

IBTTA 75th Annual Meeting & Exhibition
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 OCTOBER 7-10, 2007 | VIENNA, AUSTRIA

Tolling:
 The Art of
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IBTTA
 International Bridge, Tunnel and Turnpike Association
 75 YEARS OF DRIVING CHANGE

Privatization of Existing Toll Roads: A Tale of Two Countries

The US and French Experience

John Foote, Senior Fellow—Kennedy School of Government (presenter)
 and
 Germa Bel, Professor of Economics—University of Barcelona

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Comparison of Prices Paid for Toll Road Concessions in US and France

US\$ million (\$1.18 to 1 Euro)

	APRR	SANEF	ASF	Skyway	Indiana Toll Road
<i>Year</i>	2005	2005	2005	2004	2005
Gross Revenues	\$1,800	\$1,359	\$2,864	\$41	\$99
Net Income (EBITDA)	\$1,149	\$873	\$1,853	\$29	\$64
Concession Price	\$14,122	\$10,645	\$23,161	\$1,830	\$3,850
Price as Multiple of EBITDA	12.3x	12.2x	12.5x	63.1x	60.2x

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French vs. US Concession Terms

	APRR	SANEF	ASF	Skyway	Indiana Toll Road
Length of Concession	27 years	22 years	27 years	99 years	75 years
Toll Regulation	70% of CPI	70% of CPI	70% of CPI	Greater of 2%, CPI, or GDP	Greater of 2%, CPI, or GDP
Price as Multiple of EBITDA	12.3x	12.2x	12.5x	63.1x	60.2x

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Summary of Price Drivers

	Concession Price (a)	Multiple of EBITDA
Skyway concession price-actual	US\$1,830,000	63.1X
Adjusted for shorter concession term (23 years)	1,031,388	35.6X Structural
Adjusted for lower allowable tolls (70% of CPI)	724,586	25.0X Structural
Adjusted for more modest traffic growth	434,087	15.0X Procedural
Adjusted for less leverage	361,272	12.5X Structural
Average for French concessions		12.3X

(a) Excludes transaction fees.

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Social welfare analysis

- What we look at to determine winners and losers...
 - Changes in users' welfare
 - Changes in producer welfare
 - Changes in taxpayers' welfare
 - Changes in external effects
 - Changes in workers' welfare

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Using Chicago Skyway as a proxy...

Who are the winners?

Local (Chicago) taxpayers

Who are the losers?

- Skyway users:
 - US\$500 million of lost of purchasing power for consumers due to toll increases > CPI
 - US\$242 million of opportunity cost due to consumers not sharing in the productivity/efficiency gains (difference between 100% CPI vs 70% CPI)
 - Consumers' loss (relative to French concessions)=US\$742 million, or 41% of total concession price
- Residents of the region because of external effects

Toll Roads and Concessions... Conclusions

- **There is no intrinsic value that can be assigned to a particular toll road**
- **The value (or price) is largely a function of the characteristics of the concession and not the road itself**
 - Structural and procedural decisions made by the public owner affect the concession price
- **The terms of the concession have direct consequences that are enjoyed or borne by the various stakeholders of the toll road**