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Indiana, Illinois Toll Roads may Join Macquarie Sales

Bloomberg – July 28, 2009

Australia's Macquarie Infrastructure Group, a publicly traded toll-road fund, may sell the leases on the Chicago Skyway and Indiana Toll Road in an effort to raise cash, investors said. In a July 8 statement, the group managed by Australia's biggest investment bank Macquarie Group Ltd., says "it is reviewing options which seek to enhance security holder value."

The statement sparked speculation that the first privatized toll road – the Skyway – and the largest privatization contract – the Indiana tollway – may be part of the organization's divestiture strategy, according to William Seddon, an analyst who helps manage \$250 million with White Funds Management in Sydney. Macquarie and Cintra signed a 99-year lease in 2005 and paid \$1.83 billion for the Chicago Skyway, the first privatized U.S. toll road.

Macquarie Infrastructure has also seen a 14 percent devaluation of the Australian dollar against the U.S. dollar in the last year, cutting the value of the Australian dollar in its U.S. investments.

Leigh Morris, deputy commissioner for toll road oversight at the Indiana Department of Transportation, said thus far, Indiana Toll Road lessees Macquarie and Cintra have performed up to the terms of the 75-year, \$3.8 billion deal signed in June 2006. "There's been speculation that our toll road is at the top of the list," Morris said, referring to the sale. "If that were the case, I would think it would have been discussed with us early on."

"Long-dated swaps are in place for both the Indiana Toll Road and the Chicago Skyway, which are

required to be marked to market for accounting purposes," Macquarie Infrastructure spokesman Alex Doughy said. "Whether the swaps are in or out of the money is relevant if the swaps are terminated. Otherwise, they remain in place until maturity."

Mass. Treasurer Blasts MassPike's 'Fiscal Shell Game'

Land Line Magazine – July 28, 2009

Massachusetts could be forced to assume a \$432 million burden if the Massachusetts Turnpike Authority does not quickly resolve a taxpayer lawsuit, which claims overcharging and diverting revenue to pay for overruns with Boston's Big Dig tunnel project, according to state Treasurer Timothy Cahill. He is urging Gov. Deval Patrick to take action immediately to resolve the lawsuit before a court hearing Aug. 6 that could leave the state liable for the debt.

"I know I join taxpayers across Massachusetts who are outraged that the Turnpike Authority has been financially mismanaged for years – and that the state has to assume the burden," Cahill said in a letter dated July 27. "Not only has the Turnpike Authority allowed this inequity to continue, it has recently threatened to increase tolls on the MassPike – even though the Transportation Reform legislation mandated that tolls be reduced. Without speaking to the merits of the class action, to overcharge toll payers so that others can ride for free is fundamentally unfair. This type of fiscal shell game cannot continue and must be addressed immediately."

The plaintiffs, which includes trucking organizations and commuters, say the revenue should only be spent on the specific roadway on which the toll is collected. Gov. Patrick signed reform legislation in June to consolidate turnpike operations with other state departments to form one transportation agency. The governor has yet to find an equitable way to pay down the remaining \$15 billion Big Dig debt.

Audit: Fraud Possible at Ga. Transportation Dept.

Associated Press – July 28, 2009

ATLANTA – A state audit of Georgia's Department of Transportation has uncovered evidence of "possible financial statement fraud," in a report released by auditors stating the agency tried to conceal tens of millions of dollars in construction contracts. Gov. Sonny Perdue called the discovery "troubling," and urged state attorneys to begin an investigation.

Auditors found a \$456 million deficit after a review in September, and the new 52-page report concluded that the employees were told to stop recording construction contracts in June 2008 to hide the deficit. The Department of Audits report claimed the department may have lost \$111 million in state motor fuel interest earnings because of a little-used accounting maneuver.

State lawmakers approved an overhaul for the Georgia transportation department this year, turning power over to the governor and legislators for how infrastructure dollars are spent. They also created a new state-planning department to manage long-term projects.

New Tappan Zee Bridge Sparks Planning Dilemma

New York Times – July 24, 2009

The replacement of New York's aging Tappan Zee Bridge, which spans the Hudson River connecting Westchester and Rockland Counties, is providing transportation officials with an opportunity to revamp transportation in the region. Proposals for the new bridge include plans to accommodate cars, a new Metro-North commuter rail line and express bus service.

The cost of the new bridge is nearing \$16 billion however, and officials are working to secure federal funding, and gather political support in the surrounding communities.

"The Tappan Zee has become the quintessential 21st-century planning dilemma," said Robert E. Paaswell, a civil engineering professor at City University of New York. "It's a 50-year-old bridge beyond its design life. And the community around it has grown so developed and complex that there are real questions about whether people can agree on how to replace it."



We included this article in this week's TWR because it sums up the dilemma in which many transportation agencies find themselves. A key transportation facility needs to be replaced, enhanced or expanded: the price tag for the solution is "eye popping." The ability to garner public support for funding a singular solution is in question. I'll bet every reader can think of a project like this. Whether or not the Tappan Zee solution is ever implemented will depend on leadership. During the \$1.325 billion I-15 project in Utah while I was the DOT Director we had an amazing level of support from Governor Leavitt and the legislature. That project would never have been built in 4.5 years without their support and leadership. TW

Eight Governors Join for High-Speed Passenger Rail

Kansas City Business Journal – July 28, 2009

Missouri Gov. Jay Nixon and seven other Midwestern states governors, along with the mayor of Chicago, have pledged to work together to obtain stimulus funding for a high-speed commuter rail system connecting the region. The nine leaders signed a memorandum of understanding to work together in winning a portion of the \$8 billion from President Obama's economic stimulus package designated for high-speed passenger rail projects across the nation.

The elected officials estimate that the rail development will generate 15,000 construction jobs and 57,000 permanent jobs. "The decade-long cooperative effort of Missouri and the other Midwestern states will play in our favor," said Nixon spokesman Scott Holste. "This is the kind of once-in-a-generation opportunity that we want to ensure that Missouri is at the forefront."

Among the first priorities in the agreement is rail connecting Chicago and St. Louis, followed by the construction of a line between St. Louis and Kansas City. The other states committed in the agreement are Indiana, Illinois, Iowa, Michigan, Minnesota, Ohio and Wisconsin.

Gov. Announces Additional Stimulus Projects Funded w/ Low Bid Savings

PRNewswire – July 28, 2009

HARRISBURG – This week Pennsylvania’s governor announced the addition of 52 projects to Pennsylvania’s list of highway and bridge improvements that are being funded by the American Recovery and Reinvestment Act (ARRA).

“The combination of competition in the marketplace and the easing of costs for material has produced bids that have been, on average, 11 percent below estimates,” Governor Ed Rendell said. “This means we can stretch these critically needed recovery dollars even further and reach even more areas of Pennsylvania.”

Pennsylvania’s allocation of \$1.026 billion for highway and bridge projects remains unchanged. As of July 24, PennDOT had told contractors to begin work on 178 of the ARRA projects, worth \$420 million. In June, contractors reported their ARRA work had created or sustained 1,930 jobs. The governor also noted that PennDOT had adjusted funding for four ARRA projects.



I am hearing about this trend all over the country. The contracting community is submitting amazingly low prices. That can be good for the state DOTs as they are able to stretch their ARRA dollars and other funds further than expected—reversing a concerning inflationary trend of a few years ago. That said, those of us who have spent considerable time administering large projects know that prices can get too low and then problems ensue. If claims or disputes occur, the “warm feeling” you got when the prices came in low dissipates very quickly. TW

JFK Airport Upgrades include \$376M to Cut Delays, Congestion

NY Daily News – July 29, 2009

New York state officials unveiled a \$376.3 million plan this week to cut delays, congestion and taxiing time at the John F. Kennedy Airport. Among the upgrades, Gov. David Paterson said, is the Bay Runway – used for one-third of the airport’s traffic – will be widened to 200 feet from 150 feet and have drainage and electrical system upgrades.

The project will require the airport’s busiest runway to be closed for four months next year, and the Federal Aviation Administration will reschedule flights so the other three runways can absorb the additional traffic. The Port Authority and FAA will pay for the rehabilitation, which is expected to generate 2,500 jobs.

“What we’re trying to accomplish here today is to really pull [JFK Airport] into the 21st century,” Paterson said. “It will be only four months in development, but it will change this airport for all time.”

Turnpike Authority Awards Contracts for N.C.'s First Toll Road

Triangle Business Journal – July 29, 2009

With \$1 billion in bond and loan money in its possession, the North Carolina Turnpike Authority this week announced it was ready to award the first construction contracts for the state's first toll road, the Triangle Expressway.

The first, \$137.5 million leg of the project will extend the Durham Freeway south through Research Triangle Park, which will be open in a little over two years. That contract for the Triangle Parkway segment was awarded to S.T. Wooten Corp. of Wilson.

A joint venture of Archer Western Construction LTD and Granite Construction Co. received a \$446.5 million contract to construct the Western Wake Freeway segment to extend NC 540 to Holly Springs. That portion should be open by 2012.

"This begins a new era for funding transportation projects in North Carolina," said David Joyner, executive director of the Turnpike Authority, in a written statement. "While financing the Triangle Expressway presented unforeseen challenges due to recent credit market events, it reaffirmed our commitment to providing this new form of highway delivery. We are excited about bringing this project to the citizens of our state decades sooner than otherwise possible using conventional funds."