Partnerships in Transit

Generating Private Sector Financing

Panel Discussion
July 21, 2008
Key Message:

- PPP’s are a valuable project delivery structure that continues to expand globally.
- PPP’s have created a need to develop integrated risk transfer/financing and risk mitigation solutions for the project-life-cycle in order to attract alternative funding sources from the Private Sector and less reliant on Public Funding.
- As Economy weakens and the Federal Deficit grows, the need for Private Financing of public projects is imperative.
Objective – Provide More Stable Project Risk for Financial Stakeholders

- Early involvement during capital formation / development stage:
  - Effectively address risk and cost allocation issues
  - Re-engineer frictional cost of risk
  - Credit enhancement opportunity
  - Increase comfort of project participants
  - Bring financial closure to transaction

Financial Arbitrage
Integrated Project Risk Approach

• Broader view of risk & mitigation
  – Blended capital tools that provide traditional & non-traditional risk financing
  – Front-end alignment through risk management
    • Enhance management control
    • Minimize adverse impact to cost, schedule and quality of work

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Sample Design-Build-Operate Financial Risk Protection

Workers Compensation
Employers Liability
Retention

General Liability
Automobile Liability
Retention

Professional Liability
Pollution Liability
Retention

Contractor Default Insurance
Performance & Payment Bonds
Retention

Financial Contingency
Performance Risk
Retention

Builders Risk
Bus. Interruption
Marine Transit
Retention

Revenue Protection
Alternative Funding Mechanism
Retention
We Can Effect Key Stakeholder Costs! – REDUCED CONTINGENCY

Aon Influence

Cost (to scale)

Insurance Brokerage and Advisory Costs
Insurance and Performance Security
Cost of Construction
Cost of Operations
Cost of Capital

(100’s of Thousands)
(Millions)
(10’s of Millions)
(10’s of Millions)
(100’s of Millions)

Risk Contingency