



The Changing Market: Would a P3 Benefit My Port?

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Overview

- Port finance: A changing structure
- P3 or not?
- Structure of P3
- Partner selection
- Ongoing relationship
- End game
- Some links for further reading

Port Finance: A Changing Structure

- Global development of public private partnerships
- The background of public private partnerships in the U.S. and Canada: SCA's and highways
- Surface transportation, crumbling infrastructure, U.S. defunding and C-23

Port Finance: A Changing Structure II

- Non-strategic (financial) partner involvement in ports
- Far East to East Coast all-water services
- Upsizing the Panama Canal in 2015
- Inland cargo movement – congestion and capacity balance
- GASB – Exposure draft in March 2009

Port Finance: A Changing Structure III

Exhibit 5-12. Revenues to finance U.S. port improvements, 2001-2005 (\$ thousands)

Revenue Source	2001	2002	2003	2004	2005
Port Revenues	802,331	547,040	751,044	299,667	1,422,016
General Obligation Bonds	96,478	334,372	206,051	345,837	348,696
Revenue Bonds	449,088	188,120	223,557	183,794	107,979
Loans	12,401	60,281	45,429	8,467	7,306
Grants	94,453	110,047	100,005	72,909	94,191
Other	119,005	187,076	191,299	56,304	69,874
Total	1,573,756	1,426,936	1,517,385	966,978	2,050,063

This exhibit shows the sources of port-related revenues between 2001 and 2005.

Source: U.S. DOT, Maritime Administration, *U.S. Public Port Development Expenditure Report (FYs 2005 and 2006 to 2010)*, July 2007.

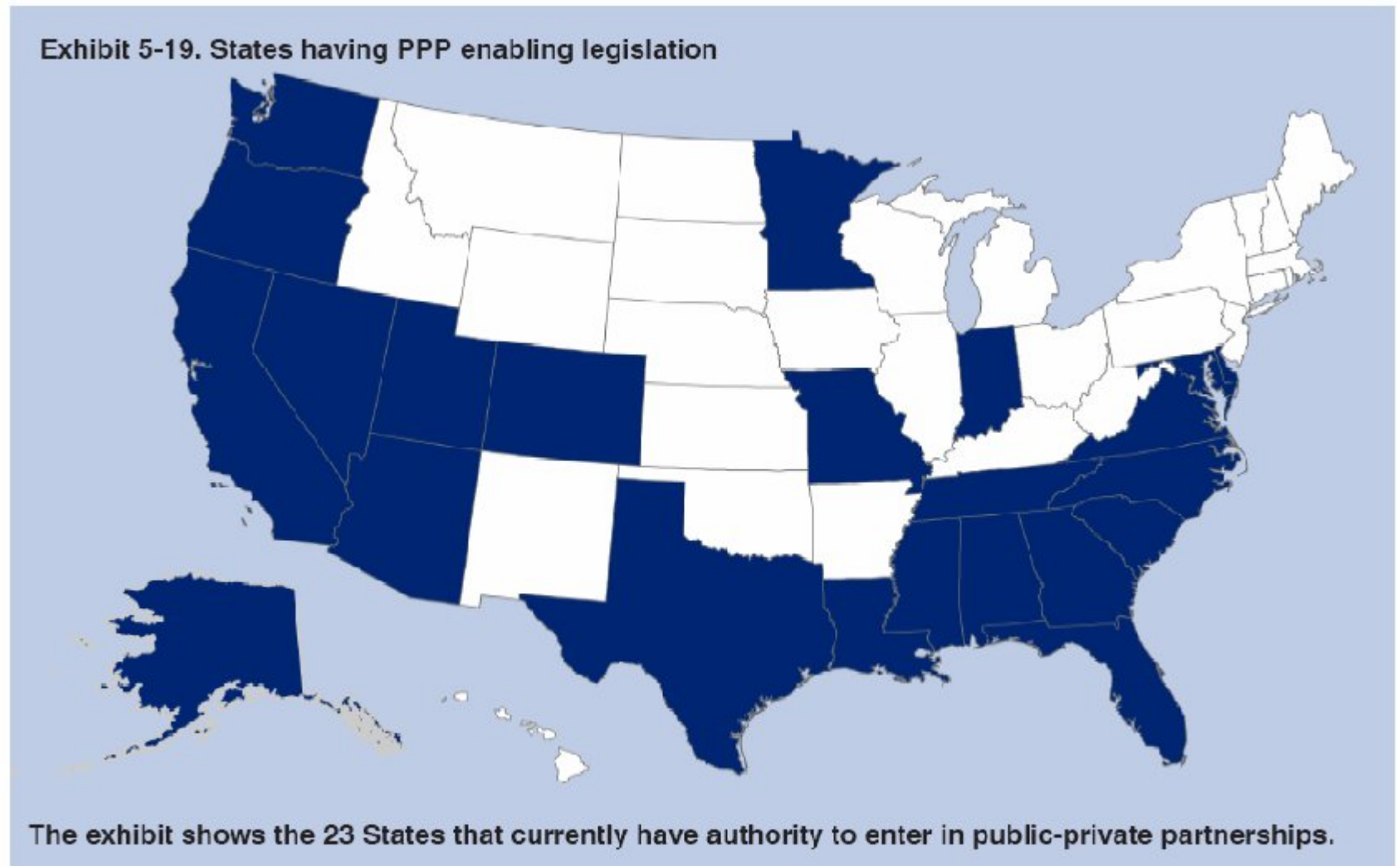
P3 or Not?

- What are the real costs
 - Undervaluing and confidential minimum
 - Documenting costs
- What is the port development plan and how does P3 fit
- Use of funds
 - Project specific?
 - Upfront funds
- Stakeholders issues – cargo, jobs, community and environment
- Opportunity costs

Structure of P3s

- What is being monetized
- What is the effect on competition
 - Pour encourager les autres
 - Monopolies and restraints
- Transparency versus confidentiality
- Public confidence
- Stakeholder issues

Structure of P3: Legal Framework



Source: U.S. DOT Public Private Partnership Website: <http://www.fhwa.dot.gov/ppp/legislation.htm>.

Structure of P3 - Process

- The public interest
 - Public accountability of the electorate and the public officials
 - Conflict of public sector goals, revenue maximization and effectiveness
 - Unsolicited proposals and cherry-picking
 - Standards of construction and operation of projects

Partner Selection

- Strategic, financial and mixed partnerships
- Sole source and competitive bids
- Legal issues
 - FMC concerns
 - State and local
- Political considerations

Partner Selection - II

- Internal Due Diligence
 - Valuation
 - Useful life
 - Controls
 - Environmental issues
 - Throughput balance
 - Employee/labor constraints
 - Conflicts of interest – real and perceived

Partner Selection – III

- Partner Due Diligence
 - Financial partner objectives and motivations
 - Transparency issues – disclosure of all equity holders
 - Stakeholder reaction
 - Community
 - Labor
 - Other port users
 - Other government entities

Ongoing Relationship

- Pricing – arguments about rate of return
- Performance
 - measurements
 - remedies
- Operational control
- Recourse
- Modifications, contingencies and changed circumstances
- Emergencies

End Game

- Rebalancing
- Default or renegotiation
 - Bankruptcy
 - Sale
 - Termination for convenience
- Termination date(s)
- Close out terms and conditions
 - Eminent domain
 - Clean up costs

Links for Further Reading

- The GAO report – more rigorous upfront analysis:
<http://www.gao.gov/new.items/d0844.pdf>
- National Coalition – at ncppp.org
- Overall Infrastructure – at
http://www.transportationfortomorrow.org/final_report/pdf/volume_3/technical_issue_papers/paper4m_01.pdf