los Pinares (Valladolid C uellar) Highway	27	Spain	CV 50 Benaguasil-A3	14
Spain	Rails- Alcover Highway	7	Canada	A30 PPP Completion	26
Spain	A2 Motorway (Medinaceli to Calatayud)	58	Greece	Central Greece	144
				<b>Total Highways uncl'e Construction</b>	<b>276</b>

## B. LOCAL CONTRACTING PARTNERS

ACS has made a firm commitment to providing access to our projects for First Nations Minority in the case of Canadian projects, Women, and Disadvantaged Business Enterprise companies throughout past contracts (M/W/DBE). Various contracts require that the Concession Company meet a strict M/W/DBE goal based on a percentage of the final contract price withholding certain costs, while others simply require the concessionaire to commit to utilizing these types of companies. ACS works to promote to M/W/DBE firms in the vicinity of our projects by attending M/W/DBE networking events, direct solicitation through DBE consultation firms, utilization of country/city/state DBE database systems, and through direct contact from the firms themselves.

Typically if required ACS drafts a DBE/Affirmative Action Plan that is integrated into the final concession agreement. This plan states our commitment to M/W/DBE utilization and how we plan to meet that commitment. Further we pass this commitment down to all of our sub-contractors that are not M/W/DBE companies themselves. This ensures that our contractors strive to meet or exceed the same DBE goals set by the concession company.

As a way to manage this Affirmative Action Plan and sub-contractor commitment, ACS typically designates a Liaison Officer to be in charge of developing and maintaining such Affirmative Action Plans and the recruitment of M/W/DBE firms in accordance with the requirements set either in the contract and/or the current law.

Among the duties of the Liaison officer are:

- ✓ Aggressively solicit bids from disadvantaged businesses for all subcontracts for the Concession Agreement.
- ✓ Submit all records, reports, and documents required by the contract, and maintain the records for a period directed by any specific contractual requirements or current law.

ACS also understands the importance of establishing a method of recruiting and to have an overall knowledge of the limitations in the region with the goal of formulating a realistic plan.

Some known barriers to participation by disadvantaged business subcontractors and suppliers include:

- ✓ Lack of qualified disadvantaged business subcontractors in our specific geographical areas of work;
- ✓ Lack of certified disadvantaged business subcontractors who seek to perform MDOT or TC work;
- ✓ Lack of interest in performing MDOT or TC contracts;
- ✓ Lack of response when requested to bid;
- ✓ Limited knowledge of the MDOT or TC plans and specifications to prepare a responsive bid.

To diminish the impact of these barriers the following methods may be incorporated to the M/W/DBE policy to be implemented:

- ✓ Provide written notice to all certified DBE subcontractors in the geographical area where the work is to be subcontracted;
- ✓ Advertise in minority focused media concerning subcontract opportunities;
- ✓ Select portions of the work to be performed by DBEs in order to increase the likelihood of meeting contract goals (including, where appropriate, breaking down contracts into economically feasible units to facilitate DBE participation);
- ✓ Provide adequate information about the plans, specifications, and requirements of the contract, not rejecting subcontractors without sound reasons that are based on a thorough investigation of the subcontractor's capabilities;
- ✓ Waive requirements of performance bonds where it is practical to do so;
- ✓ Follow up on initial solicitations of interest to DBE subcontractors to determine with certainty whether the DBE Company is interested in the subcontract opportunity.

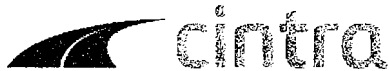
ACS also has experience in bidding contracts in Canada with First Nations obligations. This includes the active recruiting of labor, as well as monetary contract opportunities during the Construction Period in relation to the Project Work. The concession company is required to meet with First Nations representatives within an agreed upon time after the execution of the contract. The concessionaire is also required to report to the Province and the Identified First Nations on a quarterly basis as required.

By observing the barriers of entry hindering M/W/DBE firms and placing a strong commitment to diminish such barriers, ACS works to exceed M/W/DBE commitments on all projects it's involved in. ACS understands the importance of utilizing local disadvantaged businesses and ensuring that the local economy benefits from the concessions we run. We are committed to aggressively recruit disadvantaged businesses as subcontractors and suppliers for our Concession Agreement.

## 10. Conditions Precedent

The table below identifies critical conditions for the project that need to be addressed before procuring the project.

CONDITIONS PRECEDENTS	OUR EXPERIENCE/ OUR RECOMMENDATIONS
<b>Authorizing legislation for the Project</b>	While PPP legislation currently exists under Canadian law, authorizing legislation for the DRIC project is pending in Michigan. The DRIC will, however, require Ministerial, and Cabinet (Governor in Council) approval as mandated under section 6 of the International Bridges and Tunnels Act. These approvals should be resolved, given or arranged to be given before launching the project. We suggest not asking for proposals even though they are not binding until this problem is solved.
<b>Definition of parties involved in the project as well as stakeholders and their needs</b>	The complexity of a project of this nature requires strong coordination with several local and provincial agencies. Securing approvals for the environmental and construction permits is the first and primary challenge to meet timely commencement of every construction work activity.
<b>One single Client, joint and several obligations</b>	In addition to providing joint governance and oversight of the project, the Joint Governing entity that it is envisioned for the project will have to provide joint and several obligations from all governmental entities involved in the project so it is clear that in an event that provides relief to the developer in either side of the border, is given and is not subject to dispute among the members of the Joint Governing entity. The financiers will need to ensure there is strong financial support of the Entity to pay a termination payment if the case may.
<b>Adequate Allocation of Project Risks</b>	The contract documents should provide comfort to the developer and the financiers; therefore a good allocation of the Risks to the party that best manages them is of the utmost importance.
<b>Sources of revenues</b>	If any public subsidy is envisioned, it should be clear that it is available for the project and not subject to any political decision. In addition, it would be desirable that the Client requests any allocation of PABs and TIFIA if possible before the project is procured so this does not affect schedule. However, this application can always be completed during the procurement process.
<b>Effective Communication and interaction</b>	Communication with developers and a clear and transparent process is preferred. The basis of a future partnership starts with the ongoing interaction among all parties involved. Identifying and understanding common needs and goals through mutually agreed strategies will be the key to success.
<b>Interface with border and customs entities</b>	These entities will be using the facilities of the project and its performance may affect the projects performance and also the future revenues. Agreements should be in place that clearly identify responsibilities of each party and minimize uncertainties that could impact the project's feasibility.



**Cintra Infraestructuras S.A.U.**

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Building One, Suite 500  
Austin, Texas 78752-1562  
512.637.8545 (phone)  
512.637.1498 (fax)

March 17, 2010

**3. LETTER OF INTEREST**

Mohammed Alghurabi  
Senior Project Manager  
Michigan Department of Transportation  
425 W. Ottawa Street  
Lansing, MI 48909

4 Hard Copies + 1 e-copy on CD

RE: The Michigan Department of Transportation ("MDOT") and Transport Canada ("TC")  
Response to the Request for Proposals of Interest for the Development of the  
Detroit River International Crossing Project under one or more Public-Private Partnerships  
Respondent

Dear Mr. Alghurabi:

It is my pleasure to hereby submit, on behalf of Cintra Infraestructuras S.A.U. ("Cintra"), our submission in compliance with the **Request for Proposals of Interest for the Development of the Detroit River International Crossing Project under one or more Public-Private Partnerships** (the "RFPOI"), issued by MDOT and TC on January 27, 2010.

Cintra is one of the world's largest developers of transportation infrastructure in both the number of projects and the volume of investments. Our company has been developing infrastructure in North America since 1999 and the U.S. since 2005. Cintra's total investment in the U.S. exceeds USD 11.5 billion. In December 2009, Cintra achieved financial close for the North Tarrant Express (NTE) project (USD 2.0 billion) in Fort Worth, Texas. NTE was the only revenue-risk toll road financed in the U.S. during 2009, during one of the most challenging periods in the financial markets in recent memory.

In every P3, Cintra strives to maximize the value to the sponsors with our strategies of eliminating financial risk and actively managing the project. Cintra has a proven track record of implementing operational improvements to optimize efficiency and provide quality service for customers.

Our team is committed to working closely with MDOT and TC throughout the procurement process, and maintaining a strong relationship with both entities. We are confident that our submission will meet your requirements, and will await the issuance of an RFQ this year.

Sincerely,



Carlos Ugarte  
Cintra Infraestructuras S.A.U.  
Director of North America Business Development  
512.637.8527 (office)  
512.934.1615 (cell)  
[cugarte@cintra.us.com](mailto:cugarte@cintra.us.com)

# Detroit River International Crossing Project



**THE MICHIGAN DEPARTMENT OF TRANSPORTATION AND  
TRANSPORT CANADA  
DETROIT RIVER INTERNATIONAL CROSSING PROJECT**

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**REQUEST FOR PROPOSALS OF INTEREST SUBMISSION**

**MARCH 17, 2010**

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**RESPONDENT**

**CINTRA INFRAESTRUCTURAS S.A.U.**



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## Contact Information

The Contact Person for any communications related to this Project is:

### **Alberto González**

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Additionally, we include below a number of the individuals that will form the “think-tank” for this project, in order to bring their accumulated experience and knowledge of the P3 industry. The contact person has sufficient capacity to manage the daily progress of a potential procurement process and he will report to a Project Board that will be formed by some of the individuals listed below.

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## Key Personnel

Name / Position	Background
Carlos Ugarte (Director of North America Business Development, Cintra)	Degree in Economics and MBA and MSc Finance (Univ. S. California, LA) In 1986 he joined the Ministry of Finance in Chile In 1994 - Credit Lyonnais Securities New York (Debt and Equity) In 1996 he became CFO of Cintra Chile In 2006 he returned to develop Cintra’s business in the U.S.
Jorge Gil (Business Development Director, Cintra)	Degree in Law and Business Studies (ICADE, Spain) In 1997 he joined The Chase Manhattan Bank (M&A and Cor. Finance) In 2001 he joined Cintra as Project Manager (Project Finance)
Nicolas Corral (International Market Development Director, Cintra)	MS in Civil Engineering, structural design, from Polytechnic Univ. of Madrid In 1998 he joined FCC Construction Division as Site Manager In 2001 joined Cintra Parking/Dornier as Project Manager



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Ricardo Sanchez U.S. Technical Dept. (Manager, Cintra)	MS in Transportation Engineering from Imperial College, England BS in Civil Engineering from Polytechnic University of Madrid In 1997 joined Steer Davies Gleave as Senior Transport Demand Modeling Consultant In 2002 joined Cintra as Demand and Revenue Specialist In 2007 became Cintra's U.S. Technical Department Manager.
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Jason Sipes (U.S. Design/Const. Manager, Cintra)	MS in Business Administration from Purdue University BS in Construction Engineering and Management from Univ. of S. Carolina In 2000 joined the Florida Department of Transportation as Project Manager In 2004 joined PBS&J as Senior Project Manager In 2007 joined Cintra as Design and Construction Manager for U.S.
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Jose Antonio Lorenzo (U.S. Information Tech. Director, Cintra)	PhD in Economics B.A. in Business Administration In 1994 he joined Petronics as Senior Consultant Promoted to Project Manager at Getronics in 1998 In 2003 joined Ernst & Young as Project Manager Promoted to Account Manager for Industry Business Unit at E&Y in 2003 In 2005 joined Sun Microsystems as Key Account Manager for Transp. and Public Sector; Top Account Sales Manager 2007- 2008 In 2008 joined Grupo Ferrovial as US Information Technologies Director
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Carlos Ramirez (Head of Financial Analysis Dept., Cintra)	Financial Entities Management Specialist from Universidad Nacional de Educacion a Distancia in Madrid BA in Economics with Specialization in Finance from Colegio Universitario de Estudios Financieros (ICADE) in Madrid In 1998 joined Cintra as a Financial Analyst In 2003 promoted to Head of Financial Analysis Department
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## Company Information

Cintra Infraestructuras S.A.U. ("Cintra") is pleased to submit to the Michigan Department of Transportation ("MDOT") and Transport Canada ("TC") its Response to Request for Proposals of Interest ("RFPOI") as an interested party in the development of the Detroit River International Crossing (the "Project") under one or more public-private partnerships (P3s).

Cintra's business activities are concentrated in toll roads and parking facilities. Cintra is a wholly owned subsidiary of Ferrovial S.A. ("Ferrovial"), the result of a merger by absorption between Grupo Ferrovial and Cintra Concesiones de Infraestructuras de Transporte S.A. ("Old Cintra"). Ferrovial S.A. is the largest private sector infrastructure company in capital investments according to Public Works Financing magazine, and the manager of three flagship assets:

- ▶ the Heathrow Airport in London (U.K.) through BAA
- ▶ the 407 ETR in Toronto (Canada)
- ▶ TubeLines, operator of the three lines of London Underground

Since its inception in 1952, Ferrovial has focused on creating value through professionally managing the design, construction, financing, operation and maintenance of large-scale infrastructure projects, such as airports, highways and parking facilities. Today, Ferrovial is a diverse global company with a workforce made up of more than 100,000 employees in 49 countries and serving more than one billion customers in its airports, highways and other transportation projects. Ferrovial first managed car parks in 1986 transitioning the assets to Old Cintra in 1998. Old Cintra then managed the assets through July 27, 2009, when it divested its car park assets.

The table below outlines certain summary statistics on the business activities undertaken by Ferrovial as of December 31, 2008, and Cintra toll roads through 2009.

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Business Line	Key Statistics
Airports	Seven Airports 152 million passengers served in 2008
Cintra Toll Roads and	25 Concessions 1,900 miles of road under management
Services	322 km of rail track maintained in the UK 152 stations managed in Spain and the UK 688,528 sq. m. of school facilities managed More than 6,000 lights maintained
Construction	1,200 projects in process 21 months of backlog



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Ferrovial is one of the few companies in the world with more than 40 years of experience in infrastructure development, management, operation and maintenance. The group's first Design, Build, Finance, Operate, and Maintenance (DBFOM) project was awarded in 1968, and has recently been handed-back to the grantor after successfully completing the 35-year concession term. Since its inception, active participation in the development and promotion of infrastructure concessions has been part of Ferrovial's strategic vision.

Ferrovial's strategy in the concessions business is geared to growth and is handled by its subsidiary, Cintra. Cintra Concesiones de Infraestructuras de Transporte, S.A. was incorporated in 1998 recognizing Ferrovial's commitment to infrastructure development after more than 30 years in transportation infrastructure design, development, financing, operation, and maintenance. Cintra experienced success due to its expert and professional staff and the financial capability to commit to the large-scale outlays concession ventures require. From Cintra's first year, it has been successful at financing infrastructure projects.

To support its business development and bidding activities in the U.S. and Canada, Cintra has, since 2005, had a permanent presence in the U.S. with the opening of a regional headquarters in Austin, Texas and a project finance office in New York.

In the U.S., Cintra has demonstrated a solid track record and has established itself as a market leader with the acquisition of the Chicago Skyway, the first Brownfield asset to come to market, and the Indiana Toll Road, the largest Brownfield asset leased thus far in the U.S. Additionally, Cintra's success in the U.S. also extends to three key Greenfield assets in Texas, including SH 130 Segments 5&6, the North Tarrant Express (NTE) and the I-635 Managed Lanes project. Combined, these assets represent an investment value of over USD 11 billion.

Later in 2009, Cintra Concesiones de Infraestructuras de Transporte, S.A. went through a merger with Grupo Ferrovial. The transaction was a reverse merger, in which Cintra Concesiones de Infraestructuras de Transporte, S.A. increased capital to absorb Ferrovial. As a result, Cintra Infraestructuras, S.A.U. was formed to continue as the investment arm of the group (the new name of the group being Ferrovial S.A.). The merger has created a world leader in infrastructure management and services; today, Ferrovial S.A. has a presence in 49 countries, a workforce of 107,000 people and assets that amounted to 48.2 billion euro (USD 69.1 billion) at 2008 year-end.

#### **Letter of Interest**

See attached letter of interest.

## Scope

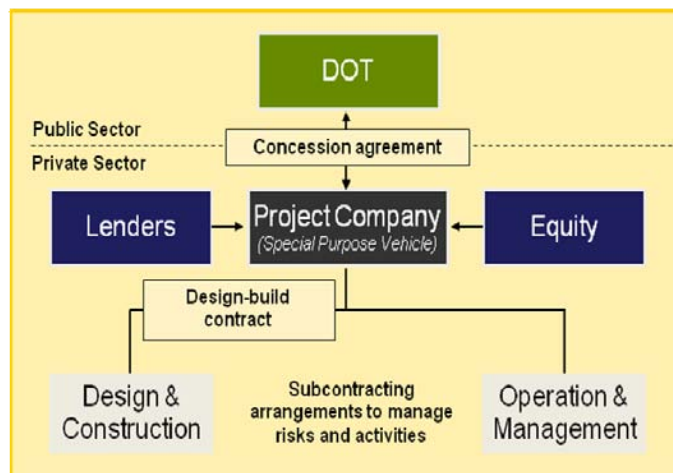
The Respondent understands that there are four elements to the Project: the new Detroit River bridge, the associated US and Canadian plazas and a connection to I-75 in Detroit.

The Respondent believes that all of the elements should be kept under one public private partnership and developed by a single developer. The design, operations, staffing, and technology of the U.S. and Canadian plazas will be important to the developer and operator of the bridge. All of these elements must be closely aligned and optimized to maximize the value of the asset. This objective is best accomplished when all of the elements are under one public private partnership with a single developer.

## Business Model

The appropriate business model for this Project is a public-private partnership where the developer is responsible for traffic risk and the developer is granted the right to retain toll revenues. The developer is obligated to develop, design, and construct the Project, obtain financing and operate and maintain the Project for the length of the term defined in the concession agreement.

The structure includes a concession agreement between MDOT and TC and the Project Company. The Project Company is responsible for financing the project using debt from lenders and sponsor equity. Design and construction is typically accomplished with a back-to-back with a fixed schedule and price design-build construction contract. Operation and maintenance responsibilities can be retained by the equity sponsors or obtained through a operation and maintenance contract with local, highway operation and maintenance firms.



Efficient risk allocation is one benefit to this approach. Traditional project delivery does not have an efficient risk allocation. The public sector is responsible for every project risk (i.e., design, traffic, technology, and operation & maintenance) except construction. With a public-



private partnerships, a more efficient risk allocation is obtained where the private sector takes the design, construction, technology, operation and maintenance, finance, and customer service risk. The public sector is responsible for the environmental approvals with this approach.

Using a real tolls P3 structure also maximizes the value of the asset. These reasons how this structure accomplishes this objective are described below:

- ▶ **The private sector has the right incentives to perform** – private companies are ultimately client-oriented because their only source of revenues comes from the use of the facilities; this reasoning should provide a great level of comfort when considering the possibility to enter into a concession agreement with the private sector. It has been our experience that levels of customer satisfaction are usually higher in those privately operated facilities.
- ▶ **Greater efficiency in the use of resources** – on top of the above, it is usually the case that the private sector is better suited to manage complex projects such as those related to transportation/infrastructure.
- ▶ **Generation of additional revenues** – the private sector may be able to generate additional revenues from third parties and, thereby, reduce the cost of any public sector subsidy required. Additional revenue may be generated through the use of spare capacity.
- ▶ **Enhanced public management** – by transferring responsibility for providing public services, government officials will act as regulators and will focus upon service planning and performance monitoring instead of the management of the day to day delivery of public services. In addition, by exposing public services to competition, P3s enable the cost of public services to be benchmarked against market standards to ensure that the very best value for money is achieved.

Cintra has used the P3 business model on all of its 25 concessions listed below:

Highway	Location	Length	% Cintra	Status	Term
I-635 Managed Lanes	U.S.	13 mi	51%	Pending financial close	2009-2061
North Tarrant Express	U.S.	13.3 mi	57%	Financial Close	2009-2061
SH 130 Segments 5&6	U.S.	40 mi	65%	Construction	2012-2062
Chicago Skyway	U.S.	7.8 mi	55%	Operational	2005-2104
Indiana Toll Road	U.S.	157 mi	50%	Operational	2006-2081
407 ETR	Canada	67.5 mi	53%	Operational	1999-2098
Autema	Spain	29.8 mi	76%	Operational	1986-2037
Ausol I	Spain	51.3 mi	80%	Operational	1996-2046
Ausol II	Spain	14.4 mi	80%	Operational	1999-2054
Madrid Sur (R-4)	Spain	60 mi	55%	Operational	2000-2065
Madrid-Levante	Spain	110.6 mi	52.25%	Operational	2004-2040
M45	Spain	8.8 mi	50%	Operational	1998-2029



M203	Spain	7.5 mi	100%	Construction	2005-2035
Euroscut Norte Litoral	Portugal	70.6 mi	76%	Operational	2001-2031
Euroscut Algarve	Portugal	79 mi	77%	Operational	2000-2030
Euroscut Azores	Portugal	58.4 mi	89%	Construction	2006-2036
N4/N6	Ireland	24 mi	66%	Operational	2003-2033
M-3	Ireland	31 mi	95%	Construction	2007-2052
Ionian Roads	Greece	234.8 mi	33%	Construction	2007-2037
Central Greece	Greece	143.5 mi	33%	Construction	2008-2038
Ruta 5 (Santiago-Talca)	Chile	148.1 mi	100%	Operational	1999-2024
Ruta 5 (Talca-Chillan)	Chile	120.6 mi	68%	Operational	1996-2026
Ruta 5 (Chillan-Collipulli)	Chile	99.4 mi	100%	Operational	2006-2021
Ruta 5 (Collipulli-Temuco)	Chile	89.5 mi	100%	Operational	1999-2024
Ruta 5 (Temuco-Rio Bueno)	Chile	107.5 mi	75%	Operational	1998-2023

### Term of Agreement

Developers are interested in long term lengths. The term length for a public-private partnership should be at a minimum of 50 years. Optimum term lengths approach 75 years or more.

### Other Revenue

The Respondent does not believe that other business opportunities should be limited but does not believe that a concession agreement should rely on these enterprises as a source of funds for the Project.

### Financing

Cintra has extensive experience in satisfactorily raising funds for comparable long-term concession and lease and DBFOM projects. Over the past five years, Cintra has closed financing deals for 11 public-private partnership projects in Chile, Spain, Portugal, Canada and the U.S To exemplify Cintra’s unique ability to fund and raise financing for the project, we would like to highlight the fact that Cintra was the only private developer to successfully finance a traffic risk toll road in 2009, after completing the issuance of Private Activity Bonds (“PABs”) for the North Tarrant Express project in Texas. This project represents the first un-wrapped bond issuance for a toll road project in the history of private-public partnerships being a clear example of Cintra’s capacity to successfully implement diverse and innovative financial structures.

Over the years, Cintra has had an opportunity to deliver different financial structures depending on the characteristics of the asset, becoming a leading international developer and gaining the trust of the lending community (banks, bond issuers, etc.)



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## **Funding Split**

Funding for the project will come from sponsor equity and debt. The equity contribution to the project could range from 10% to 30% of the project cost. Debt obtained from long-term loans or bond issuances will cover the remaining 60% to 90% of the project cost. The Respondent's objective is to maximize leverage. Many factors will affect the level of gearing achieved for the Project, including the following:

- ▶ Contractual structure of the Project Agreement and its risk allocation
- ▶ Risks retained at the concession company level
- ▶ Coverage ratios and downside sensitivity analysis
- ▶ Liquidity of Concessionaire (e.g. change in law, maintenance, debt service reserves)

## **Types of Debt Facilities and Main Assumptions**

The Respondent has strong relationships with a number of debt providers across the full range of debt products. Based on recent experiences in achieving financial close for transactions in both the European and North American markets, the following three potential approaches for the financing of the Project have been identified.

### Bridge Facility + Bond Issuance

A bridge facility of six to 24 months would permit the Project Company to seek and design a very efficient financing bond structure, thus allowing it to reduce the potential negative cost of carry during such a period. During that period, the developer will be able to fulfill its commitments, and at the expiration of the bridge facility, the project would be refinanced with a long term bond issue.

Such a financing structure presents the following strengths:

- ▶ More competitive margins (prices) in the capital markets in comparison to the bank markets
- ▶ Longer maturities
- ▶ Tailor-made debt profile that helps the company to optimize the impact in the financial ratios

Cintra has had several previous experiences with this type of long-term bond financing structures. The bonds for this project could be structured using either a public offering or a private placement.

### Syndicated Mini-Perm Commercial Banks Facility

This facility usually has a maturity of six to 10 years. A bullet repayment can be envisaged, where the borrower only pays interest during the life of the facility, then refinances the entire

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principal amount at maturity. This financing structure allows cash flow and credit ratio to stabilize in the early years of operation. Cintra has used these structures before, for example, to finance:

- ▶ Construction of Ocaña-La Roda in Madrid, Spain with an eight-year bullet loan in an amount of €522 M
- ▶ Chicago Skyway (U.S.A.), an eight-year bullet loan for US\$1.19 B
- ▶ Indiana Toll Road (U.S.A.), a nine-year bullet loan of approximately US\$4 B

Usually, the banks should bear the refinancing risk in this type of transaction. Even while considering a capital market solution, it may be desirable to utilize a syndicated bank mini-perm loan during the construction period and initial years of operation in order to avoid carrying the financing costs linked with capital market investor requirements.

#### Syndicated Long-Term Commercial Banks Facility

This structure usually has a maturity of 25 to 30 years, and often includes grace periods from payment of principal, and sometimes of interest. This type of structure allows the company to sculpt the debt profile, improving financial ratios and simplifying the documentation process. At the same time it eliminates the need for refinancing during the concession term.

When selecting the group of lenders invited to participate in the financing of the project, both quantitative and qualitative elements would be considered. The quantitative elements would include the maximum tenor, interest rate, guarantees and covenants. The qualitative elements would consider experience in the P3 market, capability of delivering a fast approval and flexibility in the negotiation of the covenants.

Cintra has had several experiences in financing projects with these structures. Cintra's experience in utilizing this type of structure includes the Eurolink N4/N6 Project in Ireland, described earlier. This 30-year concession was financed with 22 percent equity and a 78 percent long-term bank debt. Cintra's participation currently amounts to 66 percent of the Consortium. The bank debt totalled US\$261.6 M of a 25-year, non-recourse project financing to fund construction costs and consisted of a combination of 50 percent bank loans and 50 percent guarantees from the European Investment Bank.

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#### Innovative Financing Tools

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Project financing has always been a key component of any major infrastructure project, particularly those procured via a P3 methodology. Since the financial markets became dislocated in late 2008, the challenges surrounding this component have become more complex and sophisticated. No longer can a project assume that traditional bank financing will meet the required funding levels, nor can one assume that this traditional financing will have the required flexibility or costs to help ensure project feasibility. In the wake of the financial crisis, successful consortiums not only need to be able to adapt to ever-changing market



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conditions but also demonstrate ingenuity and have the creativity to find non-traditional solutions and other alternatives to ensure the successful delivery of a project.

Chief among these solutions are TIFIA (Transportation Infrastructure Finance and Innovation Act) funding and Private Activity Bonds (PABs). The process for obtaining allocations for both these sources of financing must be commenced immediately in order to obtain the most competition between bidders and to ensure the highest value for the public sector.

## **TIFIA**

Established in 1998 by the USDOT, TIFIA has become a vital cog in the financing of most Greenfield transportation projects. Through this program, the DOT provides subordinated debt that funds up to 33% of eligible project costs for major transportation projects. TIFIA financing provides a concessionaire with significant cost savings and added repayment flexibility, which can be vital in not only assuring project viability and increasing competition between bidders.

Now more than ever, TIFIA has become an indispensable part of the financing solution for all privately-funded transportation projects. Recently, TIFIA has been used to finance:

- ▶ North Tarrant Expressway Managed Lanes (NTE) – Fort Worth, TX
- ▶ Port of Miami Tunnel – Miami, FL
- ▶ SH-130 Segments 5&6 – Central, TX
- ▶ LBJ Expressway – Dallas, TX - expected to close during 2010

The TIFIA contribution significantly improves the public sector funding requirements (either by lowering the subsidy required in certain cases or increasing the upfront payment due to the public sector in others) and the flexibility provided by the debt enhances the feasibility of the project and provides added comfort to lenders providing the senior debt tranches.

Due to the success of the TIFIA program, demand for TIFIA funds has begun to exceed its allocated resources. For this reason, the FHWA has eliminated the program's open application process and instituted a fixed-date, competitive application process starting in 2010. To enhance the feasibility of this project, it is imperative that the procuring entity begin the seven-step application process (shown below) for TIFIA funding as soon as possible to obtain a funding commitment. It is crucial that the project have an obligated TIFIA amount during the bidding process to reduce levels of financial uncertainty and obtain the most competitive bids.

Further, in the event that TIFIA charges an upfront fee we recommend the states to negotiate on behalf of the developers since this additional cost would have a negative impact in the overall economics of the projects.

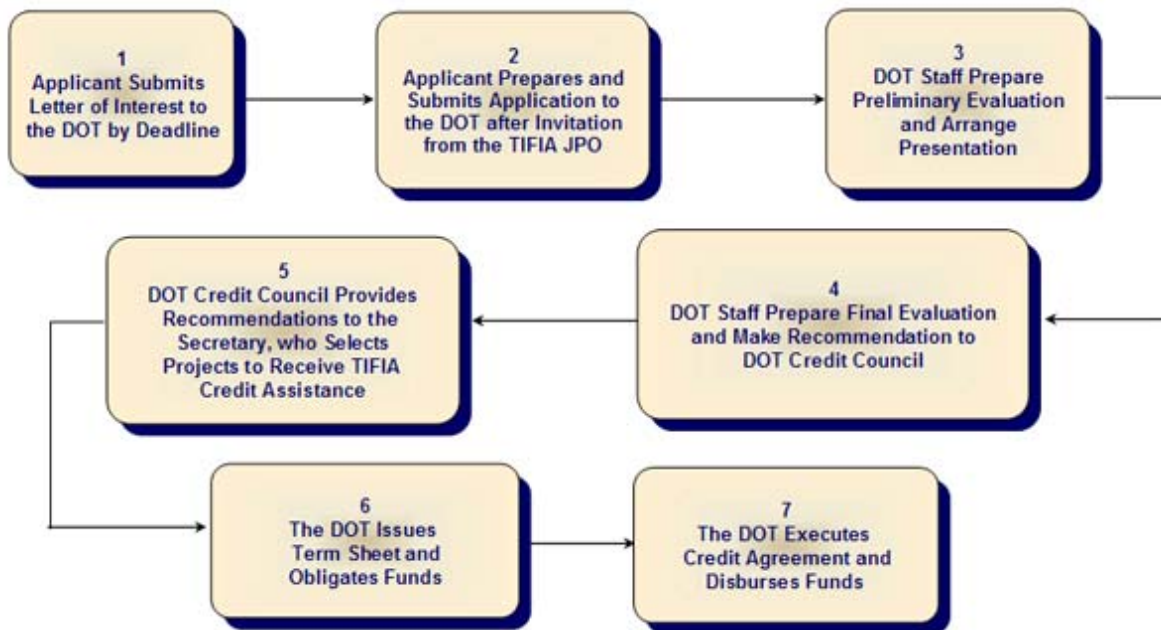
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## PABs

PABs are bonds issued by or on behalf of a government agency to finance the project development of a private entity. Like municipal bonds, PABs are tax-exempt bonds secured by the revenues of the project. Due to their tax-exempt status, the cost of capital on these bonds is significantly less costly than traditional financing solutions such as bank financing. In addition to the lower cost of capital, PABs can offer a concessionaire longer tenors and more flexible repayment schedules than bank financing, which typically offers shorter tenors with added refinancing risk to the project.

Recently, the credit markets have shown that there is a strong appetite for and strong comfort in providing funding for both P3 and managed lanes projects by providing \$400 million in PABs to finance the North Tarrant Express (NTE) project. The offering was the first unwrapped (uninsured) bond issuance ever for a private toll road, and was 2.4 times over-subscribed.

Furthermore, as the credit markets have re-emerged from the crisis quicker and stronger than the banks, having a PAB allocation will provide the bidders on the project with more options, thus increasing competition between consortiums and providing greater value to the public sector.



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## Respondent's Experience

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### Public-Private Partnerships

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Cintra has 25 concessions in seven countries totaling over 1,900 miles of roadway. Four of those projects are introduced here to demonstrate the Respondent's experience in transportation infrastructure projects.

- ▶ Chicago Skyway
- ▶ Indiana Toll Road
- ▶ SH 130, Segments 5 and 6
- ▶ North Tarrant Express

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### Chicago Skyway Toll Bridge System, Chicago, Illinois

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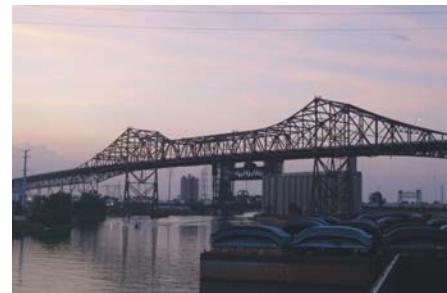
**Client:** City of Chicago

**Concession Term:** 2005 – 2104

**Cost:** \$1.83 billion

**Financial Close:** 2004

**Project Development Stage:** in operation



#### **Project Description:**

The Chicago Skyway Bridge is a 7.8 mile toll road built in 1958 to connect the Dan Ryan Expressway to the Indiana tollway. For almost 50 years, it has been operated and maintained by the City of Chicago. Cintra, with a 55% share in the consortium, is an equity member in the consortium and is currently responsible for the management of all operations and maintenance on the highway.

The maintenance program also included capital improvements:

- upgrading 19 bridges;
- repaving four miles of roadway;
- the reconfiguration of the toll plaza lanes to improve traffic flow; and
- the widening of the westbound toll plaza to improve ETC lanes access.

The total investment managed for the maintenance program adds up to USD \$70 million

Under the control of the Cintra lead consortium, important measures to manage congestion levels in the toll road where implemented, including the implementation of reversible lanes at the toll plazas, the implementation of ETCs and the addition of a "Travel Time Information System" to monitor traffic flow and alert the driver of any road hazards.

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**Project Finance:**

The transaction was financed with US\$881.5 M of equity and US\$1,190 M of debt through the banking market.

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**Indiana Toll Road, Indiana**

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**Client:** Indiana Finance Authority (IFA)

**Concession Term:** 2006 - 2081

**Cost:** \$3.85 billion

**Financial Close:** 2006

**Project Development Stage:** in operation

**Project Description:**

The Indiana Toll Road is a 157 mile tolled highway originally constructed in the 1950's. Traffic volumes exceed 160,000 vehicles per day. Cintra, in consortium with another toll road developer, entered into a lease agreement for 75 years with the Indiana Finance Authority starting in July 2006. After the award, the team took control of the operations and maintenance activities.

Under the agreement, the Consortium had to widen 10 miles of the highway from 2 to 3 lanes each direction as well as rehabilitate the structures within these sections (Mandatory Widening). Due to the heavy traffic roads that exist along the corridor, traffic management during the performance of construction was a key element. Personnel of Cintra, working closely with the construction contractor, helped to improve the construction staffing allowing for two lanes in each direction at all times rather than closing lanes during certain hours of the day as it was initially foreseen.

In respect to maintenance and operations, the Indiana Toll Road is an excellent example of the experience Cintra has managing significant infrastructure maintenance. Due to the significant extension of the asset, maintenance operations are performed from four separate maintenance centers. Each maintenance base employs 2 foreman and 20 to 25 operators. Each maintenance base is individually responsible for conducting routine maintenance including snow removal, crack sealing, gardening, etc, on their respective highway sections. Much of the work force that makes up the maintenance crews are local personnel that worked on the highway prior to the beginning of the concession contract.

**Project Finance:**

The transaction was financed with equity US\$760 M and debt financing through the banking market US\$3,248 M was the total amount of debt raised US\$4,063 M.

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### **SH 130 Segment 5 and 6, Texas**

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**Client:** Texas Department of Transportation

**Concession Term:** 2012 - 2062

**Cost:** \$1.556 billion

**Financial Close:** 2008

**Project Development Stage:** under construction



**Project Description:** The 52-year concession agreement is currently under construction as construction started in April 2009. Operations are expected to begin in 2012. The tolling scheme is a free-flow system with no barriers. The overall project length is 40 miles – 11.7 miles for Segment 5 and 28.3 miles for Segment 6.

**Project Finance:** The transaction was financed with equity (US\$209.8 M) and debt financing through the banking market (US\$685.7 M) and TIFIA (US\$476.2 M).

Cintra is the lead equity member in the consortium currently developing the SH 130 Segments 5 & 6 Project in Texas, U.S.A. For this project, where Cintra holds an 85 percent share of the concession company, US\$197 M was used in equity.

The debt funding sources were:

- US\$685.6 M of senior debt – Tranche A
- US\$45.5 M of TIFIA capitalized interest
- US\$430 M TIFIA loan with a 4.46% interest rate based on long-term U.S. treasuries. The loan has a 35-year maturity and a 10-year capitalization period covering construction and the first five years of operation.

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### **North Tarrant Express, Fort Worth, Texas**

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**Client:** Texas Department of Transportation

**Concession Term:** 2015 – 2067

**Cost:** \$1.8 billion

**Financial Close:** 2009

**Project Development Stage:** Reached financial close December 2009, under development





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The North Tarrant Express project will construct thirteen miles of managed lanes on IH-820 west of the interchange with IH 35W. The project will be developed in phases starting with Segment 1 covering 13 miles.

Cintra reached financial close in December 2009 raising \$1.8 billion in financing. The project was funded using four sources:

- \$400 million Private Activity Bonds (PABs)
- \$573 million – Public funding
- \$650 million – TIFIA
- \$427 million – Equity

The tax-exempt PABS were placed in the United States municipal bond market. The issue, which offers an average yield of 6.98%, is a milestone in that it is the first use of PABs by a private road concession. Two separate bonds were issued: \$59.8 million paying a 7.5% coupon and maturing on December 31, 2031, and \$340.2 million paying a 6.875% coupon and maturing on December 31, 2039. The issue was met with a very good reception in the market, where it was oversubscribed 2.4 times. It was underwritten by a syndicate of banks headed by JP Morgan and Merrill Lynch.

Financial close has been attained ahead of schedule, and the NTE is the only toll road in the US to complete funding this year. This project is also the first transportation infrastructure project in the US to reach financial close with direct investment by a pension fund.

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### Local Contracting Partners

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Cintra works closely with its sister company, Ferrovial Agroman to make sure that disadvantaged business enterprises (DBE) are involved in the design and construction of the project. Typically, the owners have DBE requirements and the Project Company must fulfill that requirement.

The Project Company also utilizes local contractors to perform operation and maintenance activities.



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## Conditions Precedent

The Respondent needs to analyze and negotiate a concession agreement and related documentation to fully understand potential items or impediments to the project's successful implementation that should be removed or dealt with prior to an irrevocable commitment being made. After reviewing this document, the Respondent believes the following items could pose a challenge for successful implementation:

- ▶ Bridge Ownership & Financial Obligation – Since the bridge will be jointly owned by MDOT and Canada, the concession agreement will have to clearly define how items (i.e. compensation events, public funds, etc.) where the owners have a financial obligation will be resolved.
- ▶ Plaza Operations – The developer will have a interest in plaza operations as inspection activites will impact bridge performance and operations. The extent the developer will be able to make decisions and provide plaza staffing for inspection activities and technology implementation to expedite inspections needs to be address prior to the initiation of the procurement process.
- ▶ Technical Standard – The owners will need to agree on a set of technical standards for the bridge since the two owners are perceived to have different technical standards. The developer will need to have an agreed upon set of technical standards included in the concession agreement.

**March 15, 2010**

Mohammed Alghurabi  
Michigan Department of Transportation  
Senior Project Manager  
425 W. Ottawa Street  
P.O. Box 30050  
Lansing, Michigan 48909

**Re: Letter Of Interest for the development of the Detroit River International Crossing**

Dear Mr. Alghurabi:

BMO Capital Markets (“BMOCM”) is pleased to respond to your request for proposal of interest for the development of the Detroit River International Crossing Project (“DRIC” or “Project”). Our firm is very interested in participating as part of this important transaction. BMOCM has a long history of supporting infrastructure development in North America, and has a dedicated infrastructure team with significant experience in providing advisory and financing services to public and private sector industry participants. Our team’s experience includes mandates on various transportation projects including roads, bridges, tunnels, airports, and ports. Furthermore, we have particular expertise in advising on and financing of public-private-partnership (“P3” or “PPP”) projects in the U.S., Canada, and cross-border.

BMOCM is interested in providing Financial Advisory, Lending and Financing services to private sector bidders on the DRIC project. This type of mandate would typically include assisting our client in negotiating with the procuring authority and potential lenders; creating the financial bid model, and advising on and assisting in obtaining committed financing including potentially acting as a lender.

Our U.S. public finance professionals, based out of our Chicago office, provide coverage to the State of Michigan and local government clients within the state. The team is very excited by the opportunity to assist Michigan in the procurement of the DRIC project and look forward to working with you to ensure a successful execution is achieved.

Yours very truly,

BMO Capital Markets

By: 

Name: Lyle McCoy  
Title: Managing Director & Head of Public Finance

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## **Response to Request for Proposal of Interest**

**For the development of the Detroit River International Crossing Project  
under one or more Public-Private Partnerships**

**Submission Deadline: March 17, 2010 3:00 PM EST**

To:

Michigan Department of  
Transportation  
Attention: Mohammed Alghurabi  
Senior Project Manager  
425 W. Ottawa Street, P.O. box  
30050, Lansing, Michigan 48909

Phone: (517) 373-7674

BMO Capital Markets Contact:

Lyle McCoy  
Managing Director and Head of Public Finance  
115 South LaSalle Street  
36<sup>th</sup> Floor West  
Chicago, IL  
60603

Lyle.mccoy@bmo.com  
(312) 845-4019

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# **1 Introduction**

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BMO Capital Markets (or “BMOCM”) is pleased to respond to your request for proposal of interest for the development of the Detroit River International Crossing Project (“DRIC” or “Project”) under one or more Public-Private Partnerships (“P3”).

Led by Lyle McCoy, professionals from various business groups within BMOCM have been assembled for this potential mandate, with particular strengths in infrastructure financing using the traditional as well as the P3 model. This team has successfully completed numerous relevant financial advisory mandates for public and private sector clients in the infrastructure sector. Of particular relevance is our current mandate with Infrastructure Ontario to advise on the Windsor Essex Parkway Project (“WEP”). The WEP will, once completed, connect into the new DRIC bridge. This experience will prove invaluable in helping us structure a viable financing solution for the Project.

## **Why BMO Capital Markets?**

- ✓ Extensive experience in infrastructure financing with particular expertise in transportation
- ✓ Proven track record in advising P3 projects for both public and private sector clients
- ✓ Dominant share of Canadian infrastructure financing market
- ✓ Strong track record in project finance
- ✓ Leader in North America Debt Capital Markets issuance

## 2 Contact Information

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BMO CM's Respondent's principal contact is [to come]. Below is his contact information.

Name	Lyle McCoy
Company	BMO Capital Markets
Mailing Address	115 South LaSalle Street, 36th Floor West, Chicago, IL, 60603
Telephone Number	(312) 845-4019
Fax Number	(312) 658-4677
Email Address	Lyle.mccoy@bmo.com

<b>Name</b>	
	<b>Lyle McCoy</b> Managing Director & Head of Public Finance
<b>Professional Experience</b>	<ul style="list-style-type: none"> <li>▪ Mr. McCoy is a Managing Director and Head of Public Finance and Infrastructure Banking for BMO Capital Markets, based in Chicago</li> <li>▪ Mr. McCoy is a 27-year corporate finance industry veteran</li> <li>▪ Since joining BMO Capital Markets in 1982, he has held various roles of increasing responsibility. Previously he was a Managing Director in BMO's Financial Products Group where he was instrumental in growing the firm's Chicago-based U.S. derivatives practice</li> <li>▪ He has also worked in BMO's Toronto and Vancouver offices in corporate and government banking where he focused on covering Crown, provincial and other government-owned related agencies</li> <li>▪ He has held positions in structured finance and credit groups</li> </ul>
<b>Education</b>	<ul style="list-style-type: none"> <li>▪ B.A. from Queen's University in Kingston, Ontario and an M.B.A. from York University in Toronto</li> </ul>

<b>Name</b>	
	<b>David Pennington</b> Managing Director & Head of Canadian Infrastructure Advisory
<b>Professional Experience</b>	<ul style="list-style-type: none"> <li>▪ Over 15 years of investment banking experience</li> <li>▪ Advisor to both governments and bidders on Public Private Partnerships</li> <li>▪ Extensive experience negotiating long-term government concessions</li> <li>▪ Wide range of infrastructure financing and rating agency experience</li> <li>▪ Capital Markets and Financial Advisor to Infrastructure Ontario on the development of first project agreement (North Bay Hospital) and 4 subsequent transactions</li> <li>▪ Key role in the structuring and negotiating ratings of GTAA's C\$950</li> </ul>

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	million debt IPO and 407's C\$1.1 billion debt IPO
	<ul style="list-style-type: none"> <li>▪ Key role in Serco DES financing and IO's WEP project</li> </ul>
Education	<ul style="list-style-type: none"> <li>▪ Honours Business Administration degree and a Master of Business Administration degree, both from the University of Western Ontario</li> </ul>

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Name	<b>Jeff Holt</b> Managing Director & Head of Ports/Transportation Finance
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Professional Experience	<ul style="list-style-type: none"> <li>▪ Over 29 years in investment banking, with a wide range of infrastructure financing and rating agency experience</li> <li>▪ Advisor to both governments and private sector on P3</li> <li>▪ Extensive experience negotiating long-term agreements</li> <li>▪ Wide range of infrastructure financing and rating agency experience</li> <li>▪ Structured and placed the \$2.4 billion Alameda Corridor Transportation Authority project financing which included a USDOT loan, equity from Ports of LA &amp; LB, government grants, senior &amp; subordinate municipal bonds and an agreements with railroads</li> <li>▪ Financial advisor to the State of Washington's DOT and Bechtel Enterprises on the \$880 million Greenfield toll-based project financing for the second span of the Tacoma Narrows Bridge</li> <li>▪ Structured and placed the Reno ReTRAC project financing at the City of Reno, NV which included a TIFIA loan, senior &amp; subordinate municipal bonds and an agreement with the Union Pacific Railroad</li> <li>▪ Buy-side advisor to Goldman Sachs Infrastructure Partners on its multi-billion acquisition of a minority stake in Carrix Inc., an international vertically-integrated marine terminal operator</li> <li>▪ Buy-side advisor to Highstar Capital and its Ports America unit on its acquisition of a terminal at the Port of Oakland</li> <li>▪ Financial advisor to the State of Utah DOT on its Mountain View Corridor project, reviewing financial alternatives and a potential tolled P3 for the \$1.6 Billion Greenfield highway in Salt Lake and Utah Counties</li> <li>▪ US Transportation Research Board, Member</li> <li>▪ Associated with three <i>Institutional Investor</i> Deals of the Year transactions</li> </ul>
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Education	<ul style="list-style-type: none"> <li>▪ B.S degree in Finance, cum laude, from the University of Utah</li> </ul>
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Name	<b>Neil Pritz</b> Managing Director Public Finance
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Professional Experience	<ul style="list-style-type: none"> <li>▪ Public finance coverage for State of Michigan</li> <li>▪ Over twenty two years of public finance experience with a spectrum of state and local borrowers throughout the country, and full range of new and refunding issues, involving both conventional and synthetic fixed and floating rate bonds</li> <li>▪ Recently served as senior manager or remarketing agent for numerous Illinois based issuers such as the City of Chicago (including Midway</li> </ul>
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Airport for which he spearheaded a tender analysis in connection with bonds to be defeased from proceeds of the proposed long-term concession arrangement); the Metropolitan Water Reclamation District, the Regional Transportation Authority and Illinois State Toll Highway Authority

- Served as general markets practice leader for Banc One Capital Markets for ten years and for the past six years led Banc of America Securities municipal practice for the upper Midwest

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Education      ▪ B.A from Evergreen State College and an M.A. and M.B.A from The University of Chicago

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**Name**           **Laith Qamheiah**  
Vice President  
Debt Capital Markets

- 
- Professional Experience      ▪ Five years of investment banking experience working with corporate and government debt issuers
- Infrastructure expertise with focus on public-private-partnerships
  - Advisory mandates with Infrastructure Ontario on 5 P3 projects in transportation, social infrastructure and justice
    - Windsor-Essex Parkway
    - MTO Service Centres
    - Sault Area Hospital
    - Durham Consolidated Courthouse
    - North Bay Regional Health Centre
  - Advisory mandates with private sector bidders including advising on the Port Mann / Highway 1 project in British Columbia and on Forensic Services Project in Ontario
  - Member of financing team for Vancouver International Airport Authority and for 407 International

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Education      ▪ B. Sc. (Hon.) in Biochemistry from McMaster University and an MBA from the University of Western Ontario

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**Name**           **Eric Zampol**  
Vice President  
Port/Transportation Finance

- 
- Professional Experience      ▪ Mr. Zampol has over 7 years of experience working in both Debt Capital Markets and Mergers & Acquisitions. Prior to joining the Bank of Montreal, Mr. Zampol worked for Goldman Sachs in its Investment Banking Division where he specialized in providing advisory services to clients in the infrastructure space with a particular focus on transportation, maritime and goods-movement oriented clients. He has familiarity with discounted cash flow analysis, leveraged buyout models, legal restrictions on issuance of tax-exempt debt and project finance. He has assisted in negotiation of shareholder, credit and purchase agreements as well as underwriting commitments.
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- Most notably, Mr. Zampol managed valuation analytics and due diligence for Goldman Sachs Infrastructure Partners' purchase of a minority stake in Carrix Inc., a multi-national, vertically integrated marine terminal operator in late 2007. This transaction and the associated debt leveraging resulted in an approximate enterprise value for the entity in excess of \$4 billion. Additional advisory work includes: advising Highstar Capital and its Ports America unit on multiple potential acquisitions; reaching the final bid round for assets of Orient Overseas Container Line on behalf of GS Infrastructure Partners; and reaching the final bid round for a portfolio of toll road assets also on behalf of GS Infrastructure Partners.
  - Within debt capital markets, Eric participated as book-running senior manager in over \$20 billion of taxable and tax-exempt debt underwritings and derivatives transactions for infrastructure entities such as the Port of Seattle (Terminal 30 conversion), the California Department of Water Resources (Central Valley Water Project), Reno ReTRAC rail access corridor, and Santa Clara Valley Transportation Authority.

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Education

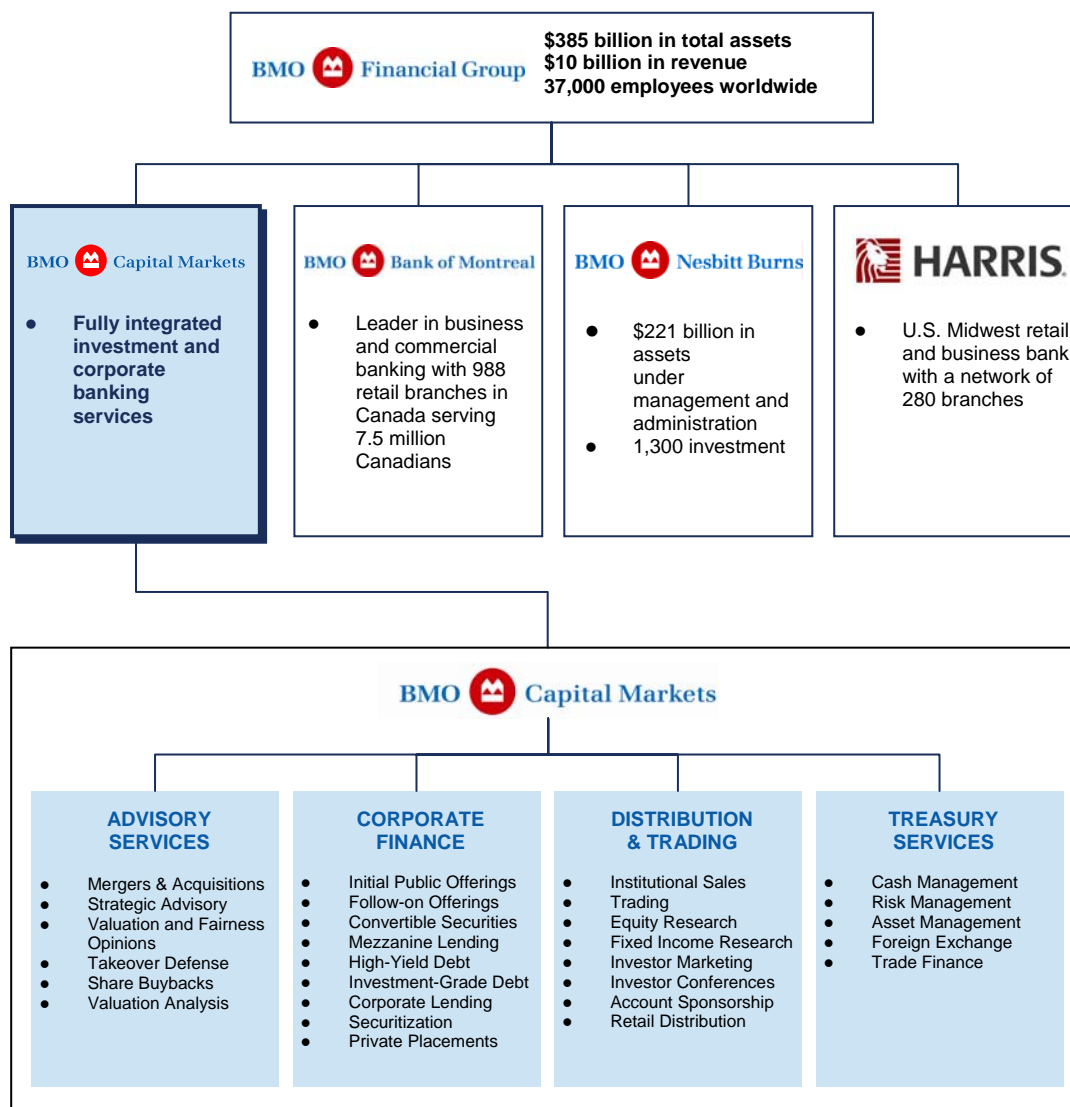
- Mr. Zampol graduated with honors from Dartmouth College with a degree in Economics.
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## 3 Company Information & Experience

### 3.1 BMO Capital Markets Overview

#### Introduction

BMO Capital Markets is a member of BMO Financial Group (“BMO”), one of the largest diversified financial services providers in North America with C\$385 billion total assets and more than 37,000 employees. BMO Capital Markets is a leading, full-service North American investment bank offering equity and debt underwriting, corporate lending and project financing, financial advisory services, merchant banking, securitization, treasury management, market risk management, debt and equity research and institutional debt and equity sales and trading. With over 2,200 professionals and 27 offices around the world, including 14 in North America, BMO Capital Markets works proactively with clients to provide innovative and integrated financial solutions.



## BMO Financial Strength

BMO is a publicly traded Canadian company listed on the TSX and NYSE. Below we present a summary of the key financial information over the past 3 years.

Selected BMO Financial Information (C\$ Millions)			
<u>Year</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenue	\$9,461	\$8,875	\$8,996
Net Income	\$1,787	\$1,978	\$2,131
Total Assets	\$388,458	\$416,050	\$366,524
Total Liabilities	\$368,261	\$397,896	\$350,976
Shareholder's Equity	\$20,197	\$18,154	\$15,511

BMO has enjoyed solid financial performances in recent years with close to \$2 billion in net income in 2009 and is strongly capitalized, with a Tier 1 Capital Ratio of 12.2%, well above the 7% regulatory requirement. We also boast the second highest Tangible Common Equity (as a percentage of assets) among our peers, another measure of financial strength.

BMO's senior debt is rated AA by DBRS, A+ by S&P, Aa2 by Moody's and AA- by Fitch, which are all indicative of high-grade, high-quality issues.

## Harris Bank Strength

Harris Bank, a subsidiary of BMO Financial group is based in Chicago, Illinois. Harris Bank serves more than 1.2 million customers through 281 branches in Illinois, Indiana, and Wisconsin and more than 600 ATMs and employs about 7000 people.

With assets of approximately USD41 billion, Harris Bank is a consistent top performer in its market boasting a Tier 1 Capital Ratio of ~11.5%, well above the 7% regulatory requirement. Harris' senior debt is rated AA- by Fitch, A+ by S&P, and Aa1 by Moody's.

## 3.2 BMO Capital Markets Experience

### Transportation Sector Experience

BMO Capital Markets has been active in transportation infrastructure financings and financial advisory services for over a decade. Our experience includes assignments for the development of roads, bridges, tunnels, airports and ports. Our infrastructure group was responsible for bringing Canada's two largest infrastructure borrowers to the capital markets: the 407 International Inc (or "407") and Greater Toronto Airport Authority (or "GTAA"). We have supported private sector investors and developers on their bids on infrastructure projects throughout Canada and the US. We also advised public sector sponsors on their procurement of new infrastructure.

Summary of BMO Capital Markets' Transportation Experience			
Project Name	Advisory Role	Financing Role	Rating Role
Windsor-Essex Parkway (2009 – ongoing)	<ul style="list-style-type: none"> <li>Capital Markets and Financial advisor to Infrastructure Ontario and Ministry of Transportation on procurement of long-term DBFM project for new road construction in Windsor</li> <li>Parkway will connect to new river crossing</li> </ul>	<ul style="list-style-type: none"> <li>Advise on structuring financeable transaction</li> <li>Assisted in designing bid financial requirements</li> </ul>	<ul style="list-style-type: none"> <li>Advise on structure that can achieve investment grade rating</li> </ul>
MTO Service Centres (2008 – 2010)	<ul style="list-style-type: none"> <li>Capital Markets advisor to Infrastructure Ontario and Ontario Ministry of Transportation on the long-term P3 redevelopment of 20+ service stations along major highways within Ontario</li> <li>Assisted in negotiations with bidders during bid stage and with preferred negotiation partner</li> </ul>	<ul style="list-style-type: none"> <li>Structuring of procurement process and documents including RFP and Project Agreement, and evaluation of private sector bids</li> <li>Negotiations with the selected negotiating partner post bid on behalf of IO and MTO to ensure favourable terms for Ontario</li> </ul>	<ul style="list-style-type: none"> <li>No rating role</li> </ul>
Seagirt Terminal at the Port of Baltimore (2009)	<ul style="list-style-type: none"> <li>Served as co-senior manager on the acquisition and capital equipment financing for the Seagirt Terminal at the Port of Baltimore for Highstar Capital and Ports America</li> </ul>	<ul style="list-style-type: none"> <li>Tax-exempt bonds in a ground-breaking transaction</li> </ul>	<ul style="list-style-type: none"> <li>No rating role</li> </ul>
Port Mann Bridge / Highway 1 (2007 – 2008)	<ul style="list-style-type: none"> <li>Advisor to bidding consortium on bid for 40 year DBFM concession to build a new bridge and upgrade existing highway</li> <li>Assisted in negotiations with Province of BC and with potential debt investors</li> </ul>	<ul style="list-style-type: none"> <li>Developed financial model</li> <li>Assisted in developing term-sheet and in lender negotiations</li> </ul>	<ul style="list-style-type: none"> <li>Drafted &amp; designed rating presentation and assisted in discussions with rating agencies</li> <li>Achieved investment grade rating (not disclosed)</li> </ul>
Greater Toronto Airports Authority (1997 – 2009)	<ul style="list-style-type: none"> <li>Advisor from outset to GTAA on financing program including structuring of financing platform</li> </ul>	<ul style="list-style-type: none"> <li>Led \$950 million debt IPO</li> <li>Led/co-led \$9.0 billion follow-on financing</li> </ul>	<ul style="list-style-type: none"> <li>Drafted &amp; designed rating presentation.</li> <li>Conducted ratings auction.</li> <li>Negotiated ratings from initial level.</li> <li>Outcome: A / AH / A2</li> </ul>
407 International Inc. (1999 – 2009)	<ul style="list-style-type: none"> <li>Advisor to consortium on successful acquisition and financing of Highway 407.</li> <li>Mandate included financing strategy, negotiation with Province and extensive financial modelling.</li> </ul>	<ul style="list-style-type: none"> <li>Led \$1 billion debt IPO.</li> <li>Led \$5.7 billion follow on bond financing</li> <li>Designed and implemented extensive interest rate hedging strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Drafted &amp; designed rating presentation.</li> <li>Conducted ratings auction.</li> <li>Negotiated ratings from initial level.</li> <li>Outcome: A / A</li> </ul>

Vancouver International Airport Authority (2006 – 2007)	<ul style="list-style-type: none"> <li>▪ Advised on new bond financing and on extraordinary resolution.</li> <li>▪ Helped negotiate with investors regarding extraordinary resolution.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Placed \$550 million in new bonds.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Assisted in process to confirm ratings.</li> </ul>
Port of Oakland* (2006 – 2007)	<ul style="list-style-type: none"> <li>▪ Served as lead concession advisor to Highstar Capital on its successful acquisition of the Oakland concession</li> </ul>	<ul style="list-style-type: none"> <li>▪ No financing role</li> </ul>	<ul style="list-style-type: none"> <li>▪ No rating role</li> </ul>
Detroit & Canada Tunnel Corporation (2006)	<ul style="list-style-type: none"> <li>▪ Not applicable. No advisory required.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lead Arranger and Administrative Agent</li> </ul>	<ul style="list-style-type: none"> <li>▪ Not applicable. No ratings required.</li> </ul>
RAV Rapid Transit System (2004 - 2005)	<ul style="list-style-type: none"> <li>▪ Financial advisor to successful proponent.</li> <li>▪ Participated with Sponsors and Counsel in extensive negotiations on the terms of the project agreement and contracts.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sole Lead on \$400 million Private Placement alternative.</li> <li>▪ Evaluated multiple hedging strategies.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Drafted &amp; designed rating presentation.</li> <li>▪ Conducted ratings auction.</li> <li>▪ Negotiated ratings from initial level.</li> <li>▪ No Public Ratings.</li> </ul>
Sea-to-Sky Highway (2004 - 2005)	<ul style="list-style-type: none"> <li>▪ Financing advisor to successful bidding consortium on project to upgrade and expand existing road between Vancouver and Whistler</li> </ul>	<ul style="list-style-type: none"> <li>▪ Developed financing options</li> </ul>	<ul style="list-style-type: none"> <li>▪ Participated in drafting rating presentation</li> <li>▪ No Public Rating.</li> </ul>
Edmonton Ring Road (2004 - 2005)	<ul style="list-style-type: none"> <li>▪ Financing advisor to bidding consortium for construction and operation of segment of road around Edmonton.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Extensive involvement in negotiating and modelling the Province's offer of interest rate hedging.</li> <li>▪ Consortium bid unsuccessful.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Participated in drafting rating presentation</li> <li>▪ Conducted ratings auction</li> <li>▪ No Public Rating.</li> </ul>
Serco DES (2003)	<ul style="list-style-type: none"> <li>▪ Advisor to Serco plc on 10-year concession for Ontario driver examination services.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sole agent on \$120 million financing.</li> <li>▪ Structured and implemented hedging strategy.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Drafted &amp; designed rating presentation.</li> <li>▪ Conducted ratings auction.</li> <li>▪ Negotiated ratings from initial level.</li> <li>▪ Outcome: A-</li> </ul>
Tacoma Narrows Bridge* (2002-2003)	<ul style="list-style-type: none"> <li>▪ Act as the project's senior banker and to help craft the proper plan of finance for the "private" project.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Extensive cost benefit analysis between Capital Markets platform vs. TIFIA loan</li> </ul>	<ul style="list-style-type: none"> <li>▪ No rating role</li> </ul>

\* Transactions completed by BMOCM team members while working with other firms.

## Public-Private Partnership Experience

BMOCM has been strongly dedicated to the North American P3 sector since the launch of some of Canada’s first P3 projects over a decade ago. As a Canadian based institution, BMOCM has had a unique chance to gain in-depth expertise in this sector as Canada was one of the early jurisdictions that adopted the P3 model for procurement of infrastructure with some of the earliest P3 transactions dating back to the mid 1990s. Below we present some of BMOCM’s non-transportation P3 assignments.

Summary of BMO Capital Markets’ P3 Experience			
Project Name	Advisory Role	Financing Role	Rating Role
Carlyle Group (2010)	<ul style="list-style-type: none"> <li>Serving as buy-side advisor on concession of Virginia Port Authority assets</li> </ul>	<ul style="list-style-type: none"> <li>No financing role</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
Niagara Health System (2008 – 2009)	<ul style="list-style-type: none"> <li>Financial advisor to Infrastructure Ontario on dealing with credit market disruption affecting ability of project to close</li> </ul>	<ul style="list-style-type: none"> <li>Advised Government on bidder financing and executing financial close</li> <li>Participated in short-term loan to project and in placement of long-term bonds</li> </ul>	<ul style="list-style-type: none"> <li>Advised on restructuring capital structure to assure optimal rating</li> </ul>
Alberta P3 Schools (2008)	<ul style="list-style-type: none"> <li>No advisory required.</li> </ul>	<ul style="list-style-type: none"> <li>Project involved long-term concession for the development of a portfolio of schools in Calgary and Edmonton</li> <li>Participated in short-term construction loan</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable. No ratings required</li> </ul>
Sault Area Hospital (2006-2007)	<ul style="list-style-type: none"> <li>Capital markets advisor to Infrastructure Ontario and Sault St. Marie Hospital</li> </ul>	<ul style="list-style-type: none"> <li>Advised Government on bidder financing and executing financial close</li> </ul>	<ul style="list-style-type: none"> <li>Advised on Project Agreement structure to assure optimal rating</li> </ul>
Durham Consolidated Courthouse (2006 - 2007)	<ul style="list-style-type: none"> <li>Capital markets advisor to Province of Ontario and Ministry of the Attorney General</li> </ul>	<ul style="list-style-type: none"> <li>Advised Government on bidder financing and executing financial close</li> </ul>	<ul style="list-style-type: none"> <li>Advised on Project Agreement structure to assure optimal rating</li> </ul>
North Bay Regional Health Centre (2005 - 2007)	<ul style="list-style-type: none"> <li>Capital markets advisor to PIR and North Bay Regional Health Centre</li> </ul>	<ul style="list-style-type: none"> <li>Advised Government on bidder financing and executing financial close</li> </ul>	<ul style="list-style-type: none"> <li>Advised on Project Agreement structure to assure optimal rating</li> </ul>
William Osler Health Centre (2002)	<ul style="list-style-type: none"> <li>Advisor to bidding consortium on entire financing strategy</li> <li>Built and maintained bid group financial model</li> </ul>	<ul style="list-style-type: none"> <li>Structured fully committed and efficient financial program</li> </ul>	<ul style="list-style-type: none"> <li>Extensive discussions with rating agencies on post-bid rating</li> </ul>
Royal Ottawa Hospital (2002)	<ul style="list-style-type: none"> <li>Advisor to bidding consortium on entire financing strategy</li> <li>Built and maintained bid group financial model</li> </ul>	<ul style="list-style-type: none"> <li>Structured fully committed and efficient financial program</li> </ul>	<ul style="list-style-type: none"> <li>Extensive discussions with rating agencies on post-bid rating</li> </ul>

## **4 Scope**

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BMOCM is interested in providing Financial Advisory, Lending and Financing services to private sector bidders on the DRIC project. This type of mandate would typically include:

- Support negotiations with lenders / public authority
- Support the financial aspects of the RFQ and RFP submissions, including providing analysis as needed
- Create the financial model and run financial sensitivities
- Provide strategic advice on funding options, substantiated with financial model results and summarized in a financing options paper
- Source debt globally and secure required commitments
- Assist in negotiations with lenders, monolines and ratings agencies (as applicable)
- Support the financial close process
- Advise & Support on the optimal (from a bid NPV perspective) security packages required (i.e. Letters of credit, parent company guarantees, bonding requirements if any)
- Lend to the project company to support construction

Ultimately, the MDOT and Transport Canada should require proponents bidding on the project to provide a full solution that delivers all aspects of the project including design, construction, financing, operations and maintenance. This will require bidders to form consortia comprising service firms that can deliver all aspects of the project.

## 5 Business Model

The appropriate revenue model to use for a P3 project depends on a number of criteria that include:

- Public preference for retaining revenue upside / downside
- Project economics and ability of the asset(s) to generate sufficient revenue to support operations, maintenance, debt service and equity returns
- Market conditions – during stressed financial market conditions, lender appetite for projects with revenue risk is significantly limited
- Competition and monopoly aspects of the asset

The DRIC project could be structured as (i) a Toll Revenue project; (ii) an Availability Payment project; or (iii) a hybrid

Revenue Model Description	Benefits	Challenges
<p>1. Toll Revenue</p> <ul style="list-style-type: none"> <li>▪ Public authority transfers all revenue risk to Project Co</li> <li>▪ Remuneration for Project Co derived from charging and collecting tolls from bridge users with collected revenues supplemented by other potential sources of revenue (e.g. Duty Free stores)</li> <li>▪ Examples: Highway 407 ETR in Ontario; Chicago Skyway, Indiana Toll Road, North Tarrant Expressway in Texas</li> </ul>	<ul style="list-style-type: none"> <li>▪ Public authority obtains project without the need for public funding</li> <li>▪ Revenue upside potential appeals to certain type of infrastructure investor</li> <li>▪ Allows for use of certain types of financing that is normally incompatible with Availability Payment deals (e.g. Miniperms)</li> </ul>	<ul style="list-style-type: none"> <li>▪ More difficult to obtain significant levels of private financing, especially in difficult markets</li> <li>▪ Lenders less interested in exposure to revenue risk in this environment</li> <li>▪ Government may have to exercise less control over toll setting</li> <li>▪ Requirement for traffic studies</li> <li>▪ Model more appropriate to brown-field projects where traffic is proven (i.e. historical traffic exists)</li> <li>▪ For this project competitor pricing strategies will be a concern</li> </ul>
<p>2. Availability Payment</p> <ul style="list-style-type: none"> <li>▪ Public authority retains all revenue risk</li> <li>▪ Remuneration for Project Co derived from payments from public authority for making facility available for use</li> <li>▪ Payments to Project Co subject to Payment Mechanism (Penalty Deductions for poor performance)</li> <li>▪ Examples: I-595 in Florida, Northwest Anthony Henday Drive in Alberta</li> </ul>	<ul style="list-style-type: none"> <li>▪ Public authority retains potential revenue upside</li> <li>▪ Eliminating revenue risk allows bidders to utilized significantly higher levels of leverage</li> <li>▪ Lenders more willing to participate in Availability Payment transactions</li> <li>▪ Government maintains sole control of toll setting</li> <li>▪ More suited to new development (Greenfield)</li> <li>▪ Revenue risk retained by public sector authority</li> <li>▪ No requirement for traffic studies</li> </ul>	<ul style="list-style-type: none"> <li>▪ Some investors are only interested in revenue upside</li> <li>▪ Public authority required to provide funding for the entire life of the concession</li> </ul>
<p>3. Hybrid Approach</p> <ul style="list-style-type: none"> <li>▪ Revenues to Project Co a mixture of collected tolls and government payments</li> <li>▪ Often includes a cap and a floor</li> <li>▪ Examples: Sea-to-Sky Highway in British Columbia, Autoroute 30 in Quebec, Port Mann / Highway 1 in British Columbia (ultimately traditional procurement utilized)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Government support sized to allow toll revenues to support project</li> <li>▪ Project Co still retains some revenue risk and upside potential</li> <li>▪ Lenders more willing to participate than in a pure revenue deal</li> <li>▪ Approach can be tailored to fit specific situation to best suit all stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>▪ Revenue risk component will likely limit allowable leverage relative an Availability Payment transaction</li> <li>▪ Traffic study required</li> <li>▪ Risk that government support set at insufficient level to augment toll revenues</li> <li>▪ Public authority required to provide payments to the project</li> </ul>



The Availability Payment alternative would appear to best suit the characteristics of the DRIC project. This is largely due to the following main factors:

- the project is “Greenfield”
- uncertainty regarding traffic levels, especially given the availability of alternate crossings nearby
- reduced risk appetite of lenders in the aftermath of the credit crises
- there may be an ability to construct a revenue model through a “contract for differences” floor structure
- toll rates to provide full principal and interest repayment are also a consideration

## 6 Term of Agreement

The typical P3 project term is construction period plus 30 years. It is advisable to conform to precedent transactions as participants have accepted these structures. Furthermore, such terms have been developed to optimize benefits for all involved stakeholders.

There are certain outliers, such as 407 ETR with significantly differing terms. In such cases, the terms were selected to satisfy specific public authority requirements, and often these projects were launched prior to development of an active P3 market.

Below we present a list of P3 projects and their associated terms for reference:

Project	Jurisdiction	Sector	Year	Concession Term (post construction)
I-595	Florida	Transportation	2009	35 years
Bridgepoint Health	Ontario	Healthcare	2009	30 years
Niagara Health	Ontario	Healthcare	2009	30 years
Seagirt Terminal at the Port of Baltimore <sup>(1)</sup>	Maryland	Transportation	2009	50 years
Northwest Anthony Henday Drive	Alberta	Transportation	2008	-
Autoroute 30	Quebec	Transportation	2008	35 years
Durham Consolidated Courthouse	Ontario	Justice	2007	30 years
Sault Area Hospital	Ontario	Healthcare	2007	30 years
Port of Oakland <sup>(1)</sup>	California	Transportation	2007	50 years
Indiana Toll Road <sup>(1)</sup>	Indiana	Transportation	2006	75 years
Sea To Sky Highway	British Columbia	Transportation	2005	25 years
Chicago Skyway <sup>(1)</sup>	Illinois	Transportation	2005	99 years
RAV	British Columbia	Transportation	2005	35 years
Highway 407 <sup>(1)</sup>	Ontario	Transportation	1999	99 years

(1) Note that revenue deals have longer terms to maximize value/minimize annual payment

## **7 Other Revenue**

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Notwithstanding our recommendation to develop the DRIC project as an Availability Payment project, if it were to be developed as a Revenue Project or a Hybrid, Project Co could look to develop other sources of revenue including:

- Retail shopping
- Food and beverage
- Service stations (gas and auto service)
- Advertising

## **8 Financing**

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When evaluating a financing strategy, the MDOT and Transport Canada should keep the following objectives in mind:

- Minimize financing costs of the project by reviewing a number of financing options in a competitive process;
- Maximize the benefit of the inflation transfer;
- Reduce financing risk through committed financing;
- Offer sufficient flexibility to take advantage of changes in spreads, financing solutions or interest rates; and
- Delivering the best value for money.

The business model adopted for the DRIC Project will have a significant impact on the financing alternatives available. The amount of revenue risk transferred to Project Co. will affect many aspects of the financing including:

- Leverage levels
- Terms of financing
- Coverage ratios
- Desire and ability to take refinancing risk

In the following discussion we will present funding options for both Toll Revenue and Availability Payment transactions.

### **8.1 Funding Split**

In order to minimize the Project's cost of capital and to take advantage of direct access to the non-recourse finance of the bank and capital markets, the general approach normally consists of implementing a financing structure that maximizes leverage.

Many factors will affect the final level of leverage achieved, such as:

- The level of revenue risk in the payment structure
- A payment mechanism and penalty structure that balances risk allocation between the sponsor and the project company
- Subcontracting of risks outside of Project Co.
- Coverage ratios and downside sensitivity analysis
- Liquidity of Concessionaire ( construction protection, maintenance reserves, debt service reserves, etc)

Based on previous experience with P3 projects, an availability payment structure could allow for aggressive use of leverage of upto 90% debt to capital. However, as more revenue risk is introduced into the structure the ability to maximize leverage is significantly reduced. Lenders will focus on coverage ratios on a Toll Revenue deal rather than an absolute level of debt.

## 8.2 Types of debt facilities and main assumptions

Based on our firm's recent experiences in closing financing for transactions in North American markets, we have identified the following three potential approaches for the financing of the Project. Availability Payment transactions tend to utilize long term debt to eliminate refinancing risk during the term of the Project since returns are [ ] and fixed upfront. In Toll Revenue transactions, bidders are more willing to use financing structures that allow refinancing after the traffic ramp-up and thus debt terms tend to be shorter.

### Bridge Facility + Bond Issuance

A bridge facility of 6 to 24 months would permit Project Co. to seek and design a very efficient financing structure, allowing it to reduce potential negative cost of carry during such period. At the expiration of the bridge facility, it will be refinanced with a long term bond issue.

Such a financing structure presents the following strengths:

- Potentially lower spreads in the capital markets in comparison with the bank markets
- More debt capacity available post-construction from a wider group of unconflicted banks and investors
- Longer maturities;
- Tailor-made debt profile that will help the company to optimize the financial ratios;

This structure introduces refinancing risk into the deal and is more suited to transaction with a component of Toll Revenue risk where there is room for upside.

### Hard Mini Perm Bank Facility

This facility usually has a maturity from 6 to 10 years. A Bullet repayment may be used, where the borrower only pays interest during the life of the facility, and then refinances the entire principal amount at maturity. However, reduced risk appetites by lenders have seen some amortization requirement during the term of the loan. This financing structure is particularly useful in projects requiring a ramp-up period during the early years of operation to allow cash flows and credit ratios to stabilize (ramp-up period).

Usually in this type of transaction the banks would bear the refinancing risk. Even considering a capital market solution it may be desirable to utilize a syndicated bank mini-perm loan during the construction period and initial years of operation in order to avoid carrying the financing costs linked with capital market investor concerns over the initial traffic risk.

### Soft Mini Perm Bank Facility

This structure assumes a refinancing of the miniperms at maturity subject to some standard conditions so that an effective maturity of 25 to 30 years is achieved. This type of structure allows Project Co. to sculpt the debt profile, improving financial ratios. While this structure reduces refinancing risk somewhat vis-à-vis a bridge or hard miniperms it does not eliminate it.

### Upfront Taxable Bond

An upfront bond issuance for the full amount of financing requirement is the only solution to completely eliminate refinancing risk. It is therefore commonly utilized for availability payment transactions. There is significant demand for infrastructure bonds as they offer investors a number of benefits:

- Long duration
- Stable & predictable cashflows
- Attractive spreads
- Relatively high credit quality

Project bonds of this nature are typically issued utilizing the Private Placement format. Private Placement investors include Life Insurance companies and Pension Funds who naturally seek long duration, high quality bonds. This market is capable of absorbing \$1 billion issuances per transaction. We would not expect to use a public issuance format due to Prohibitive costs relative to the potential access and spread benefits. The Public format is more suited to issuers that need to access the market on an ongoing basis and is not well suited for this type of Project.

### 8.3 Innovative financing tools, including Transportation Infrastructure Finance and Innovation Act federal credit assistance (TIFIA) and Private Activity Bonds (PABs)

#### Transportation Infrastructure Finance and Innovation Act (TIFIA)

The TIFIA program is a low cost source for project capital and risk-assignment. Priced to the same bases rates of US Treasuries, regardless of the extent of the leverage or risk involved, a project transfers a tremendous amount of risk to the US government through a TIFIA direct loan. It is the very best source of low-cost and efficient interest/debt service deferral. It is also of course pre-payable at par at any time. It cannot be effectively duplicated in the private sector and has been therefore instrumental in the startup of dozens of critical national transportation projects such as ACTA and ReTRAC. TIFIA will be structured to be the equivalent of project equity, at least as far as the risk parameters are concerned, but will bear the cost of US Treasuries plus a small spread. The goal is to place as much risk as possible on the TIFIA tranche as is allowed in negotiation; the amount of risk they see is heavily discounted and ultimately scored and paid for by a pre-secured legislative appropriation. The TIFIA office will want this project to succeed as much as any other party and should be very flexible as far as terms are concerned.

- Negotiating a TIFIA loan takes a significant amount of time and commitment. The TIFIA office will want to be included early in the process, and should be as a full team member. They will have their own specific concerns about the project risks. The particular taste and style of the assigned advisor will be evidenced in their concerns. They rely heavily on their private advisors and the advisors come to the financing with particular biases.
- It may be desirable to structure separate indentures for the various revenues that may come into or under the project. TIFIA generally likes to have a proportionate share of all revenue under one indenture but this is not how bondholders like to see revenues allocated. Traditional bondholders would not, for example like to see revenues from real estate sales or tax-increment run through the same collection point as toll revenues. The capital markets

would rather see such revenues separated and have TIFIA take the subordinate tranche for each revenue, after the senior debt is paid. As mentioned above, TIFIA has preferred to run all revenue elements together as such a combined revenue stream saving duplication of effort (and possibly masking their true risk in some of the revenue categories with lesser credit quality).

- It may be possible to structure the old “bonds and notes” arbitrage structure that was allowed in the TIFIA loan given to the Central Texas Turnpike. Depending on market conditions (a steep yield curve), such a structure may produce a 10-15% advantage in proceeds. Likely however, such a benefit may not be available to this project as the project will already need substantial interest/debt service deferrals.
- Key terms and constraints include:
  - Maximum Term of 35 years after substantial completion
  - Maximum Negative Amortization Period – Generally, up to 5 years (negative amortization subject to approval by Secretary); negative amortization can not continue if senior lien is being repaid
  - Lien – Junior claim on revenues but in event of bankruptcy or insolvency, lien level rises to parity
  - Maximum Component of Project Financing – 33% of “reasonably anticipated eligible project costs” and must not exceed amount of senior lien debt (eligible project costs includes senior lien capitalized interest, COI and the debt service reserve fund but the negative amortization amount of TIFIA or TIFIA fees are not included
  - Ratings – Senior Lien must be BBB- rated or higher; if TIFIA is parity, TIFIA must also be rated investment grade; submission of ratings indication is required at application and TIFIA loan itself must be rated
  - Current Rate – 4.59%

It is important to note that TIFIA is not a full financing solution for a project but rather serves to complement private financing. Its main benefits are to reduce the amount of private financing required so as to fill potential funding gaps, substitute some of the high-cost private financing with low-cost financing, and transfer project risk to the Federal government.

#### Private Activity Bonds (PABs)

Certain transportation projects may qualify for tax-exempt private activity bonds (“PABS”). Such projects include international bridges or tunnels for which an international entity authorized under Federal or State law is responsible and which receives Federal assistance. Furthermore, PABs can be used to fund private toll roads or bridges which allows for use of a P3 structure.

The proceeds of the PABs are subject to tax law restrictions that need to be managed including:

- Interest on PABs is not tax-exempt if 25% or more of the net proceeds are used to acquire land
- Proceeds of the bonds cannot be used to acquire existing property unless certain requirements are met

- At least 95% of the net proceeds must be used for qualified projects within a 5 year period, otherwise the issuer must use unspent proceeds to redeem the bonds within 90 days after the end of the 5 year period

#### Recovery Zone Facility Bonds

Recovery Zone Facility Bonds (“RZFB”) are new tax exempt bonds available to fund a wide range of commercial projects that were not previously eligible for tax exempt financing. The RZFB program was recently authorized under the American Recovery and Reinvestment Act of 2009 (“ARRA”) to provide flexible financing to stimulate local development in “recovery zones”. Qualifying projects must be located within an area designated as a recovery zone, defined as economically distressed, with significant poverty, unemployment, home foreclosures or general distress.

Under the ARRA, \$15 billion of RZFB allocation was accorded to states. The State of Michigan (specifically its counties and certain cities such as Detroit) was awarded approximately \$1.16 billion of allocation, with Detroit specifically receiving \$74.5 million. To the extent that a project has a construction component in Detroit or Michigan, and the area — Detroit or Wayne County — can be designated as a recovery zone then that component can be financed via tax-exempt Recovery Zone Facility Bonds.

In order for the project to receive an allocation, (i) Detroit could grant all its RZFB allocation to the project, or (ii) Michigan can collect unused RZFB allocation from other counties and reallocate to the project. RZFBs could then be issued by a government conduit or by a Finance Authority and allocated to the project. The RZFBs would be tax-exempt and secured by project revenues.

RZFBs are less costly than private activity bonds which would have the same source of security but would be more expensive because they are subject to alternative minimum tax.

#### Inflation Linked Financing

BMO Capital Markets have had extensive experience with Real Return Bonds and have issued over \$1 billion of this financing out of our 407 project and pioneered the corporate RRB market in Canada. We are also pursuing other inflation-linked alternatives in the swap and derivative markets.





March 17, 2010

Mr. Mohammed Alghurabi  
Senior Project Manager  
Michigan Department of Transportation  
425 W. Ottawa Street  
P.O. Box 30050  
Lansing, Michigan 48909

RE: Detroit River International Crossing Letter of Interest

Dear Mr. Alghurabi,

Citigroup Global Markets Inc. ("Citi") appreciates the opportunity to submit a letter of interest to the Michigan Department of Transportation ("MDOT") and Transport Canada ("TC") with regard to the development of the Detroit River International Crossing (the "Project") under one or more public-private partnerships. As MDOT and TC are likely aware, no firm presents more experience in financing large transportation infrastructure projects both in North America and internationally than Citi.

Citi has followed the development of the Project over the past few years and believes that the safe, efficient and secure movement of people and good across the U.S.-Canadian border is a vital interest to both the local economies of the U.S. and Canada as well as an important security concern for both nations. Given the magnitude and importance of the proposed undertaking, Citi is very interested in working with MDOT and TC in the development and financing of the Project in order to meet the greater goals of the region. With regard to this letter of interest, Citi is primarily interested in serving as either a financial advisor or capital markets (tax-exempt or taxable bond) underwriter to MDOT and TC for the financing of the Project. Citi is uniquely qualified to assist MDOT and TC in this regard, and we have included a brief summary of our qualifications below.

**Citi's Transportation Infrastructure Credentials.** Citi is a leader in financing large transportation infrastructure projects both in North America and internationally. Citi has a particular expertise in financing transportation projects in the U.S. tax-exempt market. Citi has been the number one ranked book running senior managing underwriter in U.S. tax-exempt transportation financings every year since 1997. Over the course of this period, Citi has served as book running senior managing underwriter for 459 issues with a combined par amount in excess of \$81.7 billion. This experience is 169 transactions and \$28.8 billion in par greater than that of our nearest competitor, a staggering figure given the highly competitive nature of the U.S. tax-exempt transportation financing market.

An illustrative example of our leadership in this area of the market is Citi's work on the \$963 million Metropolitan Washington Airports Authority ("MWAA") Dulles Toll Road Revenue Bonds Series 2009, a high profile public-private partnership that received the 2009 Bond Buyer "Deal of the Year" award, the highest honor in U.S. public finance. In August 2009, Citi served as senior manager for MWAA's inaugural monetization bond issue of the Dulles Toll Road to finance the Dulles Corridor Metrorail Project, a \$5.2 billion, 23-mile extension of Washington Metro system from Rosslyn to Dulles International Airport. Approximately 60% of total funding (\$2.76 billion) for the project will come from the monetization of the 15-mile long Dulles Toll Road. The 2009 Bonds were part of a \$2.7 billion Phase I Master Plan of Finance which included a \$900 million Full Funding Grant Agreement from FTA, a \$250 million contribution from Commonwealth of Virginia and \$400 million from Fairfax County, Virginia. Citi's work as senior manager on the financing included the development of the financial model that dynamically integrated and evaluated a wide array of financial structures and products including multiple lien structures, a TIFIA loan and Transit GANs. Illustrative of Citi's ability to dynamically structure transactions to achieve the lowest cost of capital for our clients, the final structure notably included nearly every financing option available to the issuer, including taxable Build America Bonds, tax-exempt current interest bonds, tax-exempt CABs and tax-exempt Convertible CABs as well as unenhanced bonds and bonds enhanced by a monoline wrap from Assured Guaranty. Citi's fully integrated financing structure and extensive bond marketing campaign resulted in tremendous investor response, including \$338 million in retail orders and \$3.079 billion in total orders

**Citi's Transportation Public-Private Partnership Credentials.** Citi is a leader in public-private partnerships both in North America and internationally. Citi presents a multitude of relevant experience working as a capital markets underwriter, and/or buy- or sell-side advisor to numerous recent transportation public private partnership engagements that are very relevant to the proposed Project. In addition to Citi's work on the Dulles Toll Road monetization financing listed above, the following two engagements briefly highlight Citi's experience:

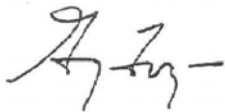
- Citi served as book-running senior manager in 2005 for the \$1.4 billion taxable market debt offering for the (Chicago) Skyway Concession Company LLC, one of the most high profile public private partnerships ever completed in North America. Citi's work on the Skyway financing included assisting in obtaining investment grade ratings and bond insurance, and leading the underwriting of a highly successful offering.
- Citi is currently working as the lead capital markets underwriter to the Mountain-Air Transit Partners consortium, one of two consortia that have been short-listed in pursuit of the financing mandate for Phase I of the Denver RTD FasTracks program public-private partnership, the twelve-year, \$6.5 billion public transportation expansion plan for the Denver-

Aurora and Boulder metropolitan areas in the State of Colorado, U.S. The FasTracks program is being developed by Denver's Regional Transportation District and will be structured as an approximately 55-year availability payment public private partnership. Citi is working with the consortium in the development of an optimized, multi-source financing structure that will utilize federal grants as well as taxable, tax-exempt and bank loan financing in order to maximize financing flexibility and provide the consortium with the lowest cost of financing. Final bids for this current, high-profile public private partnership are due at the end of April 2010.

**Citi's State of Michigan Credentials.** Citi maintains a significant presence in Michigan, with 1,098 employees in 55 offices around the State. Citi has senior managed 52 bond issues for state and local Michigan issuers over the last five years for a total par amount of \$6.34 billion. Our senior managed clients include many of the issuers recently consolidated into the new Michigan Finance Authority, such as the Bond Authority, Hospital Finance Authority, Tobacco Settlement Authority, and Strategic Fund. We have also served the State Building Authority, Housing Development Authority, Wayne County Airport Authority, Western Michigan University, the cities of Detroit and Grand Rapids, as well as Kent County.

Citi believes that no firm offers more relevant experience to MDOT and TC as the entities embark on the development of the Project. Citi's combination of leadership in transportation infrastructure and transportation public private partnerships throughout North America is truly unrivaled. Please do not hesitate to contact us at any point to coordinate a meeting or call where we can discuss the value that Citi can bring to the upcoming Project. The entire Citi team very much looks forward to further dialogue concerning the Project and the opportunity to work with MDOT and TC in the near future.

Sincerely yours,



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Guy Logan  
Director  
Citigroup Global Markets Inc.  
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EXPRESSION OF INTEREST  
Wednesday 17 March 2010

## DETROIT RIVER INTERNATIONAL CROSSING

TRANSPORT CANADA & MICHIGAN DEPARTMENT OF TRANSPORTATION



**SCOTT ASSOCIATES ARCHITECTS INC**  
Toronto + Atlanta + Montreal + Salt Lake City + Zagreb

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+ DESIGN&CONSTRUCTION + MASTERPLANNING + CONCEPTUALDESIGN + SECURITY + APRONPLANNING + ALTERNATEDELIVERY

D E T R O I T R I V E R I N T E R N A T I O N A L C R O S S I N G P R O J E C T

S C O T T A S S O C I A T E S A R C H I T E C T S I N C

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D E T R O I T R I V E R I N T E R N A T I O N A L C R O S S I N G P R O J E C T

S C O T T A S S O C I A T E S A R C H I T E C T S I N C

## 1.0 INTRODUCTION & INTENT

DRIC represents an important element of Canada-US border infrastructure, and is a priority project for both Transport Canada and MDOT.

SCOTT has been interested in the DRIC project for some time. To that end, we have followed news and events, attended the Private Sector Forum in April 2009, and conducted research via various Canadian government agencies.

In response to the current RFPOI, SCOTT is submitting as an individual firm to formalize our interest in the DRIC project.

Key to our interest is the correlation between the delivery intent of the project and SCOTT's corporate expertise – namely, [P3 delivery of large infrastructure projects](#).

In the future, once project delivery is fully defined, we anticipate teaming with a comprehensive contracting/engineering team, or working directly for Transport Canada/MDOT in an advisory role.

### 1.1 CONTACT INFORMATION

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Managing Principal

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### 1.2 KEY PROPOSED PERSONNEL

[Managing Principal & P3 Advisor](#)

**[Darija K. Scott, BES B.Arch RAIC ACC, Managing Principal](#)**

Mrs. Scott is SCOTT's co-founder and Managing Principal of SCOTT-Canada and President of Atlanta-based SCOTT-US. Her extensive project experience and expertise in the field of infrastructure delivery through public/private partnerships, led to her appointment to the Board of Directors of Infrastructure Ontario, an agency dedicated to the renewal of the Province of Ontario's hospitals, courthouses, roads, bridges, water systems and other public assets.



As Principal-in-Charge of SCOTT Associates, Darija provides high-level business oversight on various company projects. This includes monitoring of project and consultant contracts, schedule and cost control, risk management, major presentations, and allocation of project resources.

As P3 Advisor, she also provides input to the SCOTT design team about the business aspects of projects.

#### Design Principal

#### David C. Scott, B.Arch M.Arch OAA RAIC AIA NCARB, President

Mr. Scott is President of Scott Associates and Principal-in-Charge of Design. In 1987, he co-founded the new practice of SCOTT Associates Architects Inc., specializing in public/private sector joint ventures and privatization projects. These projects have included Terminal 3 at Toronto Pearson International Airport and the Canadian Broadcasting Corporation's Broadcast Complex, the largest architectural project in Canada at the time.

As Design Principal, he provides master design concept and planning, including guidance for development of design principles in all disciplines, adherence to industry accepted aviation standards, design benchmarks and leading major presentations.

For additional experience and credentials, please see [7.0 Resumes of Firm Principals](#).



## 2.0 CORPORATE INFORMATION

### 2.1 LINE OF BUSINESS

SCOTT Associates Architects Inc. provides architectural, planning, programming, and interior design services. The firm specializes in transportation infrastructure facilities, and commercialization through a variety of alternate delivery methods.

### 2.2 EXPERIENCE

SCOTT has been architect and planner for –

- Terminal 3, Toronto Pearson International Airport, Design/Build
- Toronto Headquarters, Canadian Broadcasting Corporation, Design/Build
- Liberia International Airport, Costa Rica, BOT airport redevelopment project
- New Porter Airlines Terminal/Toronto Port Authority – penalized fast-track design/build delivery of passenger terminal and ferry passenger transfer facilities
- New International Terminal, Prague-Ruzyne International Airport, BOT Delivery

SCOTT has provided advisory services for –

- Board of Directors (Darija Scott), Infrastructure Ontario – advisory services to Government of Ontario for infrastructure delivery via public/private partnerships
- Peer Review for Design/Build North End Expansion, Halifax Stanfield International Airport
- Peer Review of Midfield Terminal Option, Indiana polis International Airport
- World Bank Study, Commercialization & Privatization of Argentina’s Civil Aviation and Airports System
- Leader, Peer Review Team, New US\$230M International Terminal, Hartsfield-Jackson Atlanta International Airport

### 3.0 EXPRESSION OF INTEREST

As previously stated, SCOTT is submitting this document to formalize our interest in the DRIC project.

SCOTT is interested in applying our experience to the plaza and administrative facilities.

For the DRIC project, we are in discussions with a leading contractor and engineering firm with whom we have previously teamed for the delivery of alternate delivery projects. We anticipate formalizing those arrangements in the near future.

The firm was a pioneer in the delivery of large infrastructure projects via alternate delivery methods. SCOTT was Lead Architect for the world's first privatized air terminal building – Terminal 3, at Toronto Pearson. That facility is still performing well, and has recently undergone a \$350M expansion and retrofit, again with SCOTT as Architect and Project Manager in Joint Venture.

The firm has exceptional national and international experience, and is incorporated and has offices in both Canada (Toronto), and the United States (Atlanta, Georgia).

We routinely work with and for the responsible federal agencies in both Canada and the US, including the Bureau of Customs and Border Protection (Department of Homeland Security), Animal and Plant Health Inspection Service (US Department of Agriculture), Department of Defence (Weapons Transfer Facilities), and the Canada Border Service Agency.

We fully understand the role of the designer in creating facilities where ease of traffic flow and operations very much contribute to a purchasing mind-set and thriving concessions operations.

We envisage two possible applications for our expertise –

1. As advisor to MDOT/TC, or
2. As provider of architectural services within a comprehensive concession team

## 4.0 THE DETROIT RIVER INTERNATIONAL CROSSING PROJECT

### 4.1 SCOPE

Having reviewed the documentation and discussed the projects with several Canadian government agencies, we believe that breaking the DRIC project in to three (3) components seems optimal – bridge, US Plaza & Related Facilities, CDN Plaza & Related Facilities.

This suggested division into stand alone packages is because the three packages are fundamentally different in three key aspects –

- construction specialization required for the bridge
- revenue generating potential
- legal and jurisdictional separation aspects of facility operations.

### 4.2 BUSINESS MODEL

#### BRIDGE – BOT DEVELOPMENT

The bridge should be developed as a BOT. It is essentially a single purpose entity with a huge revenue potential that can support the required capital investment, the ongoing costs of operation and maintenance, as well as expansion. Its only function is to accommodate movement of vehicles from one side of the border to the other and to collect associated tolls. This makes it relatively simple to monitor and administer.

Given the size of the bridge and the complexity associated with its construction, this project will be attractive to large international contractors primarily specializing in civil works and concessionaires/investors familiar with toll road operations.

These same entities will not necessarily be versed in the development and construction of the buildings (plazas and associated structures), a fact that will ultimately make the financial offers for these projects less competitive if the bridge and the plazas were combined into one offering.

#### PLAZAS – TWO P3 CONTRACTS

The plazas should be tendered as two separate P3 contracts. Given their low revenue potential, the construction cost of the plazas and the associated buildings will almost certainly be higher than the expected downstream cash flow. Therefore the best model to use for the development of the plazas is a P3 model such as a DBFM (Design-Build-Finance-Maintain).

In addition, the two plazas will house buildings primarily intended for use by Canadian and US government agencies and border authorities. Situated in two different

countries, the operation of the two plazas will be governed by two complex yet disparate sets of regulations mitigating toward these being let as two independent contracts.

Numerous examples of public buildings being developed under P3 models exist in Canada, the UK and Australia.

Equally, examples of BOT toll road type of developments exist throughout the world.

### 4.3 TERM OF AGREEMENT

The terms of the three agreements need to be considered and evaluated in the context of –

- life of the assets
- repayment period for the investment (if applicable)
- operational constraints.

In the case of the two plazas, the repayment period does not apply if DBFM is selected as the concession model.

The main driver of the term of the agreement therefore becomes the life of the asset, with the practical life of the plaza and the buildings being in the order of 25 years. As a result of the intense use to which such facilities are subjected, they become physically, technically and operationally obsolete within such a period. Since this calls for a new round of major investments (required for either a total upgrade or construction of new facilities) at the 25 year point, it would be advisable to terminate the concession agreement at the same time. A new agreement could then be developed, based on the then prevalent technical and operational criteria and financial terms. Either the incumbent concessionaire or a new entity could be selected.

In the case of the bridge, the repayment period would obviously be reached earlier than the suggested 100 years. However, the practical life of the asset is essentially limitless although investments required for expansion would presumably need to be made at certain, as yet undefined, intervals. A mechanism dealing with these could presumably be incorporated into the agreement as such investments would be automatically tied into traffic growth and therefore increased revenues.

The overriding issue driving the very long term of the agreement for the bridge is the magnitude of the operation and the need for continuity. From the perspective of both governments and users, it would be undesirable to open the door to a changed ownership structure after a lesser period. Potential disruptions to operations posed by such changes would have the ability to negatively impact the commercial well being of both countries, given the commercial significance of the cross-border traffic that will be supported by this crossing.

#### 4.4 OTHER REVENUE

For the two plazas the most obvious sources of commercial revenues are Duty Free shops, gas pumps, and some limited food and beverage outlets.

Inclusion of other related business and services, such as cargo, shipping, brokerage, etc. needs to be carefully weighed against the cost of providing additional roads, parking and infrastructure needed to support them as well as the downside of increased vehicular traffic.

It would seem more reasonable to keep such activities in Detroit and Windsor respectively instead of including them in the plaza complex.

#### 4.5 FINANCING

To be proposed by the individual proponents.



## 5.0 CORPORATE EXPERIENCE

### 5.1 PUBLIC-PRIVATE PARTNERSHIPS

P3 is a specific risk-assessment model, formulated to greatly enhance the efficiency with which infrastructure projects are delivered.

SCOTT's P3 & Alternate Delivery experience includes –

- Board of Directors (Darija Scott), Infrastructure Ontario – advisory services to Government of Ontario for infrastructure delivery via public/private partnerships
- Airport Redevelopment Project, Daniel Oduber International Airport  
Liberia, Costa Rica
- New Ferry Passenger Terminals, Billy Bishop Toronto City Airport, Toronto Port Authority
- North End Expansion, Halifax Stanfield International Airport, Nova Scotia
- World Bank Study, Privatization of Argentina's Airports & Aviation System
- Design Brief, New International Terminal, Prague Ruzyně International Airport  
Czech Republic
- Feasibility Study, New Passenger Terminal & Infrastructure, Zagreb Airport  
(Zagreb, Croatia)

SCOTT's P3 & Alternate Delivery Clients include –

- Aecon Buildings
- MMM Group
- Infrastructure Ontario, Government of Ontario
- Toronto Port Authority, Government of Canada
- Bouygues Bâtiment (France)
- Zagreb Airport Limited
- World Bank
- Hughes Airport Systems
- Halifax International Airport Association
- Eurostation n.v./s.a.

## 5.2 LOCAL CONTRACTING PARTNERS

### LOCAL PARTNERING

In every instance of a project located away from the firm's Toronto head office, SCOTT has partnered with a local firm. Examples of these locales and local partnerships include –

- Prague, Czech Republic – Brix + Franta
- Sultanate of Oman – GEC (Gulf Engineering Consultancy)
- Liberia, Costa Roca – Piasa Architects & Garnier Engineering
- Dubai, United Arab Emirates – Dar al Handassah
- Atlanta, Georgia, USA – PRAD, Inc., and R.L. Brown & Associates, Inc. (two MBE firms)

### MINORITY PARTNERING

In addition to joint venture partnerships with two MBE firms for large design contracts in Atlanta, Georgia (see above), SCOTT itself is 50% female-owned, and SCOTT's Atlanta business is a registered Female Business Enterprise with the City of Atlanta's Disadvantaged Business Enterprise program.

Historically, more than half of SCOTT's professional architectural staff have been women and/or recent immigrants to North America.





## 6.0 CONDITIONS PRECEDENT

Based on our experience, it is important to ensure that the terms of reference for the projects are neither too undefined nor too proscriptive.

There is a great tendency for government agencies to commission considerable architectural and engineering design work at the outset, and to then include those well formulated designs in the RFP documents.

This is typically done in order to ensure that the functional and quality requirements are mandated and their delivery ensured. It also makes the evaluation of the proposals simple and the appearance of fairness easy to demonstrate.

However, that approach robs the P3 process of its very essence, in that it prevents the private sector from providing what the government agencies were looking for in the first place. Namely, the private sector using its expertise to deliver the projects in the most cost efficient and functional manner, while achieving cost savings in the process.

Extra work and care needs to be put into the evaluation process to encourage creative design solutions that will deliver the best value to the governments involved, and to their respective taxpayers.



## 7.0 RESUMES OF FIRM PRINCIPALS

Please see attached – Darija K. Scott and David C. Scott.



# Darija K. Scott

BES B.Arch MRAIC ACC  
Managing Principal

Mrs. Scott has been a practicing architect for 25 years, and has planned and managed several large privately-funded infrastructure projects in Canada and internationally. She is co-founder of the Toronto-based architectural firm, SCOTT-CANADA, and president of Atlanta-based SCOTT-US. For both of these businesses (“SCOTT”), she is the managing principal in charge of domestic and international business development. Through her extensive project experience, she has become a recognized industry expert in the field of infrastructure delivery through public/private partnerships, with special emphasis on transportation projects.

Universally, governments are faced with the expensive task of renewing essential infrastructure. Instituting appropriate alternate financing and procurement models provides several key benefits – assumption of project risk by private sector partners, accessibility to industry expertise and skills on a project-by-project basis, fast-tracked planning and construction, expert project management, fair bid processes, and on time/on budget project delivery. SCOTT is well-known as a leader in providing consulting expertise in this field of alternative financing and procurement for infrastructure projects.

SCOTT has worked in various combinations for governments, developers and contractors on the planning, financing and delivery of major infrastructure projects. The firm has developed a wealth of knowledge about successful private/public partnerships, and expertise in financial, operational, regulatory, risk management, legal and governmental issues as they relate to development and commercialization. Mrs. Scott can bring this international expertise to bear in ACRP’s current research.

## Depth of Experience

Mrs. Scott currently brings her considerable privatization and alternate financing and procurement (AFP) expertise to the Board of Infrastructure Ontario, a body of the Government Ontario responsible for delivering public infrastructure improvements. With projects ranging from \$50 million to \$300 million, Infrastructure Ontario is mandated to set project criteria, bring together public and private sector organizations, conduct a procurement process to select a private-sector consortia and ensure the public interest is upheld throughout the life of the project, via informed, transparent decision-making.

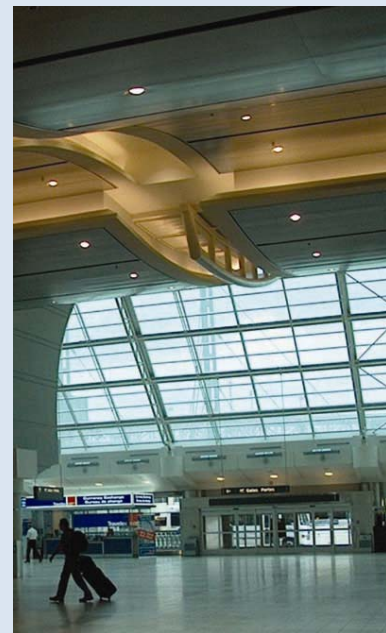
## Education

Bachelor of Environmental Studies  
University of Waterloo  
Waterloo, Ontario, Canada

Bachelor of Architecture  
University of Waterloo  
Waterloo, Ontario, Canada

Studies in Real Estate  
Management  
Ryerson Polytechnical Institute  
Toronto, Ontario, Canada

Studies in Economics and the  
Canadian Banking System  
University of Toronto  
Toronto, Ontario, Canada



She has been involved in the delivery of infrastructure projects on behalf of governments &/or private developers since 1985. Some of the early Canadian projects include BOT (build-operate-transfer) bids for Toronto's domed stadium (Foundation Company of Canada/Skanska/Kilmer Van Nostrand Co. Limited) and the PEI land-link bridge (Huang & Danczkay Properties Inc.), and the design/build delivery of both the \$220 million Terminal 3 at Toronto Pearson International Airport (Airport Development Corporation) and the \$334 million Canadian Broadcasting Corporation Toronto Headquarters & Broadcast Complex (Cadillac Fairview).

International projects include the World Bank privatization study of Argentina's airports and civil aviation system and subsequent management bid by US firm Bostonia Partners LLC, the Hughes Airport Systems BOT bid for Piarco Rainbow International Airport in Trinidad & Tobago, the new \$135 million international terminal at Prague Ruzyně International Airport in Czech Republic (Bouygues Construction, France), and the business development plan for Australia's Melbourne International Airport (Hudson Conway/Airports of Vienna/Bankers Trust of Australia).

She is currently Managing Principal of the \$24 million BOT redevelopment of the international passenger terminal building at Daniel Oduber International Airport in Costa Rica.

**International privatization projects include –**

- World Bank privatization study of Argentina's airports and civil aviation system and subsequent management bid by US firm Bostonia Partners LLC
- Hughes Airport Systems BOT bid for Piarco Rainbow International Airport in Trinidad & Tobago
- New \$135 million international terminal at Prague Ruzyně International Airport in Czech Republic (Bouygues Construction, France)
- Business Development Plan for Australia's Melbourne International Airport (Hudson Conway/Airports of Vienna/Bankers Trust of Australia)

**Membership & Participation**

Member, Canadian Board of Trade (Present)

Board of Directors, Infrastructure Ontario, Government of Ontario (2007-Present)

Royal Architectural Institute of Canada (2002-Present)

Airport Consultants Council (1991-Present)

Member, Toronto Board of Trade (1990-2009)

Board of Directors, Toronto Board of Trade (2000-2004)

Chair, Air Services Committee, Toronto Board of Trade (2002-2008)

Member, International Trade Committee, Toronto Board of Trade (2004-2008)

Member, Greater Toronto Airports Association Consultative Committee

Fundraising Committee, Power of Humanity Gala, Canadian Red Cross (2004-2006)

Architecture Program Advisory Committee, Sheridan College (2000-Present)

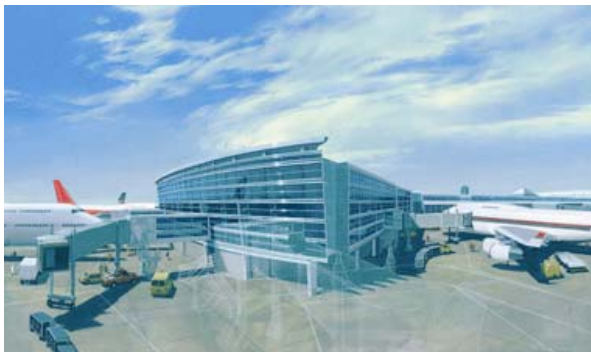
Board of Directors, Ontario International Trade Association (1995-1997)



**Other studies & projects entailing alternative finance methods include –**

- Zagreb International Airport in Croatia (Zagreb Airport, Ltd.)
- Irkutsk International Airport in Russia (the Russian Federation Ministry of Transport/Lehrer McGovern Bovis USA/Aerotech World Trade Corporation USA/Finprom Joint Stock Company Russia)
- Ataturk International Airport in Istanbul, Turkey (Devlet Hava Meydanlari Isletmesi - DHMI)
- Federal Express Courier Facility in Toronto (Aecon Group Ltd.)
- Brussels Eurostar Rail Terminal in Belgium (Eurostation n.v./s.a.)
- Kiev-Borispol Airport in Ukraine (Government of Ukraine/Hughes Airport Systems)
- Isla de Margarita Airport in Venezuela (Hughes Airport Systems)
- Major expansion of Halifax International Airport (Halifax International Airport Authority)
- New Ferry Transfer Facilities at Toronto City Centre Airport (Maple Reinders Constructors Ltd.)

In addition, SCOTT is currently on the Canadian Broadcasting Corporation's roster of consultants providing input into the optimization of owned and leased premises via lease analysis and re-negotiation, and space consolidation. SCOTT has been on the consultant roster for the Ontario Realty Corporation and for the Greater Toronto Airports Authority, and current holds two design support services contracts at Hartsfield-Jackson Atlanta International Airport. The firm is currently the Lead Architect (in joint venture with Marshall Macklin Monaghan Consulting Engineers) for the \$300 million renovation and expansion of Terminal 3, and have finished work on Phase 1 of the 13,200-space New Parking Garage at the new Terminal 1. Mrs. Scott is a member of the Greater Toronto Airports Authority's Consultative Committee.



**Client List**

- Aecon Construction
- Bouygues Construction (France)
- Bitove Corporation
- Airport Development Corporation (Canada)
- MMM Group
- Marathon Realty
- City of Oshawa
- CIBC Development Corporation
- Hartsfield-Jackson Atlanta International Airport
- Greater Toronto Airports Authority
- Calgary Airport Authority
- World Bank
- Air France
- Airport Group International (Lockheed)
- Cadillac Fairview Corporation
- Canadian Airlines International Ltd.
- Indianapolis International Airport
- Hughes Airport Systems
- DFAIT Canada
- Delta Airlines
- British Aerospace
- Eurostation n.v./s.a.
- Government of Ukraine
- Government of Hungary
- Korean Airport Authority
- Management Board Secretariat
- Japan Airlines
- Houston Airport Group

Mrs. Scott's expertise in the field of public/private partnerships leads to regular invitations to speak at industry seminars and conferences. These papers and presentations include:

- Speaker, Business & Investment Strategies in South Eastern Europe, Munk Centre for International Studies, University of Toronto 2005
- Speaker, Concessions & Public/Private Partnership Workshop, American Association of Airport Executives (AAAE), Dubrovnik 2003 Panel Host, AAAE/Airport Consultants Council (ACC) Technical Conference, Denver 2002
- Track Host, AAAE/ACC Conference, Terminal Design, Reno 2000
- Speaker, International Airport Privatization, ACC Conference, Monterey 1995 Panelist, Doing Business in the International Marketplace, ACC Conference, Monterey 1995
- Speaker, Airport Council International Latin America Conference, Santo Domingo 1995

In addition, she is a Visiting Lecturer at Sheridan College, Oakville, and in the past has lectured at the International Air Management Training Institute (IAMTI) in Montréal, Canada.

She is fluent in written and spoken English and Croatian, and speaks German and Spanish.

**Client List, continued**

- Halifax International Airport Authority
- Airport Authority of Trinidad
- CSL (Czech Airport Administration)
- Transport Canada
- Skanska / Skanska Polska
- Zadar Airport Authority
- The Sorbara Group
- Teknion Furniture Systems
- Public Works & Government Services Canada
- Olympia & York Developments
- Mitsui Fundosun (New York) Inc.
- CB Richard Ellis (formerly Coldwell Banker)
- Canadian Broadcasting Corporation
- Government of Costa Rica
- Sultanate of Oman
- Porter Air Lines Inc.
- Delta Air Lines Ltd.



### Selected Project Experience

The following selected project summaries present details of Mrs. Scott's project experience –

#### **BOT Passenger Terminal Redevelopment, Daniel Oduber International Airport, Costa Rica**

Managing Principal

SCOTT is the lead architect for Coriport, a consortium of Canadian, American and Costa Rican investors delivering a new state-of-the-art passenger terminal in Liberia, Costa Rica. The US\$24 million, 185,000sf facility will accommodate both international and domestic traffic and have the capacity to handle 1,500 peak hour passengers. The entire design and construction process will take only thirteen months to substantial completion.

#### **New Passenger Terminal Feasibility Study, Zagreb International Airport, Croatia**

Principal-in-Charge & Project Manager

Design and development recommendations for a new passenger terminal building. The study includes a comprehensive analysis of the existing terminal facility, which was determined to be inadequate for passenger projections and desired level of service. The estimated construction cost is € 211 million to be self-financed through increased commercial opportunities generated by the new facility.

#### **Prague Ruzyně International Airport, Czech Republic**

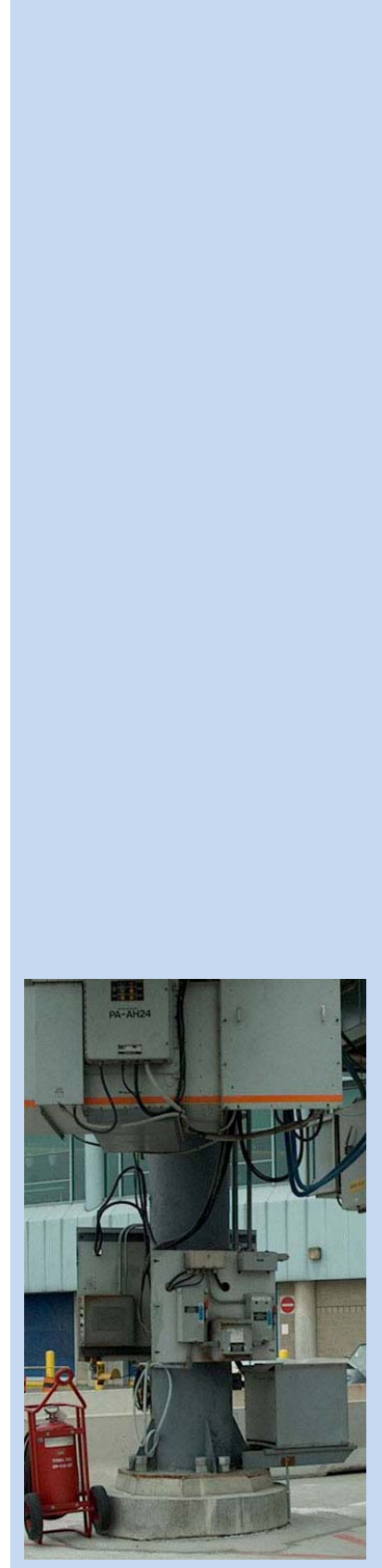
Executive Managing Architect

The planning, programming, design and site supervision of the expansion of the international terminal including 74,000m<sup>2</sup> of new space and complete refurbishment of the existing facility. This project was initiated and financed on the basis of a BOT arrangement by a private Canadian-European Consortium which was subsequently changed to a Design-Build and carried out under the leadership of Bouygues Construction from France. Project construction cost was \$167 million producing a passenger terminal with an annual processing capacity 6.4 million passengers.

#### **World Bank Study, Argentina Civil Aviation and Airports**

Lead Consultant – Non-Aeronautical Revenue

Mrs. Scott was lead consultant on this project in the area of privatization and development of commercial options for 31 major national and international airports throughout Argentina. SCOTT provided services in the area of economic and financial analysis, operations studies, technical and commercial assessments.



**Terminal 3 Expansion & Retrofit, Toronto Pearson International Airport, Canada**

Principal-in-Charge

The \$300 million extensive redesign, reprogramming, renovation and technical upgrade to Terminal 3. The reconfigured terminal will accommodate increased passenger processing to 15 million per year, and includes 8600 m<sup>2</sup> of new, expanded space. Spanning four years, the project will be implemented while the Terminal remains fully operational, presenting significant challenges in sequencing, construction and scheduling. Areas affected include: central processor, boarding piers, satellite terminal, baggage, IT and communications systems, retail and support services.

**Terminal Development Project, Parking Garage, Toronto Pearson International Airport, Toronto, Canada**

Principal-in-Charge

A new multi-modal ground transportation centre for TPIA. This \$250 million facility is programmed for 13,200 vehicles, a long-distance bus station, taxi and share-ride facility, a 1,575 -vehicle rental car facility plus a combined rental car vehicle servicing and refuelling station. In addition, the facility accommodates an inter-terminal automated people mover system, plus future provision for the development of a rail station at the below grade level of the garage.

**Piarco International Airport, Trinidad & Tobago**

Principal-in-Charge

Redevelopment of an existing airport on a BOT basis undertaken by Hughes Airport Systems in joint venture with Johnson Controls. Project included: programming, planning, schematic design and studies for a 23,000m<sup>2</sup> ultra modern terminal to process 2.3 million passengers annually, parking for 850 cars, apron, taxiway and extension to the existing runway. Budgeted cost was \$80 million. Phase II included an 8,000m<sup>2</sup> consolidated cargo facility, refrigerated storage buildings for the handling of perishable export commodities, a duty free industrial park and a second runway.

**New Terminal 3, Toronto Pearson International Airport, Canada**  
Managing Architect

Mrs. Scott was responsible for project and consultant team management on this new 120,000m<sup>2</sup> passenger terminal (24 gates) built, financed and originally operated by the private sector. Opened in 1991, the construction cost was \$220 million and the processing capacity is 10.4 million passengers annually. Scott Associates provided planning, programming, design and site supervision for the entire Terminal 3 Complex. I was also the managing architect for the adjacent projects at the T3 complex: a new 10-gate satellite terminal (Canadian Airlines), the \$60 million 500-room Sheraton Hotel, and the new \$38 million/3,300-car parking garage.





# David C. Scott

B.Arch M.Arch OAA NSAA RAIC

AIA NCARB

President & Design Principal

## Summary of Architectural Career

David Scott is President of Scott Associates and Principal-in-Charge of Design. He received his bachelor's degree in Australia. After a period of practice in Australia, he travelled to Brazil then North America to undertake post-graduate studies in urban planning and design, receiving his master's degree from the University of Toronto.

In 1987, David C. Scott and Darija K. Scott formed the new practice of Scott Associates Architects Inc. (SCOTT), specializing in public/private sector joint ventures and privatization projects, including Terminal 3 at Toronto Pearson International Airport and the Canadian Broadcasting Corporation's Broadcast Complex, the largest architectural project in Canada at the time.

Since the successful opening of Terminal 3 in Toronto, SCOTT has become one of Canada's leading exporters of aviation and transportation consulting. Mr. Scott is now an internationally recognized designer and planner of some of the world's most modern airports.

Mr. Scott continues to be involved in commercial developments, and has provided feasibility studies, re-zoning, expansions, upgrades and preparation of new construction for:

- Canadian Imperial Bank of Commerce (CIBC) Development Corporation
- The Sorbara Group
- The Cadillac-Fairview Corporation
- Morguard Investments
- Olympia & York Developments
- Canadian Broadcasting Corporation

## Education

- |      |   |
|------|---|
| 1973 | Master of Architecture<br>University of Toronto                           |
| 1969 | Bachelor of Architecture<br>University of New South<br>Wales<br>Australia |

## Memberships & Participation

Ontario Association of Architects  
(#3195)

Nova Scotia Association of  
Architects

Royal Architectural Institute of  
Canada

American Institute of Architects

National Council of Architectural  
Registration Boards

Georgia State Board of Architects  
and Interior Designers

Airport Consultants Council



**Selected International Transportation Projects**

King Abdulaziz Airport, Saudi Arabia  
Peer Review of Master Plan Project (2007)

Sultanate of Oman  
New Ras Al Hadd & Adam Airports (2008-2011)

TGV Eurostation, Brussels, Belgium

Daniel Oduber International Airport  
Liberia, Costa Rica  
New BOT Air Terminal (2009-2011)

Doha International Airport, Qatar  
Airport Master Plan & Terminal Design (2007)

Dubai International Airport, UAE  
Space Plan & Programming, Concourse II (2001)

New Ashgabat International Airport, Turkmenistan (2009)

Hartsfield-Jackson Atlanta International Airport

- Planning & Design "On-Call" Support Services (2004-present)
- Concourse D "Midpoint" Expansion (2008-present)

Toronto Pearson International Airport  
Greater Toronto Airports Authority

- Terminal 3 Expansion & Retrofit (1999-present)
- New Parking Garage (1999-2003)
- Design Interface, Automated People Mover
- Tenant Reconfiguration, Terminal (2000)
- "Trillium" Terminal 3 Complex (terminal, satellite, garage and hotel) 1991-92

Halifax Stanfield International Airport  
Halifax International Airport Authority

- South End Expansion – New Commuter Facility and 100% Baggage Screening Facility
- 10-Year Master Plan Review
- New Pre-Board Screening Facility
- Owner's Representative, North End Expansion

Toronto City Centre Airport  
Toronto Port Authority

- New Terminal Building
- Ferry Passenger Terminal Buildings
- ARFF Equipment Shelter Extension, Preliminary Design

**Client List**

Aecon Construction  
Bouygues Construction (France)  
Bitove Corporation  
Airport Development Corporation (Canada)  
MMM Group  
Marathon Realty  
City of Oshawa  
CIBC Development Corporation  
Hartsfield-Jackson Atlanta International Airport  
Greater Toronto Airports Authority  
Calgary Airport Authority  
World Bank  
Air France  
Airport Group International (Lockheed)  
Cadillac Fairview Corporation  
Canadian Airlines International Ltd.  
Indianapolis International Airport  
Hughes Airport Systems  
DFAIT Canada  
Delta Airlines  
British Aerospace  
Eurostation n.v./s.a.  
Government of Ukraine  
Government of Hungary  
Korean Airport Authority  
Management Board Secretariat  
Japan Airlines  
Houston Airport Group

**Selected Commercial Experience**

Canadian Broadcasting Corporation Headquarters  
Toronto, Canada

Toronto-Dominion Tower V – Ernst & Yonge Tower  
Toronto, Canada

Head Office, Marshall Macklin Monaghan  
Thornhill, Ontario, Canada

Master Plan, 5000 Yonge Street Development  
Toronto, Canada

**Client List, continued**

Halifax International Airport  
Authority

Airport Authority of Trinidad

CSL (Czech Airport Administration)

Transport Canada

Skanska / Skanska Polska

Zadar Airport Authority

The Sorbara Group

Teknion Furniture Systems

Public Works & Government  
Services Canada

Olympia & York Developments

Mitsui Fundosun (New York) Inc.

CB Richard Ellis (formerly Coldwell  
Banker)

Canadian Broadcasting  
Corporation

Government of Costa Rica

Sultanate of Oman

Porter Air Lines Inc.

Delta Air Lines Ltd.



D E T R O I T R I V E R I N T E R N A T I O N A L C R O S S I N G P R O J E C T

S C O T T A S S O C I A T E S A R C H I T E C T S I N C

Response to  
the Request for Proposal of Interest  
for the Development of the  
Detroit River International Crossing Project  
under one or more  
Public Private Partnerships



SUBMITTED BY:  
HOCHTIEF PPP Solutions North America Inc.

*March 16, 2010*

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# 1. CONTACT INFORMATION

Name: Mike McGuinty, Vice President (Development)  
Address: 2 Bloor Street East, Suite 701, Toronto, ON M4W 1A8 Canada  
Phone: 647-259-3745  
Fax: 647-259-3741  
Email: mmcguinty@hochtief-p3.com

## 1.1 TEAM MEMBER EXPERIENCE

*A Description of the individual members of the respondent's team with experience related to the objectives of the Partnership as described in this Request.*

HOCHTIEF PPP Solutions North America Inc. ("HOCHTIEF PPP") is comprised of experienced Public Private Partnership ("P3") professionals who have been involved in the successful development and delivery of a number P3 infrastructure projects. The team possesses a strong financial and technical background, underpinned by the knowledge of issues unique to concession projects, the financing of transportation infrastructure in North America, and proven experience delivering concession projects both locally and internationally. Members of HOCHTIEF PPP leading the Detroit River International Crossing Project (the "Project") team are:

### **Steve Skelton, President**

With over 25 years of development experience with both the public and private sectors in North America and abroad, Steve Skelton has the industry specific knowledge required to successfully lead a project from development through to delivery. Mr. Skelton currently serves as President of HOCHTIEF PPP and is responsible for the strategic direction of all HOCHTIEF PPP's development activities across North America.

Prior to joining HOCHTIEF PPP, Mr. Skelton served as the Sponsor Lead on numerous North America P3 pursuits, and was part of the successful proponent teams for the Northwest Anthony Henday Drive DBFO (Alberta), the Northeast Stoney Trail DBFO (Alberta), the Golden Ears Bridge DBFO (British Columbia), and the Kicking Horse Canyon Phase II DBFO project (British Columbia).

### **Steve Perfect, Senior Vice President (Construction and Asset Management)**

Steve Perfect is a Professional Engineer (Ontario and British Columbia) with over 30 years experience specializing in construction of Canadian and international highway projects, power projects and provincial roads and bridges in Ontario.

At the corporate planning and management level, he has been responsible for strategic planning, business development, and profitability. During his career in project management he has held progressive levels of responsibility from project engineer to JV Board Member for numerous multi-disciplinary construction projects including tunnels, dams/powerhouses, highways and bridges.

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Major project involvement has included Executive Board Member of Canadian Highways International (CHIC), design-builders of the 407 in Toronto; represented CHIC partner companies on Joint Venture Board for Cross Israel Toll Highway, 104 Toll Highway (Nova Scotia); Executive Board Member for Joint Venture constructing the Naptha Jhakari Hydro Development in India; responsible for construction of the B.C. Hydro main concrete dam in Revelstoke, B.C. and six unit powerhouse structure, with a contract value over \$300 million. Steve Perfect was also involved with the successful team in the development of the Northeast Stoney Trail (Alberta), Northwest Anthony Henday (Alberta), Golden Ears Bridge (British Columbia), and Kicking Horse Canyon Phase II projects (British Columbia).

**Mike McGuinty, Vice President (Development)**

Mike McGuinty is responsible for the overall bid coordination on P3 projects across North America, from initial teaming through to financial close and transition to construction and operations. Mr. McGuinty's relevant P3 bidding experience in the United States and the Canada includes the Windsor Essex Parkway Project (Ontario), I-595 Improvement Project (Florida), the Mid-Currituck Bridge Project (North Carolina), SH 161 (Texas), the Missouri Safe and Sound Bridge Program, and the Golden Ears Bridge Project (British Columbia). General project responsibilities include overall management of bid procurement, coordination of partnering and teaming exercises, engagement of relevant project advisors (i.e. legal, financial, technical, insurance, government relations, etc), negotiation of contractual documents with client and relevant drop down contracts with contractor and operator, preparation/ presentation of bid review for corporate approval of equity investment, bid budget development and management, and integration/coordination of all project team members.

Prior to joining HOCHTIEF PPP in 2008, Mr. McGuinty served as the Bid Director for the \$1.117 billion Golden Ears Bridge project. The 35.5 year design, build, finance and operate concession project has been recognized as the Global Deal of the Year by Infrastructure Journal, the North American Deal of the Year by Project Finance International, and as the North American PPP Deal of the Year by Euromoney/Project Finance. As well, the project has received the Gold Award in Project Financing from the Canadian Council for Public-Private Partnerships.

**Eric Lieder, Finance Director**

Eric Lieder has over nine years of project finance experience. Mr. Lieder is responsible for structuring financing, raising debt and placing equity for infrastructure projects in North America. Mr. Lieder has helped government and private clients across Canada with in-depth analysis of payment mechanisms for concession contracts, interest rate setting systems and has written extensively with respect to options available to governments for providing grants or lending to projects. Additionally he has written and audited a vast array of complex mathematical models. His relevant P3 bidding experience in the United States and Canada includes Windsor Essex Parkway Project (Ontario), the I-595 Improvement Project (Florida), the Mid-Currituck Bridge Project (North Carolina), Northeast Stoney Trail Project (Alberta), Northwest Anthony Henday Project (Alberta), and the Missouri Safe and Sound Bridge Program.



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**Cecil Kramer, Legal Counsel**

With over 10 years practicing project finance related law, Cecil Kramer provides expert opinion and guidance in relation to all HOCHTIEF PPP project related contractual documentation. During his employment with HOCHTIEF PPP Solutions GmbH, Mr. Kramer has provided legal advice on over 17 P3 projects in various capacities. Most notably, Mr. Kramer was involved in the \$2.01 billion Maliako-Kleidi P3 toll road project in Greece where he was the head of the legal working group during project development and close. In addition, Mr. Kramer was involved in the \$227 million Herrentunnel project providing advice to the project company on all legal matters.

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## 2. COMPANY INFORMATION

*A brief description of the firm's or team members' lines of business and experience in the delivery of transportation infrastructure projects under a public-private partnership model (i.e., design, build, finance, operate and maintain).*

HOCHTIEF PPP Solutions North America Inc., ("HOCHTIEF PPP") is a wholly owned subsidiary of HOCHTIEF USA Inc., which is part of HOCHTIEF Americas GmbH and HOCHTIEF AG ("HOCHTIEF"). HOCHTIEF PPP, with offices in Toronto, New York and Vancouver, is responsible for the development of, investment and long-term assessment of privately financed transportation and social infrastructure projects in North America.

HOCHTIEF is the fifth-largest provider of construction-related services in the world. With more than 64,000 employees and a sales volume of \$30.8 billion in 2008, the company is represented in all the world's major markets. HOCHTIEF is structured around 6 core businesses, HOCHTIEF Americas, Asia Pacific, Concessions, Europe, Real Estate and Services. More than 80 percent of HOCHTIEF's sales volume is generated outside of the domestic German market.

HOCHTIEF is represented in the United States and Canada by HOCHTIEF PPP for the delivery of privately financed transportation and social infrastructure projects, by Flatiron Constructors Inc. for the delivery of transportation infrastructure projects, and by Turner Construction for the delivery of building projects.

### **GLOBALLY EXPANDING CONCESSION BUSINESS**

HOCHTIEF has developed its expertise in the field of concessions and operation as an extension to its core business of construction. In recent years, HOCHTIEF has evolved into an international provider of construction and construction related services, steadily extending its involvement in public-private partnerships (P3) concessions. HOCHTIEF is currently developing or operating eight toll road projects in Germany, Austria, Greece and South America.

Furthermore, HOCHTIEF now has stakes in the airports of Athens, Budapest, Düsseldorf, Hamburg, Tirana and Sydney. In 2008, these airports together handled approximately 90 million passengers, making HOCHTIEF one of the largest private and independent airport managers in the world.

As the interest in alternative financing of public infrastructure has grown over the last decade, HOCHTIEF has also become a global leader in the delivery of public-sector building construction / social infrastructure projects. Today, HOCHTIEF is a leader of this field in Germany, while in the UK, Ireland and Australia, the firm is among the Top 5 companies in the educational sector. On the basis of P3 contracts, HOCHTIEF is currently operating 89 schools serving about 60,000 pupils, as well as the city hall in Galbeck, Germany and the Fürst Wrede Army Base in Munich, Germany.

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In addition to direct investments in infrastructure projects, HOCHTIEF also invests in concessions through its Australian subsidiary Leighton Holdings Limited, which operates in the Australia and Southeast Asia markets and is a market leader in the concessions business in these regions.

Including Leighton's investments, HOCHTIEF's global portfolio of concessions consists of 32 P3 projects with a combined investment volume of more than \$24 billion: 16 toll roads and 16 projects in the field of public buildings, as well as the 6 airport holdings.

Since 2005, HOCHTIEF has been conducting regular, half-yearly evaluations of its concession portfolio on the basis of the discounted cash flow (DCF) method, applying a discount that adequately reflects the risks involved. As of December 31, 2008, HOCHTIEF calculated the net present value of the concession projects, including airports to be \$2,371 billion. Of this, the social and transportation infrastructure projects account for \$361.9 million showing true corporate strength, unquestionable corporate support as well as world class development experience.

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### 3. LETTER OF INTEREST

*A letter indicating, if applicable, the firm's or team's interest in developing this project on a non-binding basis and identifying the type of interest (e.g., developer, financial investor, design-build contractor, lender, or operator).*

A letter of interest is attached as Schedule A.

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## 4. SCOPE

*An identification of all the elements of the project the respondent believes should be delivered by a single developer. Respondents may provide one or more solutions in their submission.*

HOCHTIEF PPP's preferred approach would be to include the following items in the developer's scope of work; including construction, maintenance and long-term rehabilitation:

- Bridge;
- U.S. and Canadian Plazas; and
- U.S. Interchange and Road Improvements.

### 1) The Bridge

As a landmark structure and a main cross-border connection point, the bridge will be a significant piece of infrastructure for the Project and of key importance to the long term viability of the concession. HOCHTIEF PPP understands that the bridge types being considered by the Authority are suspension or cable-stayed and we are well prepared to work with our design-build joint venture to provide a high quality, aesthetically pleasing bridge using this design, while maintaining a focus on life-cycle cost efficiencies and implication.

### 2) U.S. and Canadian Plazas

The U.S and Canadian plazas form the gateways to the border crossing on both the U.S. and Canadian sides of the Detroit River and are an integral part of the overall project infrastructure. As the long-term custodian of this crossing, it is our view that the developer should also be responsible for the design, construction, maintenance and rehabilitation of the plazas and associated facilities, including;

- Primary inspection lanes for inbound vehicles,
- Secondary inspection area for inbound vehicles,
- Outbound toll booths,
- Dedicated NEXUS and Free and Secure Trade program (FAST) lanes,
- Duty free shops,
- Maintenance buildings,
- U.S. and Canadian Customs buildings,
- Operating authority facilities,
- Drainage facilities such as storm water management retention ponds,
- Landscaped buffer zones,
- Local service roads, and
- Additional facilities as required.

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We understand that each of the U.S. and Canadian plazas will include a variety of the elements listed above and are enthusiastic about the potential opportunity of working with MDOT and TC in delivering the required items.

### **3) U.S. Interchange and Road Improvements**

In order to connect the U.S. plaza to the I-75, a three-level interchange has been identified as an essential component of the Project infrastructure. Due to its configuration the new interchange will require the removal of three existing bridges that cannot be replaced due existing alignment challenges. Instead, teams will concentrate on the modification and improvement of the local roadway system to accommodate the proposed U.S. Plaza. In order to avoid potential tie-in issues, as well as maximize economy of scale benefits for operations, maintenance and rehabilitation activities over the term of the concession, the most efficient approach would be to include this portion as part of the developer's scope of work.

#### **Tolling Operations**

An additional consideration for the developer's scope of work is the tolling operations. This service could be provided under either of the following models as they are both well suited to this type of project:

- **Real Toll Model** - where tolling operations would be included with the concession and scope of work above.
- **Tolled Availability Model** – where tolling operations could be either (1) included with the concession, or (2) excluded and contracted directly with another third party tolling operated. Under this second scenario there would be a Tolling Cooperation Agreement between the DBFM Contractor, the Tolling Operator and the Authority. An example of this type of tolling agreement is the Golden Ears Bridge located in British Columbia.

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## 5. BUSINESS MODEL

*Assuming that the project will be developed as a tolled facility, a brief description of a public-private partnership business models that would be considered appropriate for the project (e.g. real tolls, availability payments, hybrid, other) and what would be the benefits for the project and the public arising from each option. Also, examples of projects where such a business model has been successfully used.*

HOCHTIEF PPP is familiar with two main delivery methods for P3 toll road or toll bridge projects; namely, “Tolled Availability” and “Real Toll”.

**Tolled Availability:** Under this delivery method, the public authority retains the toll revenue and pays the concessionaire an availability payment based on the availability of the bridge. The size of the availability payment is determined based on the project costs.

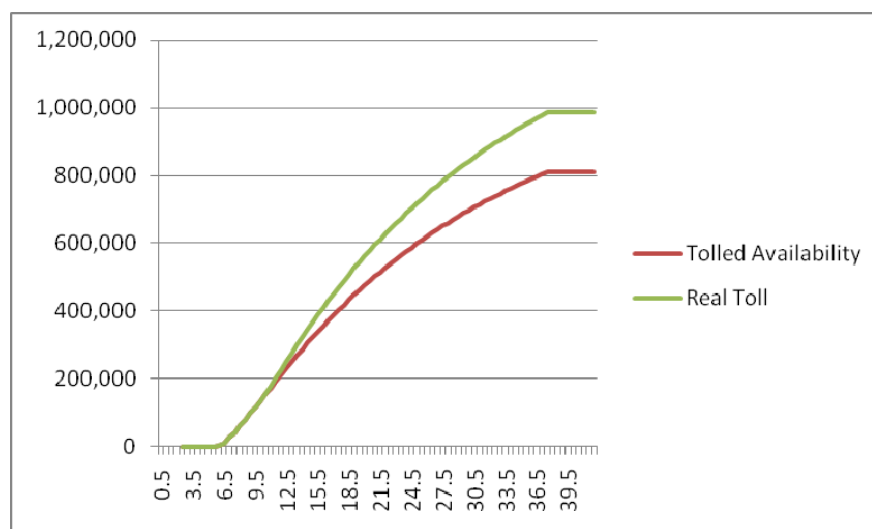
**Real Tolls:** Under this delivery method, the private sector takes toll risk. This delivery method generally requires the revenues to support all project costs. The public authority does not pay the concessionaire directly under the base case scenarios.

Some of the key value for money financing differences between Tolled Availability and Real Tolls are outlined in the table below. The general terms provided in the table are indicative and for comparison purposes to illustrate the general costs differences between Tolled Availability and Real Toll.

Lending Term	Tolled Availability	Real Toll	Explanation
Margin	250 bps+	300 bps+	The indicative margin is largely dependent on market conditions and is a reflection of the current market and the perceived risk of the Project. The important point is that the Real Toll model requires a premium over the Tolled Availability model.
Arrangement Fee	200 bps+	275 bps+	The indicative Arrangement Fee will be lower under a Tolled Availability Model.
Commitment Fee	40% of the Margin	40-50% of the Margin	The Commitment Fee is generally set as a percentage of the Margin, which again makes the Real Toll model higher than the Tolled Availability model.

Lending Term	Tolled Availability	Real Toll	Explanation
Debt Service Coverage Ratio (DSCR)	Min. 1.20x Ave. 1.25x	Min. 1.35x Ave. 2.00x	The DSCR required by lenders can be as low as 1.20x under an investment grade Tolled Availability project. However, under a Real Toll project, the minimum DSCR ratio may increase substantially to cover the increased risk resulting from potential traffic fluctuations.
Loan Life Coverage Ratio (LLCR)	Min: 1.25x Ave: 1.35x	Min: 1.50x Ave: 1.75x	The LLCR is a measure of the risk of payment over the life of the project, which is higher on a Real Toll project than a Tolled Availability project.
Debt/Equity Ratio	90%/10%	70%/30%	Expected debt/equity levels can be as high as 90/10 under a low-risk Tolled Availability model and approximately 70/30 on a Real Toll project.
Senior Debt Term	one year tail	Multi-year tail	Under the Tolled Availability model, lenders may be willing to extend the debt to almost the entire concession period (30 years) with only a short tail of 6-12 months, depending on market conditions at the time of close, the concession length, and the perceived payment risk. Under a Real Toll project, the optimal financing solution may rely on multiple re-financings throughout the concession.

The added costs of Real Toll vs. Tolled Availability over the life of a concession term are significant. The chart below illustrates the cumulative Net Present Value of the two models on a sample \$1 billion toll road. Over the life of a concession a Real Toll model can be as much as 20-25% more expensive than a Tolled Availability model, depending on concession length, perceived risk and other factors. Thus in order to compensate for the added costs of the Real Toll model, with all else being equal individual toll rates would need to be increased by as much as 20-25%.





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## 6. TERM OF AGREEMENT

*The preferred length (years) of the Public-Private Partnership agreement under such business model(s).*

It is difficult to accurately determine the appropriate concession length with the information presently available. HOCHTIEF PPP's analysis on this, and other, transactions indicates that under any model, a term of more than 50 years of operations yields diminishing returns for the concessionaire and the authority. This is because dollars discounted from 50 years, or more, in the future to today are heavily discounted and, as such, do not really add value to the concession unless those amounts are extremely large. The analysis is slightly different depending on the delivery model selected, Tolloed Availability or Real Toll.

Key considerations are outlined in the table below.

<b>Consideration</b>	<b>Applicability</b>	<b>Explanation</b>
<b>Maximum Tenor of Debt</b>	Tolloed Availability	As lenders can undertake to lend for longer periods, the concession length can be increased to maximize this lending capacity. Long term, 30 year debt tenor is starting to come back into the bank market today, while the capital markets can also offer this tenor and in some cases up to 40 years.
<b>Lifecycle Profile</b>	Tolloed Availability Real Toll	Often, public authorities like to try to time the concession term to end immediately following a major refresh of the Project. This ensures that the infrastructure is in good shape prior to handback.
<b>Annual Affordability Threshold</b>	Tolloed Availability	As the concession length increases, the annual payments to the concessionaire decrease. However, this is accompanied with a corresponding increase in the overall payments (as there are more annual payments) which could lead to an increase in the Net Present Value.
<b>Expected Ramp Up of Revenues</b>	Tolloed Availability Real Toll	If revenues are expected to be low in the early years of operation, but sufficient to meet debt service and equity return hurdles, the concession term may be lengthened to take advantage of these increases.

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## 7. OTHER REVENUE

*Identification of other business opportunities such as operation of duty free shops.*

As an experienced P3 developer HOCHTIEF PPP's main focus is on the long-term asset management of large scale infrastructure projects. We typically do not seek additional revenue streams beyond this scope of work. It would be a concern to HOCHTIEF PPP if an analysis of the Project determined that toll revenues (Shadow Toll or Real Toll) did not support the Project in and of itself.

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## 8. FINANCING

*An indicative, high-level, structure of private financing for the solution(s), including:*

- *funding split (debt/equity);*
- *types of debt facilities and main assumptions; and,*
- *any innovative financing tools, including Transportation Infrastructure Finance and*
- *Innovation Act federal credit assistance (TIFIA) and Private Activity Bonds (PABs) that would be considered desirable.*

HOCHTIEF PPP will investigate a full range of financing options for the Project. Three objectives will guide the selection of a financing solution; 1) secure the lowest cost of financing, 2) achieve the greatest degree of certainty that a fully committed financing solution will be delivered at the financial bid stage, and 3) obtain value for money to the Sponsors.

### **(I) FUNDING SPLIT:**

Subject to evolving market conditions, it is currently anticipated that the Project will utilize a debt/equity ratio of approximately 90:10 under a Tolle Availability Business Model and a ratio of approximately 70:10 under a Real Toll Business Model.

### **(II) TYPES OF DEBT FACILITIES:**

Debt options to be examined will include both bank and capital markets solutions (including Private Activity Bonds (“PABs”)), to comprise senior debt as well as subordinated TIFIA financing to complete the debt component. Public funds and HOCHTIEF’s equity investment comprise the other sources of contributed capital.

Regardless of the type of senior debt product utilized, amortization will be structured to match any available milestone payments and efficiently reduce the cost of debt capital. Primary financing solutions are detailed below.

#### **Senior Bank Funding:**

In a bank funding solution, the most likely financiers would be international project finance banks, particularly those active in the U.S., Canadian, and European P3 markets. Potential lenders will be evaluated based on their credit strength, commitment to and experience in the infrastructure finance market, and knowledge of P3 structures. The Financing Team will work with the lender group to create an over-subscription of the funding requirements to ensure adequate financial resources upon entering the preferred bidder stage and to create competition amongst prospective lenders to obtain the best possible terms and conditions.

#### **Capital Markets:**

HOCHTIEF PPP will investigate taxable and tax-exempt capital markets as potential options. Capital markets options and the senior bank financing options will be tracked concurrently to determine the certainty of execution and the lowest cost of funding.

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### **Non-Traditional Sources:**

HOCHTIEF PPP maintains strong relationships with numerous pension funds and insurance companies that may be interested in participating in the senior debt financing. We also expect that institutional investors may have significant interest in the Project.

### **(III) FINANCING INNOVATIONS**

*Any innovative financing tools, including Transportation Infrastructure Finance and Innovation Act federal credit assistance (TIFIA) and Private Activity Bonds (PABs) that would be considered desirable.*

HOCHTIEF PPP's objective will be to secure fully committed financing for the Project with the highest degree of certainty of execution while optimizing the risk to reward ratio and maximizing the value for money. Some of the financing tools, outlined below are analysed on all key projects.

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#### **Innovative Financing Structures**

##### **Mini Perm Structure**

There are two types of mini perm structures:

- **Soft:** Longer-term facility with structural features that incentivize the borrower to refinance before the legal maturity date (e.g. step-up margins, increasing cash-sweep percentages). However, the structure does allow the borrower additional time to refinance without causing an event of default.
- **Hard:** Short-term facility with the transaction being in default should this facility not be refinanced at its maturity date.

##### **Long-term Interest Rate Swap with Mini-Perm Debt**

Long-term swaps can be arranged at financial close to fix interest rates for the duration of the concession term regardless of the tenor of initial financing. This reduction in refinancing risk may translate into less contingency built into the financial base case and, in turn, add value for money to the Project.

##### **Tranching Techniques**

Depending on market conditions and financial structure, a second lien tranche of debt may improve the all-in cost of financing by altering the availability of funding or pricing on the senior tranches. For example, it may be efficient to market an unrated piece of mezzanine debt in order to clear the market for the senior bonds.

##### **TIFIA LOAN**

The use of TIFIA funds could potentially provide a significant amount of low cost, long tenor, subordinate financing. HOCHTIEF PPP has knowledge of TIFIA credit facilities and experience in negotiating TIFIA loans.

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### **Use of Private Activity Bonds (PABs)**

The bonds offer an opportunity to access the tax-exempt capital markets and offer significantly longer tenors than bank financing. Additionally, as a result of the American Reinvestment and Recovery Act of 2009, PABs are not subject to the Alternative Minimum Tax (AMT) if they are issued before the end of 2010.

### **Construction Period Enhanced Bond Issue**

In order to mitigate the Project's construction risk, a financial structure in which long-term bonds are credit enhanced could be utilized. The use of such a structure would benefit the Project in several ways including: long term financing via the capital markets, higher credit rating, and reduced all-in cost of financing.

### **Delay-Draw Bonds in Private Placement Market**

The use of delay-draw bonds would reduce the negative carry of the bonds during the construction period and therefore, reduce the accrued interest during this timeframe. This would potentially offset any premium charged for the delay-draw feature.

### **Monoline Wrapped Debt**

The Financing Team will investigate the financial feasibility of Monoline guarantees to wrap senior Project debt.

### **Deferred Equity Contribution backed by Letter of Credit**

The internal rate of return (IRR) to equity can be improved if the contribution of equity can be deferred. The Financing Team will investigate the possible use of an equity bridge loan, however, the same results may be provided through the use of a letter of credit from a sufficiently rated financial institution.

### **CPI-Linked Derivatives**

CPI-linked derivatives can assist in managing inflation volatility for Project cash flows. Any mitigation technique related to net exposure to inflation may increase funding sources available, improve performance under macroeconomic stress case scenarios and lower the cost of capital.

### **Benchmarking for Various Raw Materials**

Total construction costs could be reduced if benchmarking of commodities is utilized. This would eliminate the need for the concessionaire to incorporate a buffer in its pricing thereby decreasing the overall cost of construction.

### **Mezzanine Equity**

The introduction of a mezzanine component of equity structured as an additional liquid instrument as part of the security package could improve the rating of the project and allow for better financing terms.

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## 9. RESPONDENT'S EXPERIENCE

A brief description of the respondent's experience in:

- *Public-private partnerships – provide brief examples to demonstrate the Respondent's experience and successful participation in the design, construction, financing, operation and/or maintenance of transportation infrastructure projects.*
- *Local Contracting Partners – provide brief examples of past practice of partnering with local contractors and minorities, women, and other historically disadvantaged business enterprises on similar projects consistent with the Partnership's objective of maximizing participation by these groups.*

### (i) Public Private Partnerships

HOCHTIEF PPP offers its partners premium-quality, tailor-made and all-inclusive solutions for transportation, toll routes, public-sector buildings and social amenities. We are able to integrate financing, design and planning, construction and operation all from one source. By optimizing the costs and quality of infrastructure projects and by taking an end-to-end view of each project's life cycle, HOCHTIEF PPP guarantees the long-term performance of each of our projects.

HOCHTIEF's commitment to infrastructure and P3s is exhibited by our interest share in a wide range of international P3 infrastructure assets.

#### HOCHTIEF Interest Share in International Infrastructure Assets

Company	Share	Project	Value
<b>Toll roads</b>			
Puentes del Litoral S.A.	26 %	Puentes del Litoral	166.7M Euro
Herrentunnel Lübeck GmbH & Co. KG	50 %	Herrentunnel	78.5M Euro
Sociedad Concesionaria Autopista Vespucio Norte S.A.	29.2 %	Vespucio Norte Express	521.0M Euro
Sociedad Concesionaria Túnel San Cristóbal S.A.	50 %	Tunnel San Cristóbal	107.9M Euro
Via Solutions Thüringen GmbH & Co. KG	50 %	Autobahn A4	258.5M Euro
Aegean Motorway S.A.	35 %	Maliakos-Kleidi	1,113.2M Euro
Olympia Odos S.A.	25 %	Elefsina-Patras-Tsakona	2,214.2M Euro
Bonaventura Straßenerrichtungs-GmbH	44.4%	North Highway Project Ypsilon	830.8M Euro
<b>Public-sector building construction</b>			
HOCHTIEF PPP Schulpartner GmbH	94.9 %	Schools Offenbach	410.2M Euro

Company	Share	Project	Value
HOCHTIEF PPP Schulpartner Köln P1 GmbH & Co. KG	100 %	Schools Köln	125.9M Euro
Manchester School Services Holdings Ltd.	25.5 %	Sports College Manchester	169.5M Euro
Cork School of Music PPP Services (Holdings) Ltd.	25.5 %	Cork School of Music	228.3M Euro
PPP Services (North Ayrshire) Holdings Ltd.	25.5 %	Schools North Ayrshire	488.8M Euro
FCC (East Ayrshire) Holdings Ltd.	25.5 %	Schools East Ayrshire	399.0M Euro
Bangor & Nendrum School Services Holdings Ltd.	20.4 %	Schools Bangor & Nendrum	
Schools Public / Private Partnership (Ireland) Ltd.	50 %	Five Schools Ireland	281.3M Euro
Salford School Solutions Holdco Ltd.	25.5 %	Schools Salford	218.6M Euro
HOCHTIEF PPP Schulpartner Frankfurt am Main GmbH & Co. KG	100 %	Schools Frankfurt	248.7M Euro
HDM Schools Solutions (Holdings) Ltd.	50 %	Schools West Lothian	282.0M Euro
HOCHTIEF PPP Bundeswehrpartner FWK München GmbH & Co. KG	100 %	Fürst Wrede Army Base	160.7M Euro

In addition to the projects listed above HOCHTIEF holds stakes in six airports, and two renewable energy projects. Further interests are owned by our subsidiary Leighton Holdings.

## (ii) Local Contracting Partners

*A brief description of the respondent's experience in:*

- *Local Contracting Partners – provide brief examples of past practice of partnering with local contractors and minorities, women, and other historically disadvantaged business enterprises on similar projects consistent with the Partnership's objective of maximizing participation by these groups.*

### **Partnering with Regional Parties, Small and Medium Sized Contractors**

Based on our large project portfolio spread across communities of various sizes and given our extensive experience with regionally significant projects, HOCHTIEF PPP is aware of the importance of integrating regional parties. Furthermore, as a result of our long-term investment approach, consultation with community stakeholders is a fundamental component for HOCHTIEF PPP on all of its projects. Regional sub-contractors as well as all kinds of community groups are seen as long-term partners, which are essential to the successful

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development and delivery of projects. The implementation of a clear communication strategy, which is customized for each individual project, supports these relationships.

The public goal of integrating and supporting small and medium sized companies is present in all our projects and we are proud to serve the communities in which we operate projects. An impressive example of this approach to partnering is the Offenbach Schools Projects (50 Schools, 280 Buildings) in Germany:

- Between the beginning of 2005 and the end of 2008, 184 companies, which were located in the Rural District of Offenbach or in the surrounding area, received subcontracts for the delivery of construction services for the refurbishment of the schools.
- Between the beginning of 2005 and the end of 2008, 389 companies, which were located in the Rural District of Offenbach or in the surrounding area, received subcontracts for the delivery of associated facility management services.

As a project developer, HOCHTIEF PPP's approach to ensuring disadvantaged business enterprises ("DBE") participation in all areas of a project begins by teaming with experienced Construction Contractors who possess proven-track records of establishing working relationships with DBE firms in the local and regional transportation industry. Typically during the procurement stage of a project, extensive solicitation efforts and dissemination of project work opportunities will lead to the selection and integration of the most qualified and capable DBE firms to assist in the development and delivery of the project. Generally to ensure appropriate DBE participation, HOCHTIEF PPP and its partners will:

- Advertise DBE opportunities and actively solicit DBE's directly through open house workshops, telephone calls, faxes, mailings, and e-mails, as well as seeking assistance from special agencies, organizations, and groups in contacting, recruiting, and engaging DBE firms;
- Break down appropriate work items into economically feasible units to facilitate DBE interest and participation;
- Coordinate with DBE's to refine scope and/or schedule and other measures to accommodate their capabilities and encourage participation;
- Help DBE's with obtaining bonding, insurance, financing, and any technical information or understanding related to the plans, specifications, and work requirements; and
- Assist interested DBE's in securing the necessary equipment, material, and human resources to perform.



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## 10. CONDITIONS PRECEDENT

*A brief description of those items or impediments to the project's successful implementation that should be removed or dealt with prior to the initiation of the procurement process.*

The most critical item for the Project is how the preferred Business Model proposes to address the potential impact which the other surrounding border crossings will have on the financial viability of the Project, specifically the privately owned and operated Ambassador Bridge. Under a Real Toll Business Model, where traffic and revenue risk is transferred to the private sector, the location, competing nature and pricing flexibility of the Ambassador Bridge will be the most significant issue for both Equity Investors and Lenders, as an inappropriate risk transfer may compromise the overall financial viability of the Project. It is vitally important that this impact is fully and properly addressed upfront within the Request for Qualification documents, as bidders will want to ensure that the preferred Business Model is viable from both a risk transfer and financing perspective prior to the initiation of the procurement process.

In addition to the item above, resolution to the outstanding issues identified in the RFPOI should be confirmed prior to commencement of the Project procurement including:

1. Joint Partnership Agreement between MDOT and TC on a Joint Governing Entity for the Project as per Section 2.2.4;
2. Issuance of the Presidential Permit for the Project as per Section 3.2.1;
3. Issuance of the U.S. Coast Guard and Department of Homeland Security Permits for the Project as per Section 3.2.1;
4. State of Michigan authorizing legislation for Project as per Section 4.1; and
5. Canadian Cabinet Approvals for the Project as per Section 4.2.

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**SCHEDULE A – LETTER OF INTEREST**

March 15, 2010

Michigan Department of Transportation  
425 W. Ottawa Street  
PO Box 30050  
Lansing, Michigan, 48909

Attn: Mohammed Alghurabi

**Re: Detroit River Crossing Project**

Dear Mr. Alghurabi,

We are pleased to inform you of our interest to participate in the development of the Detroit River Crossing Project (the "Project"). HOCHTIEF PPP Solutions North America, Inc. is interested to develop the Project as developer and investor.

This letter is intended for the information of the Michigan Department of Transportation and does not constitute an obligation of HOCHTIEF PPP Solutions North America, Inc.

Please do not hesitate to contact me directly if you have any questions about our interest or credentials.

Sincerely,

**HOCHTIEF PPP Solutions North America, Inc.**



Steve Skelton, President

Direct Number- 647-259-3746

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Submitted to  
Michigan Department of Transportation  
Transport Canada

Submitted by  
Meridium Infrastructure  
AECOM



# Development of the Detroit River International Crossing Project under one or more Public-Private Partnerships

# 1. Letter of Interest

March 1, 2010

Michigan Department of Transportation  
425 W. Ottawa Street  
P.O. Box 30050  
Lansing, Michigan 48909

Attention: Mohammed Alghurabi

RE: [Response to the Request for Proposal of Interest \(RFPOI\) for the development of the Detroit River International Crossing Project under one or more Public-Private Partnerships](#)

Meridiam Infrastructure (“Meridiam”) and AECOM are pleased to present to Michigan Department of Transportation and Transport Canada their response to the Request for Proposal of Interest for the development of the Detroit River International Crossing Project under one or more Public-Private Partnerships (“the Project”) and confirm, on a non-binding basis and subject to completion of satisfactory due diligence, their interest in developing the project. Meridiam intends to act as a developer whereas AECOM will be the technical advisor and lead designer.

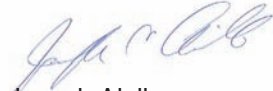
Our response includes the following information, in accordance with your RFPOI:

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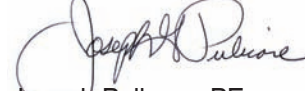
Should you require any additional information, please feel free to contact us at your convenience. We look forward to working with you to get this important project under way.

Yours Sincerely,

Meridiam Infrastructure Managers S.a.r.l

  
Joseph Aiello  
Authorized signatory

AECOM

  
Joseph Pulicare, PE  
Executive Vice President

## 2. Contact Information

### Meridium Infrastructure

Founded in 2006, Meridium Infrastructure is a 25-year infrastructure fund designed for investment purely within public-private partnership (PPP) infrastructure assets within the OECD. Geographically, the fund is primarily focused on investment opportunities within Europe and North America. Strategically, Meridium invests predominantly in new primary assets, with a smaller proportion of the fund allocated for secondary assets and has targeted the transportation, health, education, public accommodations and environmental sectors.

Meridium employs a multi-cultural team with employees originating from nine different countries worldwide. With offices in New York, Toronto and Paris, Meridium is able to develop projects effectively in key targeted geographies. Directors have played leading roles in projects since PPP was introduced in the UK and Australia in the mid-1990s. Since 2000, they have participated in projects with a total value of €4.6B, and have undertaken key roles in major projects awarded in the EU, the Americas and the Asia Pacific regions.

#### Joseph Aiello, Partner



Throughout his career, Joseph has developed many key relationships with government departments in the realm of North American transportation as exhibited through past positions and collaboration with various public sector authorities, as well as through his involvement in large scale transactions including the South Station Transportation Center in Boston, a US\$600MM project where Joseph acted as project manager for the Massachusetts Bay Transit Authority and the Tren Urbano, a US\$2.3B new heavy rail system serving metropolitan San Juan in Puerto Rico where he was program manager.

Joseph has been a leader in the development of large scale infrastructure and real estate projects and a senior executive in business operations and in business development. Joseph launched the development of AECOM Enterprises, Inc., the Public-Private Partnership Division of AECOM Technology Corporation, and has served as member of AECOM's Core Group, the central strategic planning entity of AECOM. Joseph joined Meridium in February 2007 and since then has focused



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upon broadening Meridium's investment exposure in the North American Market.

#### Paul Boucher, Senior Investment Director



Paul holds a Bachelors Degree in Engineering from Queens University in Canada along with an MBA from the University of Western Ontario. Paul has contributed over a decade of financing experience and project development experience. Paul joined Meridium after leading Babcock & Brown's Infrastructure team in Toronto where he recently closed the Durham Consolidated Courthouse project in Ontario. Prior to Babcock & Brown, Paul served as the head of the Infrastructure team at ABM Amro in Toronto.

Paul has played a key role in the development of the PPP market, acting as the project director on a number of leading PPP infrastructure transactions including the Sea to Sky Highway in Vancouver, Confederation Bridge, Port of Miami Tunnel in Florida, Kicking Horse Pass in British Columbia, and the Golden Ears Bridge in Vancouver.

#### Jane Garvey, North American Chair



Jane has held a number of senior positions across the public and private infrastructure sector in America, most recently serving on the Transition Team for President Barack Obama with a focus on transportation policies and related challenges facing the new Administration. Prior to that, Jane headed the US Public-Private Partnerships advisory group at JPMorgan, where she

advised states on financing strategies to facilitate much needed project delivery for state governments. From 1997 to 2002, Jane served as the 14th Administrator of the Federal Aviation Administration (FAA), having been nominated by President Clinton and confirmed by the Senate in August 1997.

She was the first FAA administrator to serve a five-year term and was responsible for navigating the industry through the aftermath of the 9/11 terrorist attacks. Prior to becoming FAA Administrator, Jane served as Acting Administrator and Deputy Administrator of the Federal Highway Administration (FHWA). Among her accomplishments at FHWA, she conceived and developed the Innovative Financing Initiative, enabling states to use federal highway funds more effectively. Most of the funds-management methods tested by more than 30 states under this initiative were later enacted into law. Before joining the FHWA, Ms. Garvey was director of Boston's Logan International Airport. From 1988 to 1991, she was Commissioner of the Massachusetts Department of Public Works.

## AECOM

AECOM (NYSE: ACM) is a global provider of professional technical and management support services to a broad range of markets, including transportation, facilities, environmental, energy, water and government. With approximately 45,000 employees around the world, AECOM is a leader in all of the key markets that it serves. AECOM provides a blend of global reach, local knowledge, innovation, and technical excellence in delivering solutions that enhance and sustain the world's built, natural, and social environments. A *Fortune 500* company, AECOM serves clients in more than 100 countries and has annual revenue in excess of US\$6B.

AECOM's services are provided by committed team members who fully understand the needs of project owners. The company offers veteran insight, as many of its senior staff members have managed large infrastructure companies and public agencies. Its expertise extends from engineering and program management to project delivery variations (such as design-build-operate-maintain and turn-key), financing, public-private partnerships, risk management and safety.

## Regis Damour, Senior Vice President



Regis is Senior Vice President in charge of AECOM's Public-Private Partnerships (PPP) Advisory Group, as well as AECOM Chief Risk Officer. Regis is a civil engineer with over 27 years experience around the world across western and central Europe, Asia, Australia, USA, Canada, and Chile, including over 20 years of experience in PPPs for infrastructure. Regis' special management and financial skills have led to significant accomplishments throughout his career. He has a proven track record in managing multidisciplinary professional services groups, rebuilding management teams, devising and developing unique strategies for such groups to restructure and restore debt-ridden balance sheets. He has demonstrated expertise developing new lines of business internationally and managing the high level teams necessary for such development, as well as in-depth knowledge of the complex financial structures necessary in Project Finance and of both civil code and common law contracts. Prior to joining AECOM, Regis was the CEO of groupe Ginger, an engineering group listed on Euronext Paris (€200m revenues in 2005 and 2000 employees), and of groupe Egis, a group leader in Engineering and Services (€500m revenues in 2002, 60% outside of France and 5,000 employees). He also served as deputy CEO then CEO of the subsidiary of this group specialized in PPP, i.e., project development finance and operation of infrastructure projects.

## Ken Butler, PE, Vice President



Ken is a Vice President at AECOM and the firm's National Director of Bridge Services. Ken has over 25 years of diverse engineering experience, including practical construction experience. He has provided bridge designs, construction management and inspection services to state agencies, FHWA and private toll authorities on major bridge projects worth over US\$2.0B. His bridge design experience encompasses both structural steel and prestressed concrete structures, including: cable-stayed; precast and cast-in-place concrete segmental box girders; prestressed concrete I girders; steel plate; and steel box girders. His versatile background also includes designing deep foundation systems.

### **Robin Sham, Long-Span and Specialty Bridge Leader**



Dr. Robin Sham commands 30 years of unique experience in research, analysis, design, construction and project management of bridge projects, specializing in long-span cable-supported structures. He has had extensive practical design experience, gained in the design of the Øresund Link (Denmark–Sweden), Haalogaland Bridge in Norway (mainspan hybrid suspension and cable-stayed bridge); Zwolle Cable-Stayed Bridge (Netherlands); the Second Severn Crossing (cable-stayed) and Forth Bridge projects (UK); and the Tsing Lung suspension bridge, Route 10, Kap Shui Mun Cable-Stayed Bridge and Ma Wan Viaduct in Hong Kong. He is an expert in the design of precast and cast-in-place segmental structures, including deep pile foundations.

### **Jon Engelke, Managing Director - Alternative Delivery**



Jon is managing director for AECOM's alternative delivery of transportation projects in North America. This includes initial pursuit identification, analysis, teaming arrangements and resource allocation during both the procurement and delivery phase of major PPP and design-build (DB) projects. He has 20 years of experience in transportation engineering, specializing in project management, transportation planning and traffic engineering for complex highway projects. He has served as an active project manager on major roadway projects and has performed design and impact analysis related to transportation engineering for 18 years. Jon's experience includes project development and schematic design for several alternative delivery projects, including Texas DOT's SH 130 Segments 5 and 6 and the Trans-Texas Corridor.

### **Leslie Martin, Manager, National Initiatives, Transportation**



Leslie is a senior program director with 27 years of experience on a wide range of projects related to planning, design and construction of transportation facilities throughout Canada. He has been involved in projects delivered by conventional design-bid-build and design-build, including project management, environmental assessments, functional design and value engineering, preliminary and detailed design and construction administration for transit

projects, municipal roads, highways/freeways, bridges and airports.

### **Bob Learmouth, Senior Project Director**



Bob is a proven, experienced senior management professional with over 20 years of experience in managing large teams on complex, multidisciplinary major projects around the world. He provides expert consultation and advice to clients on transportation projects, which includes all aspects of project management, particularly in the areas of best practices, pre-project services, and project controls. Specific areas of expertise include alternative delivery/contracting strategies, construction and risk management. His extensive project experience encompasses senior project oversight and management roles on numerous projects and programs exceeding US\$500MM in capital value.

### **Tom Hessling, Vice President**



Tom has 20 years of solid transportation experience in both the Midwest and East Coast, having served as a project manager, resident engineer, office engineer, chief inspector, and construction inspector on a full portfolio of complex and high-visibility projects. Tom has acquired seasoned expertise in highway design, as well as highway, bridge, and building construction and inspection. Some of his career highlights include: project management of Milwaukee's US\$810MM Marquette Interchange; the US\$250MM Minnesota Trunk Highway 212's unique design-build project; and the US\$150MM Tappan Zee Bridge rehabilitation project north of New York City.

### **Raymond Ellis, PhD, Senior Vice President**



Dr. Ellis assists AECOM clients in implementing major infrastructure programs by providing alternative project delivery, strategic financial planning, funding and financing plans, and developing feasible financial and procurement plans. He also serves as a member of the AECOM team when the firm serves "buy side" developers of major infrastructure projects. He is currently leading two major AECOM sell side engagements: the alternative delivery implementation of The Grand Parkway—a 180 mile, US\$5B circumferential limited access highway of the Houston metropolitan area—and the US\$8B Trinidad National Highway Network Program.



### 3. Company Information

#### Meridiam Infrastructure

Meridiam considers the PPP alternative delivery model as a sustainable way of implementing essential infrastructure and optimizing the quality and cost of the associated public services required by citizens and taxpayers. Meridiam aims to be a long-term contributor to this challenge.

Meridiam’s sole business consists of long-term investments in PPP infrastructure. This means that Meridiam’s team is involved in all aspects of developing PPP projects, managing them from “cradle to grave” and ensuring that industrial, public and private partners remain committed throughout the term of the concession. Meridiam remains involved in the day-to-day management of the assets over the investment period.

*Meridiam’s vision of the field is backed by an outstanding track record in PPP project financing and development.*



Meridiam senior team members are industry leaders that have been advising on, structuring, and funding PPP/ PFI projects in Europe and Northern America as well as Emerging Markets, from inception of PPP, directly promoting the growth of the business. They have participated in various aspects of the develop-

ment and financing, in the transportation, public accommodations (schools and healthcare facilities) and environment sectors. A large part of Meridiam’s portfolio is composed of transportation assets, including the following:

**Closed projects:** Limerick Tunnel, Ireland; Vienna Ring Road, Austria; A2 Motorway, Poland; A5 Motorway, Germany; R1 Highway, Slovakia; A2 Motorway Section II, Poland; Miami Port Tunnel, Florida; North Tarrant Express, Texas

**Preferred Bidder projects:** D1 Motorway Project, Slovakia; A1 Motorway, Poland; Tram-Train Reunion, France; IH 635 (LBJ) Expressway, Texas

#### AECOM

AECOM is a world leader in the design and construction engineering of cable-stayed, long-span and suspension bridges and viaducts in countries around the world. The experts at AECOM specialize in services that are essential to design-build infrastructure programs. AECOM’s clients are major design-build constructors—organizations that require the services of an industry leader. AECOM is consistently ranked among the top firms in the United States by *Engineering News-Record* (ENR). In the 2009 ENR rankings of the Top 500 Design Firms in the U.S., AECOM is ranked Number 1 in Transportation, in General Building, and in several other categories.



*AECOM is a world leader in the design and construction engineering of long-span, cable-supported structures.*

AECOM’s PPP Advisory Group is the integrator for all of AECOM’s PPP Projects and infrastructure finance advisory services worldwide. While providing the full range of in-house expertise required for the management and delivery of PPP bids, and in support of other infrastructure procurement, refinancing or development activities, the group draws its greatest strength from AECOM’s diverse and world-leading technical capabilities. Its ability to call on experts in every field from automated license plate detection systems to zero emission buildings, and from airport planning to container port optimization enables it to provide clients with as comprehensive an array of services as may be required for any pursuit.

### 4. Scope

One of the main benefits of public-private partnerships is the delivery of value for money, through synergies from combining design, construction and operations. Given the complex nature of cross-border infrastructure such as the DRIC, in particular national security considerations and other project specifics, the approach to procurement for the various components of the project needs to be examined in detail and holistically.

In selecting which elements of the project ought to be delivered by a single developer, we have aimed at optimizing the synergies and efficiencies from such an approach and minimizing interface issues as well as risks to the financial performance of the asset during the operations of the respective facilities.

Table 1 presents the main components of the Detroit River International Crossing project as well as the expected funding sources for each component (funding sources based on Appendix B of the RFPOI and information provided during the 2009 DRIC Forum):

Project Components	Funding Source
U.S. Interchange with I-75	Toll & Other Revenue
U.S. Toll and Inspection Plazas	
<i>Toll Plaza</i>	Toll Revenue
<i>Customs Inspection Plaza</i>	Federal Funds
International Bridge Crossing	Toll Revenue
Canada Toll and Inspection Plazas	
<i>Toll Plaza</i>	Toll Revenue
<i>Customs Inspection Plaza (including Canada CBSA headquarters)</i>	Federal Funds
Duty Free, Custom Brokers, and other	Other Revenue

While the funding source for the various components of the project was considered in identifying the components to be procured by a single developer, this was not a main determinant since the Design-Build Contractor for the bridge and interchange (to be funded through toll revenue) can still provide design and construction services on certain elements of the customs inspection plazas (to be funded through federal sources). The procurement solutions proposed in Table 2 were developed such that components to be delivered by a single developer:

- **Have Similar Technical and Operating Requirements:** Customs inspection plaza design and construction specifications differ significantly from bridge or interchange requirements, specifically in terms of safety and security, information technology, approvals process, etc. Operation and maintenance requirements also vary between the toll plazas and the inspection plazas. As such, it is not advisable to fully integrate these components in one package.
- **Fall within Same Jurisdiction/Ownership:** Approvals and ultimate oversight for the customs inspection plazas will be the responsibility of the U.S. General Services Administration and the Canadian Border Services Agency while that of the bridge and U.S. interchange road will be the responsibility of the Concessionaire.

SOLUTION 1	SOLUTION 2	BENEFITS
Single Developer for: Design Build Finance Operations Maintenance of: <ul style="list-style-type: none"> <li>• U.S. Interchange (I-75) and access roads<sup>1</sup>;</li> <li>• Bridge and approach spans;</li> <li>• U.S. &amp; Canada Toll aspect of the Customs Inspection and Toll Plazas (booths, admin. buildings, other toll support facilities).</li> </ul> Design, Construction, Operations <sup>2</sup> and Maintenance of: <ul style="list-style-type: none"> <li>• U.S. &amp; Canada Customs Plazas' Infrastructure only (pavement, drainage, utilities, for access roads and parking lots).</li> </ul> Hard Facilities Maintenance <sup>3</sup> of: <ul style="list-style-type: none"> <li>• U.S. &amp; Canada Customs plazas (including duty free shops).</li> </ul>	Single Developer for: Design Build Finance Operations and Maintenance of: <ul style="list-style-type: none"> <li>• U.S. Interchange (I-75) and access roads<sup>1</sup>;</li> <li>• Bridge and approach spans;</li> <li>• U.S. &amp; Canada Toll aspect of the Customs Inspections and Toll Plazas (booths, admin. buildings, other toll support facilities).</li> </ul>	<p><b>Solution 1</b> may reduce the number of interfaces since in Solution 2 custom plaza may actually require both a civil contractor and a building contractor</p> <p><b>Solution 1</b> may also be beneficial in case there is a possibility to better balance the earthworks in terms of cut and fill by including the platform for the customs plaza</p>
Single Developer for: Design and Construction of: <ul style="list-style-type: none"> <li>• U.S. and Canada Customs plazas: main buildings, inspection booths, commercial brokers, duty free and truck inspection facility, etc.</li> </ul>	Single Developer for: Design, Construction Operations <sup>2</sup> and Maintenance of: <ul style="list-style-type: none"> <li>• U.S. and Canada Customs plazas: main buildings, inspection booths, commercial brokers, duty free and truck inspection facility, etc.</li> </ul>	

- Minimize Interface Issues: both during construction and operations.

Based on these considerations, we have identified two solutions for the elements a single developer should deliver. These options as well as their benefits are presented in Table 2.

It is understood based on the EIS documents that the customs inspection plazas and toll plazas functions are combined at the same location. It may make sense to optimize toll collection by disconnecting it from the customs inspection plaza and having both U.S. and Canada-bound toll plazas at the same location since throughput at a customs plaza and at a toll plaza are very different. Combining customs inspection functions and toll collection functions could result in interference (queues at customs spilling over at toll plazas) as previously seen in the Johor-Singapore border crossing between Singapore and Malaysia or the border crossing between Hungary and Austria.

## 5. Business Model

There are several public-private partnership (PPP) business models that could be utilized to deliver the DRIC project as currently proposed (i.e., includes the bridge, the two custom plazas and the U.S. connection). These models are generally broken down into three main categories: Real Toll; Availability Payment; and Hybrid.

The selection of the most appropriate PPP model for the DRIC project will depend on the Grantor's objectives and the project's economics. A preliminary financial analysis

<sup>1</sup> The concessionaire's obligations in terms of maintenance of the access roads (such as connecting roads, frontage roads, under and overpasses) will need to be established in the concession agreement and refined upon substantial completion of the works since some of the maintenance responsibilities may be handed back to public authorities.

<sup>2</sup> The day to day operations of the customs inspection plazas will be the responsibility of the U.S. General Services Administration and Canadian Border Services Agency. The operations and maintenance of the customs plazas' infrastructure referred to above consists of winter maintenance, clearing the drains, repairing fences, patching potholes (list non-exhaustive).

<sup>3</sup> Hard facilities maintenance is generally defined as the maintenance of the physical aspects of a facility such as heating, ventilation and air conditioning equipment, windows and building façade, other building services and grounds and landscaping services.



*Whereas some equity financiers aim at a fast exit after construction completion, Meridiam offers its partners a real capacity to understand and manage project risks and revenues during the operating phase, while creating real value for the investors over the long term.*

based on the traffic forecasts prepared by Wilbur Smith on behalf of MDOT and a series of assumptions<sup>4</sup> revealed that the project (excluding the customs inspection plazas) can be financially viable without a government subsidy under a 50-year concession. While this analysis is preliminary in nature (revenue figures were not released as part of Wilbur Smith study), it is our assessment that toll revenues should be sufficient to cover costs for the bridge, the U.S. interchange and the toll plazas currently estimated at US\$ 1.48B (estimates derived from Appendix B of the RFPOI). It is our understanding that the customs inspection plazas will be funded by the respective federal governments.

Since the project costs, revenues, etc., are not fully developed at this stage and to cover the various possibilities, several alternative models are presented below. The alternative business models are based on differing assumptions in terms of revenue stream, toll regulation, profit sharing, risk levels, etc. The following discussion outlines and provides examples from three general classifications of toll road PPP business models:

- Real Toll Concession Models;
- Availability Payment Models; and,
- Hybrid models.

<sup>4</sup> Traffic study released dated Feb. 2010. Assumptions for preliminary analysis include: toll rates similar to those of the Ambassador bridge, CapEx/OpEx forecasts using benchmark unit rates for similar asset.

## Real Toll Concession Models

Real toll concession models are PPP delivery methods whereby a private partner undertakes certain obligations (such as the financing, design, construction, maintenance and/or operation of an asset) in exchange for the rights to collect toll revenue for an agreed period. As the payment mechanisms vary based on the financial viability of the project, a series of models has been identified according to various bid selection criteria and is presented below:

*If the project is not self supporting, i.e., toll revenues are insufficient to finance the project alone—additional government subsidy is required—then suggest a real toll system with:*

- **Fully Regulated Tolls, Lowest Subsidy:** a real toll system whereby the government sets the toll rates at acceptable levels and selects the preferred partner based on the bidder proposing the lowest subsidy. The subsidy will depend on the level of gap funding required as determined by the financial offer from the bidders. This approach has been used successfully in the past, notably for the Millau Viaduct in France and the Rion Antirion Bridge in Greece (refer to Table 3 and Experience Section for additional information). The winning bidder for the 2640-m long viaduct provided a financial proposal for the €400M project that did not require a government subsidy. This was achieved through innovative design, allowing to cut by one year the expected construction period, aggressive financing and the use of a long concession period (78 yrs). The Rion Antirion Bridge was the world's longest continuous cable-stayed bridge and also required an innovative design due to challenging seismic conditions. The €800M project was funded with a mix of subsidy from the Greek government, equity from the consortium and loans by the European Investment Bank. This type of model helps minimize or eliminate government subsidy while ensuring the project's delivery and thus the economic benefits for the region arising from this crossing.
- **In Kind Subsidy – Inclusion of an Existing Asset:** a real toll system whereby the government includes the transfer or lease of an existing revenue generating asset as part of the concession for the new asset. This mechanism reduces initial financing because a revenue flow from the existing asset can be directed to the concessionaire from day one, thus reducing borrowing requirements and grace period on interest. A success-

ful example of such a scheme is the Dartford Bridge Crossing in the UK, a new bridge crossing alongside two existing tunnels (refer to Table 3 for additional information). The concession contract for this Build Own Operate Transfer project included the transfer of the two existing tunnels together with the outstanding tunnel debt. The US\$310MM project was financed with senior debt and two tranches of shareholders' sub debt instead of equity with the concession expiring upon the earlier of 20 years or full repayment of the last portion of sub debt. The project was completed on time and within budget, and all debts were repaid 6 years earlier. The concessions for the Vasco de Gama Bridge in Portugal and for the Second Severn Crossing in the UK also included the operations of existing tolled crossings—the 25th of April Bridge and the First Severn Crossing, respectively. The Canadian government has recently expressed interest in purchasing the Ambassador Bridge. If this acquisition were to go ahead, the Ambassador Bridge could be included in the DRIC concession via a transfer or a lease:

- Transfer to the concession could be for free or for an upfront price to be set by each bidder;
- Including the Ambassador Bridge through a lease would allow the Grantor to recoup its investment in an effective manner. An initial grace period may be necessary to match available cash flow but lease payments would then be tax deductible for the concessionaire.

It is noted that if both the Ambassador Bridge and the DRIC are operated by the same private entity, both crossings will constitute a virtual monopoly and tolls will most likely need to be regulated (the UK has instituted such a law for local monopolies such as estuary crossings—New Roads and Street Act 1991).

*If the project is self funding, then suggest a real toll system based on:*

- **Regulated Tolls, Shortest Concession Duration or Highest Net Present Value of Profit Sharing:** a real toll model whereby the government sets the toll rates and selects the private partner based on the shortest concession duration or the highest net present value of profit sharing. The shortest concession is used extensively in Latin America, Mexico, Peru and Uruguay in particular. Mexico has used a modified version—concessions are awarded to those who propose the shortest concession period with unregulated tolls—which has on occasion ended

with poor quality of construction (the road just needed to stay in good condition for the duration of the concession) and financial trouble followed by a government takeover of the toll road concession because of high toll rates.

- *Regulated Tolls, Fixed Concession Duration, Highest Upfront Payment:* a real toll system whereby the Grantor selects the private partner based on the highest upfront payment with the level of toll regulation varying across projects. This model delivers a given project and provides upfront capital that the Grantor can use to pay off existing debt or fund local or national projects. A successful example of this approach is the SH 121, a 26-mile highway in Texas. The Texas Department of Transportation (TxDOT) awarded the 50-year concession for the design, construction, finance, operation and maintenance of SH 121 to North Texas Tollway Authority (NTTA) in exchange of a US\$3.2B upfront payment and funding for the US\$698MM project. The concession agreement includes a clause for revenue sharing with TxDOT if toll revenue is higher than projected.
- *Regulated Tolls, Variable Concession Duration and/or Profit Sharing:* the concession agreement contains clauses for early termination or profit sharing when shareholders' nominal return exceeds a certain threshold (extent of toll regulation varying across projects). The Dartford Crossing is again a successful example of this model. The 20-year variable term concession was concluded after just 14 years, at which time all accumulated debts were repaid. From then on, the asset reverted to the public and toll revenues were used to fund local and national transport projects. The Millau Viaduct concession agreement also contains a similar termination clause whereby the French government will assume control of the bridge in 2044 if the concession is overly profitable.

It should be noted that most of the scenarios mentioned above incorporate regulated toll rates. In addition to increasing political acceptability of a project, regulating tolls to the extent that they still provide a reasonable return on investment will ensure that future toll increases do not overly suppress demand nor the economic benefits that the project would generate. Regulating tolls also helps eliminate a number of issues usually seen in projects where tolls are not regulated, such as the M6 in England or 407 ETR in Canada.

## Availability Payment Models

In an availability payment model, the private partner provides a service—such as the financing, design, construction, maintenance and or operation of an asset—in exchange for scheduled payments for a given duration. The granting authority compensates the private partner based on the “availability” of the asset (if the asset is a toll road, then payment is generally based on the availability to vehicular traffic) and the private partners' conformance with the operation and maintenance (O&M) criteria established in the concession agreement. Penalty deductions usually ensue if certain performance criteria are not met.

Typically, availability payment systems are used in the following instances:

- projects that are either not revenue producing or for which direct user charges are not sufficient to cover the full costs of the project;
- where it is difficult to transfer the responsibility of tolling to the private sector such as is the case for the Goethals Bridge in New York. In this instance, concerns have been expressed that the transfer of publicly managed toll operations to the private sector may create consistency issues with the other crossings remaining under public operations and issues with the unions;
- private sector is not comfortable taking on full traffic risk (for instance I-595 in Florida and Golden Ears in Vancouver); and,
- unavailability of private finance; exemplified by Port Mann in British Columbia.

The following are projects which were successfully delivered or are being currently delivered using an availability payment scheme:

- *Golden Ears Bridge, Vancouver, Canada:* the 2410m bridge was procured using a model whereby the private partner is responsible for the design, construction, financing, operations, maintenance and rehabilitation of the bridge in exchange for availability payments over a period of 35.5 years commencing only once the bridge is in service (refer to Table 3 for additional information). For this US\$900MM open road toll project, the toll rates and tolling structure are set by the Grantor (Translink). While Translink collects all revenues and carries the revenue risk, a number of risks, including significant construction risk given the capacity challenges caused by the 2010 Olympics, were transferred to the private partner. The

innovative financing provided a stream of payments that over the life of the project are affordable with the Grantor recovering the costs through toll revenues and the redirection of the Albion Ferry subsidy (the transport link which the bridge replaces). The project reached financial close in March 2006 and the bridge was opened to traffic in 2009.

- *Port of Miami Tunnel, Florida, U.S.:* this US\$900MM project was procured via a DBFOM with availability payment over 35 years. This technically challenging project includes tunnel construction, roadway widening and access improvements in the Port of Miami. The facility is untolled and the private partner is responsible for routine and heavy maintenance, traffic management, safety and control for the duration of the concession. The competitive bidding process resulted in a high level of innovation leading to greater value for the Grantor. The winning bid based on an annual Maximum Availability Payment (MAP) of US\$34MM per year, represented a 51% savings over the Grantor's estimated MAP of US\$69MM. In spite of a difficult financial climate, the winning consortium, led by Meridiam Infrastructure and Bouygues, achieved financial close in October 2009 using a mix of debt, equity, TIFIA loans and private activity bonds.
- *I-595 project in Florida:* this system was used to successfully deliver a highly complex US\$1.67B highway project for which projected revenues would not cover the project costs. For this DBFM project, the private partner financed the project funding shortfall upfront and will be repaid through availability payments over 35 years. The Grantor (FDOT) has retained control of the toll revenue and toll rates. Payment to the concessionaire will be based on the "availability" of the project to vehicular traffic and conformance with the project's O&M criteria. Notwithstanding again a difficult financial climate, the private partner raised US\$1.67B in debt and equity and the project reached financial close in March 2009. This project is successfully underway and expected to be completed in 2014.

Because availability payment models are perceived as less risky by investors, they provide increased access to private finance due to the security of cash flows and increased credit worthiness of the concessionaire. In the current financial environment, it can be expected that financing for a project of this size will be provided on a club deal basis, requiring the involvement of several banks. By guarantee-

ing that the demand risk lies with the public sector, the availability payment mechanism may render a project more competitive than other demand-risk type projects in terms of attracting financing from investors. It should also be noted, however, that an often insurmountable challenge of availability payment models is that payments may remain subject to government appropriation.

From the public's perspective, availability payment systems place greater accountability on the private partner and guarantees a certain level of service to the user since payments are made on the basis of performance measures not project revenue.

## Hybrid Models

Increasingly, hybrids, adopting features from different PPP models, are being utilized. Hybrid agreements have the benefits of providing a tailored solution in terms of scope, financing, and risk sharing to better address a project's specific requirements. A hybrid model that could be appropriate for the DRIC project is a combination of Real Toll and Availability Payment as on the A30 project in Montreal. This is a hybrid system whereby a real toll mechanism would apply for one portion of the project (say the bridge and the access road) and availability payment would apply for another element of the project (say the custom plazas).

Another hybrid approach could include partial payment by the Border Transportation Partnership during construction; such would be the case for the Windsor Essex Parkway.

### Table 3 - Additional Information on Referenced Projects

**Millau Viaduct, France:** 2640 m cable-stayed bridge that spans the valley of the River Tarn near Millau. World's highest bridge at 343 m high. ADT 13,000

- Project Cost: €400M
- Type of Concession: DBFM - Real tolls
- Concession Duration: 78 years (including construction) with option to terminate earlier
- Government Subsidy: None
- Financing Structure: Corporate debt came from private funds and EIB
- Construction Duration: 38 months
- Status: Opened to traffic in 2004 – refinanced in 2007.

**Dartford Bridge Crossing, UK:** New cable-stayed bridge crossing (Queen Elizabeth II) alongside two existing tunnels

- Project Cost: US\$310 M
- Type of Concession: BOOT - Real tolls set by DOT in conjunction with the concessionaire
- Concession Duration: 20 year concession with option to end earlier
- Government Subsidy: In kind (sale of the two existing tunnels)
- Financing Structure: Senior debt and private sponsor subordinated debt with very little equity
- Construction Duration: 3 years
- Status: Opened to traffic in 1991

**Golden Ears, Vancouver, Canada:** 2410 m, 6-lane suspension bridge crossing the Fraser River. Longest extradosed bridge in North America. ADT 47,000

- Project Cost: \$670M
- Type of Concession: DBFO - Availability Payment
- Concession Duration: 34.5 yrs.
- Government Subsidy: redirected annual indexed Albion Ferry subsidy
- Financing Structure: mix of debt and equity (ratio 92:8)
- Construction Duration: 3 years
- Status: Opened to traffic in 2009

## Conclusion

As noted earlier, the selection of the appropriate PPP business model will depend on the project's economics and the Grantor's objectives and, as such, the models proposed herein are preliminary and indicative only. While the model chosen will influence the requirements between equity and debt (availability payment deals would allow a higher gearing, i.e., more debt and less equity), Meridiam and AECOM would like to reiterate our commitment to a successful outcome for this important project.

We trust that MDOT and Transport Canada will select the business model that will provide best value for money, entice the private sector to fully engage in this Project, and provide a strong alignment of the various stakeholders' interests so as to ensure that the Border Transportation Partnership's objective of providing additional border capacity at the Detroit-Windsor crossing by 2016 are met.

## 6. Term of Agreement

We believe that a term in the range of 35 to 50 years would be appropriate. A long-term contract will indeed allow a strong alignment between all the parties involved (public and private sector) and will offer an affordable annual payment made by the client. A longer term also puts more incentive to innovate on lowering NPV and lifecycle extension. The longer the term is, the less the public authorities will need to spend money for re-tendering the project at the end of the concession. Finally, a long-term contract fits very well with Meridiam's long-term investment strategy.

The suggested term also corresponds to what has already been recognized by other jurisdictions as a good solution, as shown by the following examples:

- Port of Miami Tunnel 35 years
- NTE 52 years
- LBJ 52 years
- Chicago Skyway 99 years
- Indiana Toll Road 75 years

## 7. Other Revenue

Other revenue-generation opportunities for a project of this type generally include:

- service centers, such as gas stations, restaurant facilities, convenience stores, car wash and emergency vehicle stations, as well as services geared mostly towards truck drivers waiting to clear customs (food, shower, internet access);
- advertising (billboards and other advertising signs);
- telecommunications (using masts or roof tops for cell phone and right of way for fiber optics across the border); and;
- operation of duty free shops.

This additional revenue can amount to a few percent points of total toll revenue. In France, for instance, other revenues from the 7,500 km highway network constitute approximately 3% of toll revenues.

## 8. Financing

Meridiam expects to investigate a full range of financing options for the project. Three objectives will guide the selection of a financing solution:

- 1) Secure the lowest cost of financing.
- 2) Achieve the greatest degree of confidence that we will be able to deliver a fully committed financing solution at the financial bid stage.
- 3) Obtain value for money to the Sponsors.

Subject to evolving market conditions, it is currently anticipated that the project could utilize a debt to equity ratio in excess of 85:15 (case of availability payment). Debt options to be examined will include both bank and capital markets solutions, including Private Activity Bonds ("PABs") and subordinated TIFIA financing.

The primary solutions are further detailed below.

### Senior Bank Funding

In a bank funding solution, the most likely financiers would be international project finance banks, particularly those active in the U.S., Canadian, and European PPP markets. Potential lenders will be evaluated based on their credit strength, commitment to and experience in the infrastruc-

ture finance market, and knowledge of PPP structures. Meridiam will work with the lender group to create an over-subscription of the funding requirements to ensure adequate financial resources upon entering the preferred bidder stage and to create competition amongst prospective lenders to obtain the best possible terms and conditions.

### Capital Markets

Meridiam expects to investigate taxable and tax-exempt capital markets as potential options. Capital markets options and the senior bank financing options can be tracked concurrently to determine the certainty of execution and the lowest cost of funding. The capital markets are a viable option for financing given the proven contractual structure, experience in understanding Michigan credit counterparties, and Meridiam’s reputation.

### Subordinate Debt (TIFIA Loan)

The use of TIFIA funds could potentially provide a significant amount of low cost, long tenor, subordinate financing.

Meridiam has first-hand knowledge of TIFIA credit facilities with extensive experience in negotiating and securing TIFIA loans. This experience has been gained through the following projects:

- North Tarrant Express (TX)
- Port of Miami Tunnel (FL) – awarded North America PPP Deal of the Year (*Project Finance Magazine*) and Americas PPP Deal of the Year (PFI)

### Non-Traditional Sources

Meridiam maintains strong relationships with numerous pension funds and insurance companies that may be interested in participating in the senior debt financing. Institutional investors may also have significant interest in the project if a capital markets execution is warranted.


## 9. Experience

### Financing Experience

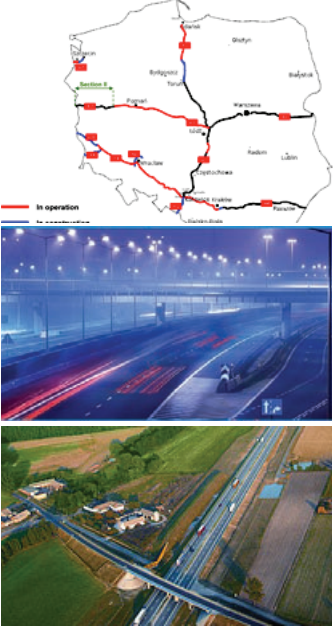
Project Information	Description and Highlights
<p><b>Port of Miami Tunnel</b> Miami, Florida, U.S. Project Value: US\$900M PPP Model: availability-based mechanism Concession Duration: 35 years Date of acquisition: October 2009</p>	<ul style="list-style-type: none"> <li>• Three components: the tunnel connection between Watson Island and Port of Miami, connections to the Port of Miami roadway system and a widening of the MacArthur Causeway bridge.</li> <li>• First PPP project closed by <b>Meridiam</b> in North America and is the second availability-based PPP project to reach financial close in the U.S.</li> <li>• <b>Meridiam</b> has subscribed 90% of the equity.</li> <li>• Project supported by 10 international commercial banks providing senior debt financing with additional senior capital coming from the TIFIA federal credit program.</li> </ul>
<p><b>North Tarrant Express Managed Lanes</b> Fort Worth, Texas, U.S. Project Value: US\$2.1B PPP Model: Real Tolls Concession Duration: 52 years Expected closing date: Q2 2010</p>	<ul style="list-style-type: none"> <li>• Addition of innovative tolled managed lanes in the heavily congested Dallas Fort Worth region.</li> <li>• Project supported by a Private Activity Bond (PAB) issuance providing senior debt financing with the additional senior capital coming from USDOT via the TIFIA federal credit program and TxDOT.</li> <li>• Second PPP project closed by <b>Meridiam</b> in North America.</li> <li>• <b>Meridiam</b> has a 33% stake in the project and has invested US\$150MM.</li> </ul>









Project Information	Description and Highlights	
<p><b>IH 635 (LBJ) Expressway</b>                      Dallas, Texas, U.S.</p> <p>Project Value: US\$2.5B</p> <p>PPP Model: Real Tolls</p> <p>Concession Duration: 52 years</p> <p>Expected closing date: Q2 2010</p>	<ul style="list-style-type: none"> <li>• DBFOM of a 13-mile section of frontage road, general purpose lanes, and tolled managed lanes.</li> <li>• Managed lanes involve road user choosing between existing non-tolled lanes and newly constructed tolled lanes.</li> <li>• SPV is entitled to collect user tolls from the dynamically priced managed lanes over the term of the concession.</li> <li>• Financing structure including public grants, a TIFIA lending facility and PABs, reducing the need for private sector financing. TIFIA has achieved an investment grade rating.</li> <li>• <b>Meridiam</b> has a 40% stake in the project.</li> </ul>	
<p><b>Limerick Tunnel</b>                      Limerick, Ireland</p> <p>Project Value: €437M</p> <p>PPP Model: User paid tolls</p> <p>Concession Duration: 35 years (End of Concession June 2041)</p> <p>Date of acquisition: August 2006</p>	<ul style="list-style-type: none"> <li>• DBOM of approximately 10 km of new tolled dual carriage-way bypass south west of Limerick connecting the recently completed Phase 1 of the Limerick Southern Ring Road with the existing N18 National Road.</li> <li>• 675m long immersed tube tunnel under River Shannon.</li> <li>• Tolls set for cars at relatively low level of €1.30 with traffic support guarantee from the National Roads Authority.</li> <li>• Senior debt provided through an innovative conduit structure and funding from the European Investment Bank, both benefiting from a monoline wrap.</li> <li>• <b>Meridiam</b> has subscribed 25% of the equity and 50% of mezzanine debt.</li> </ul>	 
<p><b>A5 Ostregion (Vienna Ring Road)</b>                      Vienna, Austria</p> <p>Project Value: €1B</p> <p>PPP Model: Hybrid of availability payment, shadows tolls and direct milestone payments</p> <p>Concession Duration: 33 years (Start: 12/12/2006 – End: 7/2036)</p> <p>Date of acquisition: January 2007</p>	<ul style="list-style-type: none"> <li>• Extension of the motorway network in the north of Vienna (“Ostregion”) through four distinct projects to be developed under PPP systems (“PPP Ostregion programme”).</li> <li>• First package offered to bidders in 2005 under the name of “Ypsilon,” consisting of four sections of new motorway in the northeast, with a total length of 51.5 km.</li> <li>• First privately financed road under a PPP model—highly visible in the Austrian market.</li> <li>• Leverage is 88:12 and senior debt has a monoline wrap.</li> <li>• <b>Meridiam</b> has subscribed for approximately 50% of the junior funds, including mezzanine debt.</li> </ul>	 




Project Information	Description and Highlights	
<p><b>A2 Motorway Segment I</b> Poland</p> <p>Project Value: €750M</p> <p>PPP Model: Shadow toll payments for heavy good vehicles, real tolls for passenger vehicles</p> <p>Concession Duration: The A2 Segment I was initiated in Sept. 1993, agreements signed in 1999. (End of Concession 3/31/2037)</p> <p>Date of acquisition: March 2008</p>	<ul style="list-style-type: none"> <li>• First tolled motorway to be designed, built, financed and operated under the PPP Regime in Poland; <b>Meridiam</b>'s first investment into the secondary market, demand risk territory.</li> <li>• Project initiated by the Polish Authorities as part of a 2,300 km motorway program to be implemented over 15 years.</li> <li>• Fully operational concession, part of Poland's most strategic corridor and is an important transportation link between Western and Eastern Europe (Warsaw to Berlin).</li> <li>• Segment 1, which runs from Nowy Tomysl to Konin and is 148.9km in length, is split into four sections, all open to traffic.</li> <li>• In March 2008, <b>Meridiam</b> acquired a substantial stake in Autostrada Wielkopolska, the concession company that owns and operates the A2 expressway.</li> </ul>	  
<p><b>A5 Motorway</b> Germany</p> <p>Project Value: €630M</p> <p>PPP Model: User paid tolls</p> <p>Concession Duration: 30 years (Concession period ends April 2039)</p> <p>Date of acquisition: March 2009</p>	<ul style="list-style-type: none"> <li>• Major traffic artery of European highway network and also part of the Trans-European Transport Network (TEN-T).</li> <li>• Concession for the operation, maintenance, expansion and financing of a 60 km section of the A5 motorway consisting of 2 Sections: 42 km bi-directional reconstruction and extension from four to six lanes between Baden-Baden and Offenburg, and 19 km between Malsch and Baden-Baden operations and maintenance ("PFA0").</li> <li>• Project includes the upgrading of the existing four-lane BAB A5 motorway to a six-lane motorway and construction of 38 bridges and extension of 27 bridge structures.</li> <li>• <b>Meridiam</b> has an overall participation of 37.5% in the total amount of equity.</li> </ul>	 
<p><b>R1 Highway</b> Slovakia</p> <p>Project Value: €1.25B</p> <p>PPP Model: Predictable availability based payments subject to non availability and performance deductions</p> <p>Concession Duration: 30 years</p> <p>Date of acquisition: August 2009</p>	<ul style="list-style-type: none"> <li>• First Slovakian PPP project.</li> <li>• DBFOM of three main sections of the four-lane R1 expressway between Nitra and Tekovske Nemce and Banska Bystrica Northern Bypass, total length: 51.6 km.</li> <li>• Works comprising 81 bridges over four sections with overall length of all bridge structures of approximately 8.4 km.</li> <li>• Project implemented under an availability fee based concession system pursuant to a concession contract between the project special purpose company and the Ministry of Transport, Post and Telecommunications.</li> <li>• <b>Meridiam</b> has an overall participation of 50% in the total amount committed by the Sponsors.</li> </ul>	

Project Information	Description and Highlights	
<p><b>A2 Motorway Segment II</b> Poland</p> <p>Project Value: €1.6B</p> <p>PPP Model: availability-based mechanism</p> <p>Concession Duration: The A2 Segment II was initiated on the signing of concession agreement in June 2009. (End of Concession June 2037)</p> <p>Date of acquisition: June 2009</p>	<ul style="list-style-type: none"> <li>• DBOM of 105.9km of A2 Motorway from Świecko (German-Polish border) to Nowy Tomyśl (connection with existing A2 Section I motorway) providing a link between existing Polish and European motorways.</li> <li>• Strategic road link, part of the Trans European Transport Networks (TEN-T) established by the EU Commission, is to be constructed in time for the 2012 European Football Championships to be held in Poland.</li> <li>• Project includes construction of a new motorway, upgrade of road No. 2 to motorway standards, the rehabilitation of the road surface in the vicinity of the Świecko interchange, and installation of a closed toll collection system on all sections.</li> <li>• <b>Meridiam</b> has subscribed 10% of the equity and 80% of shareholder loans.</li> </ul>	

## PPP Design and Construction Experience

Project Information	Description and Highlights	
<p><b>I-595 Roadway Corridor</b> Fort Lauderdale, Florida</p> <p>Project Value: US\$1.67B</p> <p>PPP Model: DBFOM – Final acceptance payment &amp; Availability Payment</p> <p>Concession Duration: 35 years</p> <p>Date: 2009</p>	<ul style="list-style-type: none"> <li>• <b>AECOM</b> is lead designer to the design-build contractor.</li> <li>• Final design and plans and specifications for reconstruction, addition of auxiliary lanes, resurfacing of the I-595 mainline, and a new reversible express lanes system in the median.</li> <li>• Procured using a DBFOM availability payment system whereby the private partner financed the project funding shortfall upfront and is to be repaid through availability payments when the completed project opens to traffic.</li> </ul>	
<p><b>North Tarrant Express Managed Lanes</b> Fort Worth, Texas</p> <p>Project Value: US\$1.45B</p> <p>PPP Model: DBFOM - Real Tolls</p> <p>Date: 2009</p>	<ul style="list-style-type: none"> <li>• <b>AECOM</b> is lead designer to the preferred bidder.</li> <li>• Detailed design services for Segments 1 and 2 West; engineering services for Segments 3 and 4.</li> <li>• Construction of tolled managed express lanes and additional general purpose lanes totalling 36 miles of interstate highway.</li> <li>• Uses dynamic open road tolling (fully cashless system) where the tolls on the managed lanes will be increased or decreased based on congestion levels in the general purpose lanes.</li> </ul>	

Project Information	Description and Highlights	
<p><b>Highway 407 Express Toll Route (ETR)</b> Toronto, Canada</p> <p>Project Value: \$2.37B</p> <p>PPP Model: DBFO - Real Tolls</p> <p>Date: 2000 - 2003</p>	<ul style="list-style-type: none"> <li>• <b>AECOM</b> via legacy EarthTech was lead designer to the design-builder on the original project (1994-1998); was the lead engineer through legacy UMA to the concessionaire during the sale of 407ETR(2000); and was also engineering consultant to the grantor.</li> <li>• Design Manager for 64 km of highway, including 23 bridges, and 10 interchanges.</li> <li>• Planning, real estate analysis, and market appraisals to lead negotiations during the critical property acquisition phase for multi-lane, all-electronic toll highway.</li> <li>• Value engineering identified over \$250MM in cost-avoidance opportunities and allowed the project to be affordable and deliverable in the allocated time frame.</li> </ul>	 
<p><b>Indiana Toll Road (ITR)</b> Indiana, U.S.</p> <p>Project Value US\$3.85B</p> <p>Contract cost: US\$230MM</p> <p>PPP Model: BOT - Real Tolls</p> <p>Date: 2006</p>	<ul style="list-style-type: none"> <li>• <b>AECOM</b> was lead designer to the design-build contractor.</li> <li>• 157-mile toll road that runs east-west across northern Indiana from the Illinois state line to the Ohio state line.</li> <li>• Design of widening of the toll road from two lanes in each direction to three lanes, while widening the shoulders in each direction for more than six miles, including two viaducts over railroads and a treatment plant, and seven bridges crossing streets, railroads, and rivers, and 7-mile corridor, with four bridges over the Grand Calumet River.</li> </ul>	
<p><b>Rion Antirion Bridge</b> Greece</p> <p>Project Value: €800M</p> <p>PPP Model: DBFOM - Real Tolls</p> <p>Concession Duration: 42 years</p>	<ul style="list-style-type: none"> <li>• <b>AECOM</b> was Independent Engineer during Construction.</li> <li>• World longest's continuous cable stayed bridge, a five-span four-pylon 2,880-meter long structure with 4 lanes in highly seismic environment.</li> <li>• Independent supervision engineer for the construction of the bridge and its approach roads, checking and reporting on Contractor performance.</li> </ul>	
<p><b>State Highway 130</b> Texas, U.S.</p> <p>Project Value: US\$1.4B</p> <p>PPP Model: DBM – 50/50 tolls split</p> <p>Concession Duration: 50 years</p> <p>Date: 2007</p>	<ul style="list-style-type: none"> <li>• <b>AECOM</b> was lead designer to the design-build contractor.</li> <li>• 50 miles of toll highway, including 126 bridges, 2 major water crossings, 38 toll plazas, and seven interchanges.</li> <li>• Preliminary concepts for the aesthetic treatment of bridges and walls, landscape treatment options, hike and bike trail coordination, and mitigation of the highway's impact on adjacent historic properties.</li> </ul>	

Project Information	Description and Highlights	
<p><b>Second Severn Crossing</b> UK</p> <p>Project Value: \$500MM</p> <p>PPP Model: DBFO - Real Tolls</p> <p>Contract Period: 1990-2001</p>	<ul style="list-style-type: none"> <li>• <b>AECOM</b> was Owner’s Engineering Consultant.</li> <li>• 456m span with cable-stayed bridge over the navigation channel and approach viaducts, each over 2km long, joining the main bridge to the shore.</li> <li>• Second major estuary crossing to be designed, built, financed and operated through the private sector; concessionaire also took over O&amp;M of the existing bridge.</li> <li>• Prepared the outline design for the long span cable-stayed bridge and approach viaducts and provided technical support throughout contract negotiation, legislative process, and design and construction phases; conducted in-depth study of the ship impact requirements for crossing.</li> </ul>	
<p><b>Northwest Anthony Henday Drive</b> Calgary, Canada</p> <p>Project Value: Canadian \$1.4B</p> <p>PPP Model: DBFO</p> <p>Concession Duration: 30 years</p> <p>Completion Date: 2011</p>	<ul style="list-style-type: none"> <li>• <b>AECOM</b> is lead designer to the design-build contractor.</li> <li>• Third PPP DBFO highway project in Alberta.</li> <li>• 21 km north leg of the ring road, including eight interchanges, five flyovers, and two rail crossings, for a total of 27 bridge structures.</li> <li>• Recipient of 2009 Technical Innovation Award from Alberta Transportation Minister for Transportation Innovation.</li> </ul>	
<p><b>Confederation Bridge</b> New Brunswick - Prince Edward Island, Canada</p> <p>Project Value: \$800MM</p> <p>PPP Model: DBFO - Real Tolls</p> <p>Contract Period: 1990-2001</p>	<ul style="list-style-type: none"> <li>• <b>AECOM</b> was the designer of record.</li> <li>• 12.9 km deep water crossing, one of the longest in the world; 43 typical main spans 250 m long and two 165-m transition spans, with approaches of eighteen 93-m spans and end spans of 30, 60, and 66 m.</li> <li>• Recipient of numerous awards:             <ul style="list-style-type: none"> <li>- 2009 Gold Award for Leadership from the Canadian Council for Public-Private Partnerships.</li> <li>- 1999 George S. Richardson Medal from IBC.</li> <li>- 1998 Best Bridge (with spans greater than 135 feet) from Precast/Prestressed Concrete Institute (PCI).</li> <li>- 1998 Engineering Excellence Award from ACEC.</li> </ul> </li> </ul>	

## Major Bridge Experience

Project Information	Description and Highlights	
<p><b>Stonecutters Bridge</b> Hong Kong</p> <p>Project Value: \$354MM</p> <p>Procurement Method: Design-Build</p> <p>Date: 2004-2008</p>	<ul style="list-style-type: none"> <li>• <b>AECOM</b> provided design and construction engineering services to contractor.</li> <li>• High level cable-stayed bridge with two 298-m high towers and main span of 1,018 meters, total length of 1,596 meters.</li> </ul>	
<p><b>Sutong Bridge</b> Jiangsu Province, China</p> <p>Project Value: \$750MM</p> <p>Date: 2005-2007</p>	<ul style="list-style-type: none"> <li>• <b>AECOM</b> provided construction engineering services to contractor.</li> <li>• 7-span two-tower cable-stayed bridge, with a main span of 1,088m—one of the world's longest cable-stayed bridges.</li> <li>• Services included contractor's alternative design; development of construction methodology; construction engineering/erection.</li> </ul>	
<p><b>New Forth Road Bridge</b> Edinburgh, UK</p> <p>Value: \$500MM (bridge) \$150MM (roads)</p> <p>Contract Period: 2003-Present</p>	<ul style="list-style-type: none"> <li>• <b>AECOM</b> is Owner's Engineer.</li> <li>• Conceptual design of major structure across the Firth of Forth in the vicinity of the existing bridge; development of multi-span cable-stayed and suspension bridge systems, including 1200m main span.</li> </ul>	
<p><b>River Usk Bridge</b> Newport, Wales</p> <p>Contract Period: 2002-2004</p>	<ul style="list-style-type: none"> <li>• <b>AECOM</b> was lead designer for contractor.</li> <li>• Part of 40-year DBFO contract for Newport Southern Distributor Road.</li> <li>• 187m steel arch span, use of weathering steel to avoid maintenance difficulties.</li> </ul>	
<p><b>Indian River Inlet Bridge</b> Rehoboth Beach, DE</p> <p>Total Project Cost: US\$150MM</p> <p>Procurement Scheme: Design-Build</p> <p>Date: 2008-2011</p>	<ul style="list-style-type: none"> <li>• <b>AECOM</b> is designer to the design-build contractor.</li> <li>• 2,600-ft long bridge, carrying four lanes of traffic with shoulders, sidewalks and a sand bypass system, with 950-ft cable-stayed main span comprised of 3 spans with prestressed concrete Bulb-T girder approaches.</li> </ul>	
<p><b>Kap Shui Mun Bridge</b> Hong Kong</p> <p>Value: \$250MM</p> <p>Procurement Scheme: Design-Build</p> <p>Date: 1997</p>	<ul style="list-style-type: none"> <li>• <b>AECOM</b> was designer to the design-build contractor.</li> <li>• Two-level 1.3-km structure, carrying expressway at the top deck and the airport railway in the central region of the lower deck, with emergency lanes for use under typhoon conditions on either side of the railway.</li> </ul>	

Project Information	Description and Highlights	
<p><b>Tsing Lung Bridge</b>                      Hong Kong                      Value: \$820MM                      Date: 2000-2003 (design)</p>	<ul style="list-style-type: none"> <li>• <b>AECOM</b> was designer for Hong Kong Highways Dept.</li> <li>• Suspension bridge with main span of 1,418m to carry dual 3-lane traffic.</li> <li>• Innovative steel deck design, with fabrication mock-up.</li> <li>• Crossing of major shipping channel, requiring extensive navigation studies and ship impact analyses involving 220,000 DWT vessels.</li> </ul>	
<p><b>My Thuan Bridge</b>                      Vietnam                      Value: \$80MM                      Date: 2000</p>	<ul style="list-style-type: none"> <li>• <b>AECOM</b> was the designer for the first cable-stayed structure and largest crossing in Vietnam.</li> <li>• total length of 1535m, with four traffic lanes and two footways, some 40m above the Tien Giang River to facilitate shipping access to Phnom Phen in Cambodia.</li> <li>• central span of 350m, supported from 128m high towers founded on 2.5m diameter bored piles, some 100m below river level.</li> </ul>	

## Local Contracting Partners

Meridium and AECOM are committed to supporting small, minority and women-owned businesses and to protecting local economies. By selecting qualified, local firms as part of our team, we achieve two important goals: we keep dollars and jobs in the local economy, and we provide opportunities for disadvantaged firms both to participate in an important local program and to continue to develop their business and capabilities. We firmly believe that monies spent for the community should go back to the community and its local businesses, and our outreach programs are based on the philosophy of maximizing small, disadvantaged, local businesses.

As a consequence of our strong commitment to local communities, our team brings a proven track record and management approach that integrates local and minority firms into our core team as management partners on our projects. AECOM has been rated highly by federal, state and local government agencies for meeting and exceeding D/M/WBE goals on public sector contracts. Our compliance with D/M/WBE goals is audited by numerous agencies, including the Defense Contract Auditing Agency, Federal Government Contracting Offices, transportation agencies, state departments of transportation, and others.

AECOM (through its legacy firms DMJM Harris and Earth Tech) has been recognized for this commitment to diversity. Below are the latest of a number of awards and citations received over the years for the firm’s commitment to helping emerging local firms become technically and financially stable.

- 2009 Best of the Best winner by *Black EOE Journal*, *Hispanic Network Magazine* and *Professional Woman’s Magazine*
- 2009 Employer of the Year Award from the Women’s Transportation Seminar (WTS) in recognition of AECOM’s support of diversity and of women in the transportation industry.
- 2008 Best Diversity Company, as voted by the readers of *Diversity/Careers in Engineering & Information Technology* magazine
- 2007 Distinguished Mentor Service Award in recognition of supporting the California Department of Transportation (Caltrans) District 7 in their Calmentor Program.

## 10. Conditions Precedent

- Environmental Clearance is typically a key element that can lead to unacceptable delays in a project schedule. Fortunately, for the DRIC project, the environmental clearances for both Transport Canada and the Michigan DOT are already obtained. In addition to overall clearance, having all additional environmental permits in place will help ensure the project schedule can be met.
- Political will and public acceptance are absolutely vital to successful development of a PPP project. For Canada, PPP projects are widely accepted and used. Some States in the U.S. have embraced PPP project procurement, namely Florida, Texas and Virginia, with others coming on-board. For Michigan, political will and public acceptance will be front and center as they formalize authorizing legislation. Much of the early hindrances to PPP legislation have come from a lack of understanding on the part of political leaders and the public in general. A political champion, like Governor Daniels in Indiana, and an educational process leading up to the legislative votes tentatively scheduled for June of this year are vital to secure the necessary legislation and public acceptance.
- The Procurement Process needs to be clear and transparent. The scoring process should be clearly defined. The more these protocols are clearly defined, the more well-honed the concessionaire's bids can be. Uncertainty will probably result in higher bid prices as the concessionaires will need to price the uncertainty risk.
- Buy America provisions need to be clarified at the outset. Being a bi-national procurement, the ramifications of Buy America, especially on the Canadian side of the border, need to be addressed.
- Project Design Issues should be clarified to enhance the procurement process. Some examples include:
  - Minimal preliminary design will allow for maximum flexibility and private sector innovation.
  - Allow for Alternative Technical Concepts or Value Engineering. The design-build team may have more economical ideas for the project. New concepts must be compatible with the approved EIS.
  - The turnaround time for design submittal reviews needs to be set and reasonable in nature.
- A dispute resolution process that includes all of the appropriate decision-makers will ensure that disputes are resolved in a timely and, hopefully, agreeable manner.
- Clear design standards – AASHTO standards should be considered.
- Clear schedule requirements.
- Bonding requirements need to be adequately defined in the concession agreement. The practice in the U.S. on traditionally delivered projects has been to ask for 100% performance and payment bonds, which may not be practical for a project the size of the DRIC. Different approaches have been successfully used around the world, as security for the completion risk, including parent company guarantee from entities with the appropriate financial strength or letters of credit of a much smaller amount with Project Lenders being the prime beneficiaries of this security package. The state of Texas is using a hybrid approach, agreeing to traditional surety bonds but capped at US\$250MM.
- A Best Value versus Low Bid procurement needs to be decided before beginning the process. With a selection based solely on price, there is no flexibility to include quality in the evaluation process. By using Best Value, the Agency can force lifecycle or performance based cost factors into the concessionaire's equation.
- The requirement to use Local Contractors is probably a helpful requirement in terms of gaining public acceptance and strong political will. It needs, however, to be balanced with the need to maintain flexibility to deliver "value for money." This will engender support from organized labor.
- The Joint Governance agreement (bi-national treaty) between the U.S. and Canada will need to be finalized prior to the start of the procurement process.
- All necessary Right-of-Way should be obtained prior to beginning procurement. ROW tends to be a long lead time activity and can delay the project if not dealt with early on in the process.
- Gap funding and the availability of TIFIA loans are important factors in setting up a viable business plan. The use of TIFIA loans and PABs will reduce the cost of debt. Other Gap funding measures may be necessary once final revenue projections are made.





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29001 Wall Street  
P.O. Box 930129  
Wixom, MI 48393-0129

Walter Toebe Construction Company

TEL: (248) 349-7500  
FAX: (248) 349-4870

## **Detroit International River Crossing RFPOI Response:**

### **5.1. Required Content**

Respondents to this RFPOI are encouraged to provide the following information (to the extent relevant based on the parts of this document the respondent wishes to submit a response):

**Contact Information** – Name and contact information (address, phone, fax, and email) for the individual who will act as the Respondent’s principal contact throughout the process for this particular RFPOI and description of the individual members of the respondent’s team with experience related to the objectives of the Partnership as described in this Request.

William W. Deacon, Project Manager  
Walter Toebe Construction Company  
29001 Wall Street  
Wixom, Michigan 48393  
Phone: 248-349-7500  
Fax: 248-349-4870  
Email: [bdeacon@toebe-construction.com](mailto:bdeacon@toebe-construction.com)

**Company Information** – Brief description of the firm’s or team members’ lines of business and experience in the delivery of transportation infrastructure projects under a public-private partnership model (i.e., design, build, finance, operate and maintain).

**Walter Toebe Construction Company**, has been in the heavy highway construction business for over 70 years. Toebe is accustomed to bidding and constructing some of the largest and most complicated projects that the Michigan Department of Transportation has put out for contract. Some of these projects include the recently completed Gateway 4 project, over \$170 million completed approximately 4 months early; and the 9 Mile Road bridge reconstruction, fast tracked by MDOT through a Design/Build process, completed within 51 days of starting work.

**Edward C. Levy Company**, is an industry leading construction materials and heavy industry services company. Founded in 1918, the Levy family of Companies specializes in providing its customers with quality products and innovative solutions to include: Global steel mill services, aggregate and scrap recycling, slag and natural aggregate production and marketing, asphalt manufacturing and contracting, ready-mix concrete production and sales, and transportation logistics for bulk aggregate materials. The Levy family of Companies is a leader in providing these services in Michigan with its corporate office and certain aggregate, asphalt and concrete production facilities located in Detroit and Dearborn Michigan and the surrounding metropolitan area.

**P3 Development Company, LLC (P3DevCo)** specializes in creating public/private partnerships to facilitate and develop projects of public interest. Located in Tallahassee, Florida, P3DevCo is led by Denver Stutler, former Secretary of Transportation for the State of Florida. In that position, Mr. Stutler oversaw 8,500 employees in the Florida DOT. Additionally, he was responsible for developing and oversight of a highway budget in excess of \$40 Billion over a 5-year period. P3DevCo's strengths flow from its vast institutional experience in dealing with the construction of roads and bridges from both the public and private sectors. Additionally, the company enjoys a wide array of experience and knowledge in the placement of complicated financial structures that facilitate bridge and road construction. Lowell Clary, former Assistant Secretary of Transportation for Finance and Administration for the State of Florida, is an integral part of P3DevCo's financing arm. Mr. Clary has intimate involvement in creating financial facilities for bridges, tunnels and roadways costing billions of dollars.

The firm brings a unique set of resources comprised of experience and knowledge required for highly-specialized public/private partnerships. It has an understanding of federal and state laws, as well as local ordinances for the delivery of highways and bridges. The company enjoys a close relationship with national financial institutions, private equity firms and a complete understanding of the legislative process required to accomplish the objectives of this project.

**Letter of Interest** – A letter indicating, if applicable, the firm's or team's interest in developing this project on a non-binding basis and identifying the type of interest (e.g., developer, financial investor, design-build contractor, lender, or operator).

The Team is interested to participate as a Developer, design-build contractor, and equity/lender for the project.

**Scope** - An identification of all the elements of the project the respondent believes should be delivered by a single developer. Respondents may provide one or more solutions in their submission.

At this stage of the project we are interested in pursuing the entire package using a teaming approach to bring specific applicable skill sets to the individual elements of the project. The teams preferred method of approach would be to utilize the Design, Build, operate and Maintain (DBOM) as the procurement method, although some operation areas like Customs may be operated by the respective governmental entities.

**Business Model** - Assuming that the project will be developed as a tolled facility, a brief description of a public-private partnership business model that would be considered appropriate for the project (e.g. real tolls, availability payments, hybrid, other) and what would be the benefits for the project and the public arising from each option. Also, examples of projects where such a business model has been successfully used.

The nature and size of the project including the traffic risk profile for the bridge with a competing bridge route within a mile of the proposed new structure lends credence to pursuing this project using an availability payment approach. This approach has been successfully implemented for two large scale multi feature projects in Florida. Both the Miami Port Tunnel Project and the reconstruction and

improvement project for I-595 in Broward County have been delivered using the availability payment approach. P3DevCo has extensive experience with both of these projects and with structuring and delivery of a project using this approach. Recent Canadian infrastructure projects have also used the Availability Payment approach including a number of these for transportation.

**Term of Agreement** - The preferred length (years) of the Public-Private Partnership agreement under such business model(s).

The concession term will be a function of the projects financial metrics. In that there is not sufficient information available at this time to make a full and detailed analysis of these metrics, we would propose a term in the range of 30 to 50 years if an availability approach is utilized and 60-75 years if an approach is used where the private team accepts the risk of traffic and revenue. This is very common for a project based on the size and complexity of the potential revenue sources associated with this project. I-595 in Broward County Florida utilized a 35 year term with the State retaining the toll risk, where as the Indiana Turnpike project had a longer concession term of 99 years with the full traffic risk assumed by the concessionaire.

**Other Revenue** - Identification of other business opportunities such as operation of duty free shops.

It will take every possible revenue source to help fund the project and we encourage MDOT to include these in the project funding sources under consideration. As part of our detailed analysis our team would identify all potential revenue streams that can be generated by the project.

**Financing** – An indicative, high-level, structure of private financing for the solution(s), including: funding split (debt/equity);

- types of debt facilities and main assumptions; and,  
As part of our detailed financial analysis our team would investigate and structure a mix of equity investment and commercial debt. There are major challenges in the financial market, these challenges are particularly evident with the financing of Greenfield toll facilities. It will take considerable innovative thinking and a unified approach between the Public and Private sector partners on a project of this size and complexity to address these challenges and secure project financing.
- any innovative financing tools, including Transportation Infrastructure Finance and Innovation Act federal credit assistance (TIFIA) and Private Activity Bonds (PABs), that would be considered desirable.  
Our financial structure would likely include the use of both TIFIA Loans as well as Private Activity Bonds. We would also investigate any opportunity offered by Canadian Governmental sources for loans to support project financing. P3DevCo has extensive experience in using both Private Activity bonds as well as TIFIA Loans for project financing and is prepared to fully develop letters of interest and applications for these programs for the project.

**Respondent's Experience** – A brief description of the respondent's experience in:

- Public-private partnerships – provide brief examples to demonstrate the Respondent’s experience and successful participation in the design, construction, financing, operation and/or maintenance of transportation infrastructure projects.

Walter Toebe Construction Company  
MDOT I-75 Gateway Project  
I-75/Nine Mile Road Project

Edward C. Levy Co.

Aggregate, concrete, and trucking supplier to MDOT I-75 Gateway Project

P3DevCo Experience: I would add a short sentence for each, or give web links

Miami Intermodal Center  
Central Florida Commuter Rail  
I-75 IROX  
95 Express  
I-595 Corridor Improvements  
Port of Miami Tunnel

- Local Contracting Partners – provide brief examples of past practice of partnering with local contractors and minorities, women, and other historically disadvantaged business enterprises on similar projects consistent with the Partnership’s objective of maximizing participation by these groups.

MDOT projects using numerous DBE subcontractors and suppliers.

**Conditions Precedent** – A brief description of those items or impediments to the project’s successful implementation that should be removed or dealt with prior to the initiation of the procurement process.

Passage of the P3 law in Michigan

Development of the “Joint Governmental” agreement between MDOT and Canada

Clarification and adoption of specific design standards to be used for the project.

Creation of the toll authority and clarification of the toll rate making capability of the authority.



**Proposal of Interest**  
for the development of the  
Detroit River International Crossing Project  
under one or more  
Public-Private Partnerships

to

Michigan Department of Transportation  
and  
Transport Canada

**FLUOR**<sup>®</sup>

Issued  
March 17, 2010



Fluor Enterprises, Inc.  
1114 Lost Creek Blvd., Suite 130  
Austin, TX 78746

512.343.1111 tel  
512.343.1178 fax

March 15, 2010

Mohammed Alghurabi  
Senior Project Manager  
Michigan Department of Transportation  
425 W. Ottawa Street, P.O. Box 30050  
Lansing, Michigan 48909

Re: Response to the Request for Proposal of Interest for the development of the Detroit River International Crossing project under one or more Public Private Partnerships

Mr. Alghurabi,

Fluor is pleased to respond to your Request for Proposal of Interest for the development of the Detroit River International Crossing project under one or more Public Private Partnerships. We have been following the progress of the Project with great interest and are excited by the potential economic and mobility benefits of this project for the citizens of the Detroit and Windsor and ultimately the United States and Canada.

Per the Request for Proposal of Interest the following are our responses with respect to the respondent, contact information and type of interest.

**Contact Information:**

**Respondent**

Fluor Enterprises, Inc.  
3 Polaris Way  
Aliso Viejo, California 92698  
Tel.: 949.349.2000  
Fax: 949.349.3081

**Designated Representative**

Dan R. Stoppenhagen, P.E.  
1114 Lost Creek Blvd, Suite 130  
Austin, Texas 78746  
Tel.: 512.343.1111  
Fax: 512.343.1178  
Mobile: 512.468.6298  
Email: [dan.stoppenhagen@fluor.com](mailto:dan.stoppenhagen@fluor.com)

Mr. Mohammed Alghurabi  
March 15, 2010

### **Company Information:**

Fluor is one of the world's leading, publicly-traded, engineering, procurement, construction, maintenance, and project management companies, with total revenue in 2008 rising to a record \$22.3 billion. Our global Infrastructure Group serves the highways, bridges, rail/transit services, aviation and ports markets and currently manages a transportation portfolio in excess of \$10 billion in construction capital costs. Other indications of Fluor's capability include:

- Fluor ranks No. 1 on ENR (*Engineering News-Record*) magazine's lists of Top 100 Design-Build Firms and Top 100 Contractors by New Contracts.
- Fluor is No. 114 in the *FORTUNE* 500 list and ranks first on *FORTUNE* magazine's "Engineering, Construction" industry list of America's largest corporations as well as third in the same category on *FORTUNE*'s annual survey of World's Most Admired Companies in 2009
- Our credit rating of A-/A3/A is the highest of any major international engineering and construction company

Fluor's Project Finance team has developed financing for projects of substantial size and scope. Experience has proven that the financing process can be made substantially more efficient by starting early to develop a thoughtful financial plan and an implementation schedule that will assure timely financial closure. Creation of a bankable financial structure and a thorough evaluation of debt sourcing options is an integral part of our approach. Fluor has combined this approach with our long record of financial stability and relationships in the financial industry to successfully close numerous infrastructure projects, as indicated in some of the industry landmark projects listed below and detailed further in the attachment.

### **Interest in the Project:**

Fluor is interested in participating on the DRIC Project as a developer, design/build contractor, and equity investor. Fluor has extensive experience in structuring public-private partnerships as evidenced by Fluor's Project Development & Investment group's involvement in the successful closing of the following ground-breaking, infrastructure financings:

- Pocahontas Parkway, Virginia
- Autobahnplus A8 Tollway, Germany
- HSL Rail, Netherlands
- I-495 HOT Lanes, Virginia
- A59 Rail Link, Netherlands
- Conway Bypass, South Carolina
- E-470 Tollway, Colorado
- International Arrivals Terminal at JFK Airport in NY



Mr. Mohammed Alghurabi  
March 15, 2010

We have followed the Detroit River International Crossing Project with great interest since its conception and have already advanced teaming discussions with potential partners, local subcontractors, and key local consultants for the pursuit and execution.

**Scope:**

Based on our knowledge of design-build and our large project experience; Fluor recommends, at a minimum, to combine the U.S. approach and interchange and the bridge into a single design-build or development/PPP contract. We feel that this approach provides multiple efficiencies and has several distinct advantages and benefits over subdividing the Project into multiple, relatively small design-build or development packages:

- Decreases the state's procurement, oversight, and administrative costs
- Reduces the risk of scope gaps and finger pointing between different design-build contractors or developers with critical interfaces
- Optimizes the overall Project schedule
- Allow developers and design-builders to take advantage of economies of scale (e.g. materials, overhead) and inherent flexibilities of a larger project (being able to work on multiple fronts and move resources from one area to another area to continue overall progress when progress is interrupted in one portion)
- Decreases the overall cost of the Project.

If it is possible to gain the full cooperation of the agencies that will have input to the design and construction of the Plazas, we also think adding the Plazas on both the U.S. and Canadian side would accentuate these benefits even further.

The attachment provides the rest of the information required by the Request for Proposal of Interest. If you have any questions, please do not hesitate to contact me at the email address or phone numbers listed above.

Sincerely,



Dan Stoppenhagen  
Director, Transportation and Infrastructure

DRS: ehg  
Attachment

cc: File

## **Attachment: DRIC Proposal of Interest**

### ***Business Model***

Fluor Corporation is experienced in a broad variety of delivery business models for tolled facilities that could be considered appropriate for the project, ranging from a simple design/build approach to a full toll concession. As a design/build contractor with a significant portfolio of Public-Private Partnership investments and transactions, we are able to deliver the business model best suited to our clients rather than advocating any one model based on our preferred approach. We are comfortable with a simple design/build PPP, availability payment DBOFM, or a full toll-road concession and are able to deliver the approach that creates the best value for our clients. A discussion of several approaches follows ordered from the least private sector risk sharing approach to the most private sector risk sharing approach:

**Design/Build/Finance** – Using this approach, Fluor would be responsible for design, construction, and financing of the project which would be owned and operated by the public sector like any other traditionally financed project. While Fluor would arrange financing, the debt would be a direct obligation of the public sector, which would directly make loan payments until the project debt is repaid. This approach can provide either short-term financing or long-term financing. The most common use of the design/build/finance approach is to allow the sponsoring governmental entity or entities (state DOT, local government, provincial ministry of transportation, national government, or any combination thereof) to complete a project by bringing forward traditional project funding to allow for early completion. For example, a state may have funding available over a 6 year period, but construction can be completed in 3 years. Fluor can complete the project in 3 years and defer payments so that we are paid over 6 years (including interest). Long-term financing can also be arranged as a long-term loan or lease where the public sector agrees to a fixed, long-term payment schedule and the project is completed on the best construction schedule. The benefits of this approach are:

- Cost of debt is comparable with traditional public sector debt since the credit rating of the public sector entity is passed through the financing.
- Construction can take place on the optimum schedule allowing a large project to be completed and placed in service years ahead of traditional project phasing approaches.
- Payment for the project is spread over the useful life of the project, better matching payment for the project with value created for the project users.
- Financing of the project can be almost transparent for the public sector which can manage and control the design and construction process like any other design/build project and operate and maintain the project without any special considerations for the financing.

An example of this approach is the iROX project involving reconstruction of 30 miles of I-75 in Southwest Florida, which spread the project cost over 5 years.

**Special Purpose Tax Exempt Entity** – Using this approach, Fluor (or the Fluor Team) would be responsible for the development, design, construction, financing and start-up of the project while the public sector would be responsible for operations. The form of financing could vary from

creation of a publicly owned special-purpose entity, issuing debt based on pledge of toll revenues to the public sector taking toll revenue risk, and providing lenders a direct obligation to make debt service. Many such financings have been accomplished in the US by using a special purpose tax exempt entity that issues debt under section 63-20 of the IRS code. The benefits of this approach are:

- Lower cost of capital due to the ability to access tax exempt debt.
- Insulation of the public sector from cost and schedule overruns, because the private sector takes development and project delivery risk.
- The public sector retains full control of operations.
- All revenue in excess of debt service and O&M accrues to the Public Sector.

Because of the border crossing involved in this project, debt may have to be structured with taxable and tax exempt tranches. An example of this approach is the Pocahontas Parkway Project in Richmond, VA developed by Fluor and Morrison Knudsen in 1998. The Fluor-led team was responsible for design, construction, financing, and start-up of the project while the Virginia Department of Transportation was responsible for Operations and Maintenance.

**Availability Payment Concession** – Using this approach, Fluor (or the Fluor team) would be responsible for the design, construction, financing, start-up, and operations, maintenance and rehabilitation of the project but would not take traffic risk in its compensation structure. We would size our availability payment to amortize project debt, pay OM&R costs, and generate a return on equity invested. The contract would be structured with variability of the payments which would be reduced in the event that the facility is not fully in service or other contract requirements are not met. The benefits of this approach are:

- Lower cost of financing than a true toll road because traffic risk is assumed by the public sector.
- The public sector is insulated from construction cost and schedule risk and from operating cost risks post completion, because the private sector takes project delivery risk
- Toll revenue in excess of the availability payment accrues to the public sector.
- Payment for project delivery is deferred over the life of the project.

An example of this structure is the current Windsor Essex Parkway procurement.

**True Toll Road Concession** – Using this approach, Fluor (or the Fluor team) would approach the project as a stand alone business investing in the design and construction of the project and recovering our investment from tolls received in excess of debt service and OM&R costs. The relationship would be governed by a concession agreement defining a mechanism for determining tolls, operating requirements, and turnover requirements at the end of the concession. Many concession agreements provide for revenue sharing in the event that net toll revenue generates a return on investment in excess of a threshold return established in the contract. The benefits of this approach are:

- The public sector is relieved of any obligation to make payments associated with project debt service or OM&R costs and is insulated from the risk that projected traffic and revenue does not materialize.
- The public sector is insulated from construction cost and schedule risk as well as OM&R cost risk.
- Funding for the project comes from the private sector, limiting the need for public sector funding. On some projects where the expected net toll revenues are not adequate to cover debt service and operating costs, the public sector may consider a capital cost contribution or annual subsidy which is a fraction of what it would cost for the public sector to deliver the project.

An example of this structure is the Capital Beltway HOT Lanes project now under construction in Greater Washington DC which was able to use tax exempt Private Activity Bonds and a TIFIA loan in its financing structure.

### ***Term of Agreement***

The preferred length of the Public-Private Partnership agreement under the various business models is primarily a function of the public sector objectives for the project:

- Using a Design/Build/Finance approach, the term of financing can be as short as a couple of years or as long as the debt maturities are available in the market (up to 30 or 40 years). Even longer terms can be accomplished using structures involving periodic refinancings.
- Using a Special Purpose Tax-Exempt approach, financing terms can be as short as 10 years or as long as 30 to 40 years.
- Using an Availability Payment Concession approach, financing terms usually are in the 25-35 year range, which allows the project to be funded with the lowest annual payment and provides a “tail” to the debt financing to provide coverage for lenders.
- Using a True Toll Road Concession approach, financing terms are normally 30 years or greater, with some transactions extending as long as 75 to 100 years. To the extent that net toll revenues are insufficient to amortize debt over a typical term, investors and lenders will require longer terms to allow for debt amortization and equity return that make up for losses or marginal returns in the early years of the concession.

### ***Other Revenue***

While many projects have unique ancillary opportunities to create revenue streams, Fluor has not found that these sources materially contribute to the financing capacity of most projects; consequently, we typically structure financing only around the core revenue source. Because of the specialized nature of duty free shops and other businesses, we recommend that the public sector capture value on these opportunities in separate procurements with firms involved in those specialized business areas. Retail establishments, service stations, and other such opportunities

may lose value by including them in a concession focused on transportation relative to what retail companies would offer for the same opportunities.

## ***Financing***

Because of the international scope of the project and the uncertainty of certain USDOT financing tools available, it is too early in the process to recommend a plan of finance. Clearly, maximization of tools available through USDOT provides the best value for financing transportation projects. But at present, capacity is limited in both the TIFIA program and Private Activity Bond program. The fact that the project straddles an international border will introduce additional challenges. For purposes of responding on this topic, Fluor will make the simplifying assumption that the project will be structured as a True Toll Road Concession and will be able to use the most effective tools available from USDOT:

- Funding Split – 25% equity, 75% debt
- Types of Debt Facilities and Main Assumptions
  - Private Activity Bonds – 30 year maturity, unwrapped, fixed rate, comprising 42% of sources of funds. Assume BBB- rating and tail loaded payment structure. Interest rate in the 6.5 -7.5% range.
  - TIFIA Loan – 40 year loan (35 years post completion) structured with interest accreting for the first 5 years, minimal mandatory debt service for 5 years, and most debt amortization in years 30-40. Interest rate in the 4.5-5.0% range.
  - Equity commitment of 25% contributed pro rata through the construction period.

***Innovative Financing Tools*** - To the extent that the project can access the USDOT Private Activity Bond program and the TIFIA program, these two tools will likely result in the lowest present value availability payment for the public sector. At present, both programs are capacity constrained and at risk for reauthorization in the US Congress. The current competitive allocation process being implemented for the TIFIA program creates significant challenges to a competitive procurement. The timing of approvals and the uncertainty of allocation would introduce unacceptable risk in making an underwritten bid reliant on such financing. To the extent that MDOT is able to make arrangements with TIFIA and USDOT for access to the programs, lower financing costs can be expected from all bidders. Alternately, the procurement could be structured to give bidders the flexibility to include USDOT programs in their plan of finance, but preserve the ability to have a back-up plan of finance that can be implemented without penalty if the USDOT programs are not available through no fault of the bidders.

## ***Respondents Experience***

**Public Private Partnerships** – Table 1 shows major PPP and commercial transportation projects underway or completed in the last ten years. We have successfully completed the first PPP project for six different public agencies. More detailed descriptions of representative projects follow the table.

Table 1. Fluor PPP and Transportation Project Experience

Project Name	Scope	Location	Client*	Project Value (\$M)	Financial Close	Fluor Role						Completion
						PPP - Developer	PPP - Finance	PPP - Design-Build	Design-Build	Construction	Program Management	
Capital Beltway (I-495) HOT Lanes	Increase capacity from 8 to 12 lanes over 14 miles; upgrade 11 interchanges; upgrade or replace 50 aging bridges and overpasses	Virginia	VDOT	\$1,374	12/2007	●	●	●				2013
San Francisco-Oakland Bay Self-Anchored Suspension Bridge	The 1,800-foot-long SAS segment will consist of a single 525-foot-high cable tower constructed on piers and footings. Two parallel steel bridge decks will carry five lanes of traffic in each direction.	California	Caltrans	\$1,434						●		2013
I-15 Core Expansion	Add two lanes in each direction to 23 miles of existing freeway; rebuild/reconfigure 10 free-way interchanges; replace/restore 55 bridges	Utah	UDOT	\$1,100					●			2012
Statewide Bridge Delivery Program	Repair or replace 365 aging highway bridges throughout Oregon.	Oregon	ODOT	\$1,300					●	●	●	2012
Greater Gabbard Offshore Wind Farm	Install 140 3.6 MW wind turbines, each mounted on a steel monopile in water depths up to 112 feet; three 132-kV subsea cables to an onshore substation.	UK	GGOWL	\$3,000	5/2008	●	●	●				2011
A8 Autobahn Improvements	Widened 23 miles of the A8, expanding its configuration from 2x2 lanes without emergency lanes to 2x3 lanes plus emergency lanes.	Germany	AS	\$328	4/2007		●			●		2010
State Highway 130	New 49-mile toll road, including 124 structures, 5 major interchanges, and 2.7 million square yards of concrete paving.	Texas	TxDOT	\$1,100					●			2009
Trunk Highway 212	Expanded a two-lane highway to a four-lane freeway with 7 new interchanges, 29 bridges, and 13 miles of side and cross streets.	Minnesota	MnDOT	\$244					●			2008
National Roads Telecommunications Services	Replaced old telecommunications network with new, state-of-the-art transmission equipment along 3,000 km of motorways; developed a 24/7 Network Operations Center.	UK	NRTS	\$860	9/2005		●			●	●	2007

Table 1. Fluor PPP and Transportation Project Experience

Project Name	Scope	Location	Client*	Project Value (\$M)	Financial Close	Fluor Role						Completion	
						PPP - Developer	PPP - Finance	PPP - Design-Build	Design-Build	Construction	Program Management		
Construction and Resource Management- West	47 projects for road and bridge widening and new alignments, including design, ROW acquisition, construction, and construction management;	South Carolina	SCDOT	\$870							•	•	2007
High Speed Line - Zuid	62 miles of rail constructed through four tunnels and across an aqueduct and a 1.9-mile-long bridge, with connections at five interchanges; included the power supply, signaling, communication, lighting, and control systems as well as noise barriers,	The Netherlands	Dutch State	\$1,430	10/2001		•	•					2006
US Highway 52	Widened an 11-mile-long highway from four lanes to six. The alignment contains 26 bridges, and 11 interchanges.	Minnesota	MnDOT	\$237					•				2006
A59 Freeway Upgrade	Reconstructed 6 miles of a 2x2-lane freeway with 5 grade separations (4 intersections), adjacent parallel roads, bicycle lanes, and exit and access lanes as well as noise barriers and traffic control infrastructure. The finished roadway has two lanes in each direction and three new freeway entrances.	The Netherlands	PNB	\$206	2/2003		•	•					2005
Pocahontas Parkway (Route 895 Connector)	8.8-mile-long divided highway; interchanges with two interstate highways; a 656-foot-long clear-span, cast-in-place segmental bridge over a shipping channel; pre-cast segmental elevated ramp structures and smaller bridges.	Virginia	VDOT	\$331	6/1998		•	•					2002
Conway Bypass	28.5-mile controlled-access highway with more than 60 bridges and six interchanges	South Carolina	SCDOT	\$386	3/1998		•	•					2001



## Capital Beltway (I-495) HOT Lanes

### Project Description

The Capital Beltway High Occupancy Toll (HOT) Lanes Project is a public-private partnership (P3) project. The Beltway is the circumferential freeway serving metropolitan Washington, D.C. The project area is a 14-mile (22.4-kilometer) segment of the beltway. Fluor and its concession partner, Transurban, formed the Capital Beltway Express, LLC (CBE) to develop, finance, construct, and operate the HOT lane system for 75 years.

The mainline roadway will consist of a continuous 12-lane system, comprising eight general-purpose lanes--four in each direction--and four concurrent HOT lanes--two in each direction. The project will be managed using a dynamic tolling system to maintain free flow at all times. The concessionaire takes toll revenue risk.

Role in Project Management— During the development phase, Fluor and Transurban were 50/50 partners in the development effort. For the operating concession, Fluor and Transurban formed Capital Beltway Express LLC as a jointly owned SPV.

### Role in Project Development

The development phase formally began with the signing of a development agreement, which enabled the development team to begin detailed environmental, engineering, and financing investigations on behalf of VDOT at risk to closing.

**Location: Washington D.C., USA**

**Type of Facility: High Occupancy Toll Lanes**

**Date of award: 05/2005**

**Concession Period/ Construction Period: 75 years/60 months**

**Construction starting date: 07/22/08**

**Final acceptance date/Hand back: 1/2013**

**Project Length: 12-miles**

**Size: US \$1.936 billion**

Major development activities included permitting, financing, and conceptual design, traffic analysis, revenue forecasting and associated activities. As co-developer with VDOT, Fluor was responsible for supporting the environmental clearance process,

### Key Development Phase Milestones

- 8/26/04 - VDOT announces it will build HOT lanes
- 4/18/05 -FHWA signs the Final Environmental Impact Statement (EIS)
- 4/28/05 – Development agreement is signed
- 4/18/06 - EIS is submitted by VDOT
- 6/29/06 - Record of Decision for the EIS is signed, favoring the HOT lanes plan
- 12/20/07 - Financial Close



**Key Challenges and Solutions**—Implemented As a ‘First-of-its-kind’ multi-access HOT lane facility, the project encountered a number of significant challenges. There was significant public sensitivity to such a large a highway project within a very environmentally sensitive and highly congested corridor. Further complicating the effort was a prior widening concept promoted by VDOT. This prior concept would have resulted in the destruction of more than 300 single-family residences and close to 50 commercial properties at a cost of more than \$4 billion. Fluor was successful in addressing public concerns about the project through an active public information campaign to explain the benefits of a HOT lanes facility within the corridor as well as how our project limited property impacts to the acquisition of only 8 rental units total.

Another key challenge was the high level of congestion within the corridor and the need to preserve all traffic lanes during peak hours. Congestion affected the planning and design of the HOT lanes addition as well as our ability to maintain existing traffic flows during construction. Extensive studies and coordination with local jurisdictions resulted in a project operational and construction approach that minimizes disruption during construction and, upon completion, results in a facility that adds 60 percent more capacity within the corridor, without increasing congestion on the local road network. In addition, the project design and operational concepts provide for transit (express bus) operations within a corridor that due to congestion had lacked transit for over 30 years.

**Unique aspects**— The Capital Beltway HOT Lanes project will be the first significant congestion pricing project in the world using Dynamic Toll Pricing to maintain free flow even during peak traffic periods. The tolling system will be all electronic and allow for free use by qualified High Occupancy Vehicles. This will be the first facility to use an automated occupancy detection to assist in the enforcement of HOV requirements. The project will be actively managed 24/7 from an operations center which, assisted by automated incident detection equipment and closed circuit TV will dispatch incident response vehicles to minimize traffic resulting from incidents and accidents.

The Capital Beltway HOT Lanes financing plan represented one of the most innovative and financially complex financings accomplished in the face of unprecedented disruptions in financial markets during 2007 and 2008. The core senior debt was structured as Private Activity Bonds (PABs), the first and only such issuance, authorized by the U.S. Congress in the Safe, Accountable, Flexible, Efficient, Transportation Act: A Legacy for Users (SAFETEA-LU) in 2005. The legislation was crafted to allow private sector borrowers in the transportation sector to use tax-exempt financing, which had previously been available only for public sector issuers. The debt had a 40-year final maturity, with all principal amortization in the last ten years.

In addition to pioneering the use of PABs, the Project also accessed subordinate debt from the U.S. Department of Transportation (USDOT) under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program. This fixed-rate debt was structured as a subordinated credit facility, available for draws during the construction period, with interest accruing to principal until five years past completion. Principal amortization was crafted to allow for repayment in the later years of this 40-year maturity facility.

A key to the success of the project is maintenance of traffic in the corridor which is the second most congested area of the US. All four existing traffic lanes remain open during peak hours while all interchanges in the corridor are being reconstructed to accommodate the new lanes.



## A8 Autobahn

### Project Description

Fluor Infrastructure BV is a shareholder in the concession company, autobahnplus (a+), that was awarded the 30 year concession to execute the A8 Autobahn project between Augsburg and Munich, Germany. This project is the first public-private partnership (PPP) road project to be awarded in Germany, for which income is based on toll revenues from trucks. The project reached financial close in April 2007. a+ is responsible for both the financing and performing the construction to improve the A8 as well as administrating the 30 year concession to operate and maintain the motorway. A construction joint venture was formed to undertake the construction scope and is currently working on widening 37 kilometers (23 miles) of the A8 from two to three lanes and adding an emergency lane in each direction.

Shareholders of a+ are:

- BAM PPP (25%)
- Fluor Infrastructure (25%)
- Trapp Infra Wesel / Volker Wessels (25%)
- Egis Projects (19%)
- Berger Bau (6%)

**Location: Augsburg to Munich, State of Bavaria, Germany**

**Type of Facility: Autobahn**

**Type of Project: Toll Road**

**Status: under construction**

**Date of award: 03/2007**

**Financial Close: 04/2007**

**Concession Period: 30 years**

**Construction Period: 44 months**

**Construction Completion: 12/2010**

**Finance Size: €280 million**

**Capital Cost: €240 million**

Partners in the construction joint venture are:

- BAM PPP (25%)
- Fluor Infrastructure (25%)
- Trapp Infra Wesel / Volker Wessels (25%)
- Berger Bau (25%)

### Fluor's Role in Providing, Arranging, or Securing Financing for the Construction Project;

Fluor was a key member of the team that managed the financing process. Fluor took the lead in negotiating and finalizing the financing documentation with the two mandated lead arrangers (Depfa and Santander).

Other advisors that were used by a+ in the project were:

- Financial adviser: KPMG
- Legal adviser: Lovells
- Traffic adviser: SDG / BVU
- Insurance adviser: Willis

### **Summary of the Amounts and Types of Financing Raised (Including the Risk Capital Contributed)**

- Senior Bank Debt : 240m Euro
- Mezzanine (Bank) : 12.5m Euro
- Equity : 27.5m Euro

### **Key Innovations, Challenges and Solutions Implemented;**

This was the first road P3 project to reach financial close in Germany and so faced the normal challenges in negotiating financial and commercial terms when little precedent is available. In reaching financial close all parties had to maintain flexibility in their respective positions and remain focused on the ultimate goal. The experience of the Fluor team and the banks gained on similar transactions in other jurisdictions was a key factor in achieving financial close within the tight timetable set by the client.



## **Pocahontas Parkway (Route 895 Connector)**

### **Project Description**

Fluor was selected on the basis of an unsolicited proposal to the Virginia Department of Transportation (VDOT) to develop, design, and build the Pocahontas Parkway (Route 895 Connector). This project was the first highway construction project to be implemented under the Commonwealth of Virginia's Public Private Transportation Act of 1995. A joint venture of Fluor Daniel and Morrison Knudsen, FD/MK LLC, managed the development, design, construction, and startup of the new tollway. The formation of a strong partnership between Fluor and VDOT was extremely important for the development of the project and a key factor in its successful completion. Fluor worked closely with the Commonwealth to develop the project as a toll facility using nonrecourse tax-exempt financing. Fluor managed the design and construction of the 8.8-mile (14.2-kilometer) divided highway, which contains interchanges with two interstate highways; a 656-foot (200-meter) clear-span, cast-in-place segmental bridge over a shipping channel; pre-cast segmental elevated ramp structures and smaller bridges; and toll facilities.

### **Role in Providing, Arranging, or Securing Financing for the Construction Project**

Pocahontas Parkway, was conceived by VDOT to complete a missing link in the circumferential beltway around Richmond, Virginia. When initially conceived in 1974, the project was planned as a freeway facility, subject to future funding appropriations. The Commonwealth of Virginia was on record that full funding of the facility would not be available until after 2010 at the earliest. In the 1980s and '90s, the expansion of Richmond and the increase in trucking traffic in the area made the project more imperative.

**Location: Richmond, Virginia, USA**

**Type of Facility: 63-20 Bond financing,**

**Type of Project: Toll Road and Bridge**

**Status: complete**

**Date of award: 07/1998**

**Financial Close: June 24, 1998**

**Concession Period: 37 years**

**Hand Back: 2035**

**Project Length: Design/Build 50 months**

**Size: \$354 million**

**Capital Cost: US \$331 million**

**Role: Developer and CJV Partner**

Prospects for the project changed with the passage of the Commonwealth of Virginia's Public-Private Transportation Act of 1995. This legislation allows development and financing of projects that incorporate innovative financing, management, and design approaches. It allows VDOT to consider proposals from private entities for construction of highways and other transportation facilities, when needed, using private money rather than waiting for state or federal funds to become available. The Pocahontas Parkway became the first highway construction project to be implemented under the legislation. This parkway was also only the second transportation project nationwide to be financed through a 63-20 corporation.

Acting on this opportunity, Fluor and Morrison Knudsen, as the joint venture FD/MK LLC, submitted a proposal to VDOT in 1995 to develop, design, and build the highway. Fluor was the managing partner with a 60 percent interest in the JV, and Morrison Knudsen's partnership was 40 percent. FD/MK took VDOT's preliminary design and developed a design-build project approach for the highway, working closely with the Commonwealth to develop the project as a toll facility using nonrecourse tax-exempt financing. This creative financing approach enabled the Pocahontas Parkway to be built without a 15-year delay to assemble financing.

### **Summary of the Amounts and Types of Financing Raised (Including the Risk Capital Contributed)**

Only US \$27 million of the Parkway's total US \$331-million cost came from public funds. The vast majority of the funding was raised through the sale of private bonds by FD/MK, which minimized the risk to both the localities and the taxpayers. The bond offering was limited to qualified institutional investors. Project financing was distributed as follows:

- US \$354 million in tax-exempt toll revenue bonds sold by a 63-20 corporation
- US \$9 million in federal funds for design costs
- US \$18 million in SIB loans
- US \$6 million standby credit facility from Fluor and MK.

### **Key Innovations, Challenges and Solutions Implemented**

- First construction project to be implemented under Virginia's Public-Private Partnership Act
- Second transportation project in the U.S. to be financed through a 63-20 corporation
- Tax Exempt subordinated debt commitment to cover shortfalls on senior debt if needed.

### **Significant Honors and Awards**

- National Council for Public-Private Partnerships, 2003 Distinguished Public-Private Partnership Infrastructure Award

## San Francisco/Oakland Bay - Self-Anchored Suspension Bridge



### Project Description

The 50/50 joint venture of Fluor and American Bridge Co. (AB/FJV) is constructing the Self-Anchored Suspension (SAS) span of the new San Francisco – Oakland Bay Bridge. (The west span is being constructed under a separate contract.) The existing Oakland Bay Bridge was damaged during 1989 Loma Prieta earthquake, and on-schedule completion to mitigate increasing risk of existing weakened bridge in future quakes is a high priority for Caltrans, the Cities of Oakland and San Francisco, and the State of California.

This project is the largest public infrastructure contract to be awarded in California history. The Self-Anchored Suspension segment is located on the East Span of the Bay Bridge. The 2,050-foot-long SAS segment will consist of single 525-foot-high cable tower constructed on piers and footings. Two parallel steel bridge decks will carry five lanes of traffic in each direction. The SAS is expected to be open to vehicle traffic in 2013 and will be the world's largest single tower self-anchored suspension bridge.

This construction contract was awarded on a low-bid basis. The AB/FJV low price was based on an innovative approach to

**Location:** California

**Type of Facility:** Bridge

**Type of Project:** Construction

**Status:** under construction

**Date of award:** 05/2006

**Construction Period:** 44 months

**Construction Completion:** 03/2013

**Capital Cost:** \$1,434 M

**Role:** Partner in construction joint venture

construction. A major construction challenge involves the suspension cable system. A single cable, anchored on one end of the bridge, will cross over the top of the single tower, loop under the span's opposite end, and cross back over the tower top to the other side. Additional challenges include construction of the falsework that supports the new road deck and the single tower, followed by the transfer of the road decks to the suspension cable system and incorporation of elements that will provide seismic stability.

ABFJV began construction on the SAS portion of the bridge in 2006. When finished in 2013, the SAS, together with the Skyway and Oakland Touchdown, will complete the East Span of the Bay Bridge. Initial construction activities included logistics planning and long-range procurement. A 400-foot-long, 1,700-metric-ton-capacity shear leg crane barge was constructed to lift the massive segments of the deck and tower. Bridge components are being fabricated in the U.S., Europe and Asia. A secondary office was established in Shanghai, People's Republic of China to oversee production of the main structural steel fabrication and supply.

AB/FJV has erected a falsework structure to support the new road deck. Bridge components are being delivered in eight shipments, arriving every two months from China. Road deck segments will be lifted from the barges onto the falsework by the shear leg crane barge. The road deck will be in place after 28 lifts. The 125-foot-tall single tower from which the bridge is suspended, will be completed concurrently. After installing the 2.6-foot-diameter main cable and suspender cables, the deck weight will be transferred from the temporary falsework to the main cable.

The following link provides access to a website developed by our client to describe the complexity of the SAS project and demonstrates progress to-date (please click on the SAS data points):

<http://baybridge360.org/#/poi/sas>

The completion of the SAS bridge will provide the San Francisco Bay area with not only a breathtaking bridge, but also a sound structure that will withstand major seismic events and serve as an emergency lifeline route for disaster responses. ABFJV is providing new levels of innovation and an exacting precision in work performance and construction quality to deliver a signature bridge that meets these requirements. This project exemplifies the high level coordination required between contractors, agencies, and the public to make sure all elements of this highly complex, multi-segmented, mega project come together as planned.

## Local Contracting Partners

Fluor’s approach to construction of large projects is typically a balance of self-perform and sub-contracting to meet our clients’ goals for local participation and still deliver the project in the most cost-effective manner. In order to control project schedule, we typically self perform work on the schedule critical path. Our experience has shown that local firms and disadvantaged business enterprises (DBEs) deliver competitive prices, provide the depth of knowledge of local conditions that drive project success, and bring diversity of experience and knowledge that provides better solutions. We subcontract to local contractors who have resources in the area and clearly understand working conditions and local requirements and norms. This benefits our clients because the efficiency of working with local contractors reduces project costs and it benefits the local economy, which fosters local acceptance for the project and enhances the local perception of the client. As a part of our subcontracting effort, we work aggressively to provide opportunities for DBEs. To demonstrate our commitment to local contracting, Table 2 shows our success in meeting goals for local DBE participation on major U.S. projects.

Table 2. Fluor DBE Goal Achievements on Past Transportation Projects

Project Name	Location	Client	Project Value	Goal (%)	Met or Exceeded	Actual DBE Total Contract Value
Capital Beltway	Washington DC	VDOT	\$1,374M	15.0	In Progress	\$130.0 M
State Bridge Delivery Program	Oregon	ODOT	\$1,300M	10.0	Exceeding	\$161.1 M
SH 130 D/B, Segments 1-4	Austin, TX	TxDOT	\$1,100M	12.7	Exceeded	\$172.0 M
TH 212 D/B	Chaska, MN	MnDOT	\$244M	9.1	Exceeded	\$22.8 M
Construction and Resource Management-West	Western South Carolina	SCDOT	\$870M	11.87*	Exceeded	\$71.3
Pocahontas Parkway D/B	Richmond, VA	VDOT	\$331	5.0	Exceeded	\$20.5 M

\*The goal was applied only to the 37 Projects for which Fluor managed construction directly; the contract value for this work was \$494M – the DBE participation goal was \$58.6M

Because of our long-standing interest in the project, we have already initiated teaming discussions with partners, subcontractors, and consultants on both sides of the Detroit River. On the Michigan side, we have an established relationship with Walbridge and have advanced teaming discussions with Dan’s Excavating, Ajax Paving Industries, Angelo Iafrate Construction, and Walter Toebe Construction as dedicated subcontractors. We have also engaged Harley Ellis Devereaux as a key consultant on our team. On the Windsor side, we have existing teaming relationships with SLR Contracting Group and the Amico Group. Fluor is committed to meeting goals for involvement and participation.

## Conditions Precedent

In order to ensure the most cost-effective solution for the public, regardless of the delivery model, the following are issues that should be removed or actions undertaken prior to the initiation of the procurement process:



- Enabling legislation – clearly, the sponsoring governments on both sides of the border must have the legal authority to conduct a procurement and award a contract using the intended method of execution
- Environmental clearance – any required environmental approvals (including, but not limited to NEPA)
- Federal government permits (including Corp of Engineers permits, Coast Guard approvals and Presidential permits) on both sides of the border
- Early and frequent public involvement to assure public support.
- Commitment or appropriation of any public funding required to complete the procurement.
- Identification of public sector "champions" both from the elected side and the agency side.
- Identification of project opponents, elected, agency, environmental groups, etc.
- Engagement and communication with stakeholders who may feel threatened e.g., those traditionally involved in public sector project delivery (contracting and engineering communities)
- Confirmation of the financial feasibility of the deal structure (if toll road, plan of finance; if a subsidy is needed, quantification and sourcing)
- Prior arrangements with USDOT on federal financing tools available so that each bidder doesn't have to start from scratch with TIFIA. If TIFIA, the agency on the US side should submit a LOI on behalf of bidders.
- Clear definition of the entity that will execute the procurement and the role of both governments in the decision-making process.