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## Information Requested

Any and all feedback is welcomed by MDOT; however, the below questions outline the general information being sought from this RFI. Please answer any or all questions that you or your organization deem relevant.

### a. General

- 1. Please describe your firm, its experience in relation to P3 projects, and its potential interest in relation to these potential congestion relief improvements.**

Globalvia (“GVI”), incorporated in 2007, is one the world’s largest infrastructure investor and asset manager (based on the number of concessions). GVI’s strategy is to invest for the long term, becoming a partner to the grantors, and helping the assets to evolve in time throughout the duration of the contract. Three international Pension Funds own the company (Canadian, Dutch and British), which confirms our long term investing strategy, and guarantees our financial capabilities. Our revenues in 2016 were €302,176,000 with a gross operating profit (EBITDA) of €176,600,000. Currently, GVI manages 28 infrastructure assets including roads and railways in eight countries.

Globalvia has an extensive experience operating highways worldwide including the management of all aspects of toll roads. Globalvia has a sound expertise in toll collection, traffic management, incident and accident management, operation of 24-hour customer and emergency call centers, road maintenance, drainage system maintenance, patrol service and ITS operations.

Additionally, Globalvia’s expertise covers all types of toll collection. As seen in the table below, Globalvia operates toll road concessions that utilize Open Road Tolling (“ORT”), Electronic Toll Collection (“ETC”), Automatic Toll Payment Machine (“ATPM”) and Manual lanes:

Concession	Concession type	Type of Toll	Miles
Pocahontas Parkway	Direct Toll	ORT	10.4
Ruta 160	Direct Toll	Manual lanes / ETC	144
Acega	Direct toll	Manual lanes/ ATPM / ETC	35.5
Túnel de Sóller	Direct toll	Manual lanes/ Automatic Lanes	1.9
Concesiones de Madrid	Shadow		8.8
Ruta de los Pantanos	Shadow		13.6
M-407	Shadow		7.3
SCADA	Direct toll	Manual lanes / ORT	136.4
SCADI	Direct toll	Manual lanes/ ATPM / ETC	61.4

Túnel d'Envalira	Direct toll		2.6
Autopista del Sol (Ruta 27)	Direct toll	Manual lanes / ETC	48.0
N6 Galway	Direct toll/Availability	Manual lanes/ ATPM / ETC	35.0
M50	Availability		27.1
Scutvias	Direct Toll	ORT	123.8
Autoestradas XXI	Direct toll/Availability	ORT	119.4
Auneti	Direct toll/Availability	Manual lanes / ETC	52.9
Aucosta	Direct toll	Manual lanes/ ATPM / ETC	71.9

Globalvia's free-flow tolling-based businesses include mature assets such as Pocahontas Parkway (United States), Scutvias highway (Portugal) and Transmontana highway (Portugal), as well as greenfield projects such as the Chilean concession (Route 5 Santiago-Los Vilos urban segment) that will install the latest free-flow single gantry technology and the transactional and commercial back-office. Globalvia also has experience in video-tolling and has recently implemented a toll system based on an Automatic License Plate Recognition (ALPR) on its Spanish toll road ACEGA.

Globalvia procedures match the highest quality and efficiency industry standards notably when referring to Innovation. We are internally developing an Asset Management System to be implemented shortly in all our concessions. It will allow us to fully control all procedures in real time: activities, invoices, staff schedules, toll control...etc. as it ensures continuous improvement of the O&M and systems support operations evolution and quality.

On the other hand, all ITS and Toll Collection Systems are self-developed and, therefore, tailor-made for some of our highways. This helps us to mitigate risks associated with the current systems strategy and reduce the CAPEX and OPEX forecasted in the current financial models leading us to more competitive bids, economically advantageous for all clients and final users of the highways.

Globalvia would be interested in participate in congestion relief improvements as toll operator and equity investor.

**2. What would be the benefits and risks to MDOT entering a P3 agreement for congestion relief improvements? What risks do you believe would best be retained by MDOT and what risks would be best transferred to the private sector? Please explain your reasoning.**

Globalvia considers that a P3 is the appropriate structure to deliver this project. Public entities will minimize their initial investment and furthermore, they will obtain the best value from transferring each risk to the entity which is best prepared to manage it.

One of the advantages of P3 structures is that it creates commercial incentives for private-sector to drive down costs, accelerate project completion, and improve overall asset performance and corridor demand. Private developers are strongly motivated to achieve these objectives when their own capital is at risk, so high-performance of the infrastructure is a must.

P3 developer is committed to deliver the project on time and on budget. Different alternatives may even encourage them to deliver before schedule, like for example a fixed term no matter how long the construction takes, so the private entity will start collecting revenues as soon as they finish the project.

The following chart illustrates how major risks will be generally allocated:

Risk	Public Sector	Private Sector
Right of Way	x	
NEPA Approvals	x	
Permits & Approvals	x	
Changes in Law	x	
Design (errors and omissions)		x
Geotechnical underground condition	x	x
Construction		x
Utility relocation	x	x
O&M + CapeEx/Lifecycle		x
Toll Revenue		x
Enforcement Risk	x	
Financing & Refinancing		x
Force Majeure	x	x

**3. What, if any, advantages will MDOT potentially gain by entering an agreement in which operations and maintenance and lifecycle responsibility and/or traffic and revenue risk are transferred to the private section? How do you assess the likely magnitude of such advantages? What are the potential offsetting disadvantages?**

Transferring operations and maintenance and lifecycle responsibility to the private sector under a DBFOM (Design, Build, Finance, Operations and Maintenance) provides greater efficiencies. It is a long term contract where the contractor has a greater incentive to optimize whole life cost as the contract remains under its control for a longer period. The benefit is that life-cycle costs are efficiently managed by the contractor from the design phase since maintenance costs and project performance requirements are perfectly balanced. Public sector will require less in-house skills.

One potential disadvantage is that pure revenue risk without any risk mitigation could reduce competition and increase project cost. It will be difficult for the market, investors and lenders to assume that risk, even more in a managed lanes project, whose demand is more difficult to forecast than a regular toll road. From past experiences it is clear that to finance this type of projects TIFIA and PABS are needed.

Resolving this issue by means of a revenue risk sharing approach would not only have an impact on the interest from private companies, but also will mean a great value for MDOT, since they could benefit from much more competitive cost of capital from investors and lenders. The public sector retains some of the revenue risk, for example providing a minimum revenue guarantee. The revenue risk sharing could also include an “upside sharing” to share higher than expected revenues between the two parties to protect MDOT from underselling the project.

When revenues and concession term will not be enough to recover investment and O&M costs, milestone or availability payments could be implemented. The milestone payments will be subject to construction works carried out and availability payments will be subject to penalties if availability or performance of roads are inadequate.

In order to guarantee the optimal income regarding tolling services, MDOT must assure that the best-practices are implemented in order to reduce fraud. MDOT, as a public authority, can have a

bigger impact in the violators, real and potential, behavior and therefore guarantying that enforcement procedures are clearly defined and executed.

In addition, an information flow between MDOT and developer must be defined in order to allow the later to make its strategic business decisions, as violation transactions treatment, based on updated information.

We consider that system interoperability, enforcement procedures and regulatory framework should be retained by MDOT in all the possible scenarios.

Globalvia will be looking forward to have further discussions about what risk sharing or payment mechanisms would work best for this project and any other aspect MDOT considers.

**4. Would it be advantageous for MDOT to transfer the operations and maintenance and lifecycle responsibility for the entire freeway or just the added congestion relief improvements? What would be the advantages and disadvantages of transferring the operations and maintenance and lifecycle responsibility for the entire freeway?**

Advantages and disadvantages of transferring the operations and lifecycle responsibility for the entire freeway or just the added congestion relief improvements are analyzed below considering three approaches:

**Approach #1:** Developer is responsible for managing life-cycle risks and O&M for the Express Toll Lanes only.

- Benefits: the developer would not assume any responsibilities regarding an infrastructure which has been built and maintained so far by a third party.
- Challenges: the management of a global infrastructure will be carried out separately and this may have an impact on users or create operational inefficiencies. The performance of general purpose lanes will have effects on ETL and vice versa. To avoid these possible interferences and inefficiencies, coordination and cooperation procedures between ETL and general purpose lanes management teams should put in place as a mitigation solution. Areas and responsibilities between both operators must be clearly defined to avoid possible misunderstandings, particularly when they are shared or they interfere.
- Quality and environmental measures could also be difficult to assign to the right responsible. For example, ETL and general purpose lanes will both cause noise that will not be so straight to decide where to implement measures to mitigate it in case were above the required limits.

**Approach #2:** Developer is responsible for O&M for both the Express Toll Lanes and general purpose lanes and lifecycle costs only for the Express Toll Lanes.

- Benefits: global management of the infrastructure will allow the developer to optimize its O&M activities and structure, planning and carrying out a global maintenance plan that would also minimize user's impact.
- In this situation, a limitation on the lifecycle transferred risk is appointed as a potential solution avoiding overestimations on the developer side. A risk-sharing mechanism seems to be unavoidable and could be split assigning the major maintenance activities on the general purpose lanes to the MDOT's and the ordinary maintenance ones to the developer. With this

approach MDOT will obtain the biggest value from the contract, since the better prepared entities will be assuming its related risk.

**Approach #3:** Developer is responsible for all life-cycle risks and O&M for both the Express Toll Lanes and general purpose lanes on the Project corridor.

- Benefits: As mentioned above global management of the infrastructure will allow the developer to optimize its O&M activities and structure, planning and carrying out a global maintenance plan that would also minimize user's impact.
- The major risk for transfer the life-cycle risk of the general purpose lanes on the project corridor could be the major maintenance of structures and pavement. The Developer would have to take responsibility of a third party constructed and maintained asset. There will always be a lack of knowledge of the real status of the existing infrastructure and therefore contingencies will be incorporated in order to prevent future economic impact because of unexpected defects or failures.

**5. Would it be feasible to have a single solicitation for both corridors? If not, would you recommend any specific phasing for the solicitations including the corridor(s) and limits and why? What would your recommendation be for staggering multiple solicitations and why?**

The appropriate contract size will depend on the capital costs and the risks associated to the whole project. Major industry companies should be able to provide the required guarantees according to the project profile risk. Using an appropriate contract size will provide the MDOT with an appropriate amount of competition in procuring the Project.

According to the existing information, the Congestion Relief Improvements for I-495 and I-270 have an estimated cost of around 7.6 billion \$. We consider that one single contract would not be optimal in terms of competition. If the amount of the contract is too high, competition will be limited to a small number of companies which have the capacity to obtain guarantees and construction bonds and it would be very difficult to finance the project. We recommend that the construction cost of the projects is between 2 to 3 billion \$. Therefore we estimate then that these projects should be split in at least 3 solicitations of similar contract size.

I-495 could be divided in 2 sections:

- Capital Beltway from American Legion Bridge to interchange I-495/I-95, including I-270 spurs: around 22 miles
- Capital Beltway from interchange I-495/I-95 to Woodrow Wilson Bridge: around 25 miles

These sections are built along dense populated areas and the type of solution and the requirements of new right of way to acquire will have an important impact in the construction costs. After a deeper analysis, if the amount of each one of these single contracts is over 3 billion \$, the corridor can be split in 3 sections instead.

- I-270 from the spurs to I-70: 32 miles. This section has part of its alignment in rural and less dense populated areas, and therefore right of way acquisition, utility relocation and construction costs should be lower.

In terms of phasing, we suggest to start with any of I-495 sections and then to proceed to I-270.

We are aware that a 100 million \$ program under Design Build contracts is being implemented currently along the I-270 corridor (including the spurs to I-495) in order to relieve congestion significantly. It might be hard for potential developers to estimate at this time the impact of these program. We suggest that once these contracts are completed by the end of 2019, travel time conditions in this corridor are analyzed and based on the results it will be possible to determine if the additional congestion relief improvements have to take place straight away or if they can be programed for later years for the I-270.

## **b. Project Development**

- 1. Do you believe your firm would be interested in submitting a detailed proposal for the development of any of the congestion relief improvements? Are there any particular concerns that may prevent your firm from getting engaged in the project development? How might these concerns be resolved?**

Globalvia will be interested in submitting a proposal for the development of any of the congestion relief improvements.

The key factors that would influence our participation in the project are as follows:

- **Procurement mechanism:** As an infrastructure equity investor and asset manager, we would participate in the process should it entails both private financing and management of the operation.
- **Permits approvals:** the Authority must be responsible for securing the environmental permits approvals, facilitate right of way acquisition, any other construction permit and other federal, state and local approvals. That would allow each part involved in the process, both public and private, to focus on what they have the expertise on, increasing the efficiency of the whole process. This approach would also increase the private sector appetite for the project.
- **Risk Allocation:** all risk should be borne by the player who manages or mitigates them in a more efficient way in order to develop a more affordable project for all parts while encouraging the competitiveness of the procurement. In this respect, we would highlight:
  - Enforcement commitment with MDOT since first notice as being the agent who would more successfully deal with violators and easily recover unpaid invoices throughout the whole process but specially from early stages. This is an outstanding issue, with a strong impact on the financial robustness of the model mainly when referring to out-of-state toll breaches.
  - Changes in Law, particularly, those related to O&M KPI's and any federal, state or local regulations concerning all infrastructure and systems elements. The concessionaire should be relieved from any liability and/or obligation to upgrade any area of the highway for any unforeseen technological or road related advancement. The concession should otherwise be held financially harmless for any adverse economic impact resulting of the implementation of any legal amendment
- **Interoperability:** due to the existing express toll lane infrastructures located next to the project and throughout the state of Maryland and other jurisdictions, it will be necessary to assure a fully and adequate interoperability among the projects. The Authority will facilitate the Developer could receive any useful document to design a similar and compatible solution with the existing roads. User's satisfaction and operative efficiency will improve, optimizing the project cost.

- 2. At what stage of the NEPA and project development process would it be most beneficial to issue a RFQ: after establishment of the purpose and need, after determination of alternatives retained for detailed study, after selection of an MDOT preferred alternative, or after approval of the environmental document? At what stage would it be most beneficial to issue a RFP? Please discuss your reasoning.**

We consider that issuing a RFQ after selection of MDOT preferred alternative will give the bidders enough information about the project (scope and size) to decide to go forward to prepare an offer for this project.

Regarding issuing of an RFP, we consider that issuing it after the approval of the environmental document will reduce project risk and consequently will increase interest in bidding for this project even if value engineering that companies can add to this project to reduce its costs is not optimal at this advanced stage. It is typical of this P3 projects to have a ROD in place once final RFP is issued. Once environmental risk are covered, bidders don't need to add contingency in that matter.

- 3. What are the critical path items for the solicitation for these improvements and why?**

The critical path for the solicitation for these improvements should include:

- Pre RFQ phase:
  - MDOT preferred alternative selected
- RFQ phase:
  - Launch RFQ
  - Proceed with NEPA approvals for the selected alternative
  - RFQ Responses
  - Issue shortlisted teams for next phase
- RFP phase:
  - Launch Draft RFP
  - During RFP obtain ROD
  - Final RFP
  - Proposals Due Date
  - Announcement of Best Offer Proposer

During the different phases, it is expected to have public outreach meetings, industry information meetings and deadlines for asking questions to both RFQ and RFP

- 4. What is the minimum amount of time that your firm would require to develop and submit a response after the issuance of a potential RFQ?**

Two months is the minimum amount of time that Globalvia usually require to develop an adequate RFQ's answer.

**5. What is the minimum amount of time that your firm would require to develop and submit a detailed proposal after the issuance of a potential RFP?**

The time to develop a proposal will depend on the information available. 8 months would be enough to make a technical proposal which includes fieldwork. The timeframe can be shorter the more detailed information is provided by MDOT to the proposer during the RFP stage (e.g. ROW parcel information, utility information, geotechnical reports, etc.) being 6 months the minimum required time.

**6. What information would your firm need in order to prepare a response to a potential RFP? What information should MDOT, the offeror, or others provide?**

Our firm in order to prepare a response to a potential RFP will need the following information:

- **Traffic data:** To characterize the existing demand, MDOT should provide all historical traffic data available (including hourly and daily distributions) by type of vehicles (light, heavy or any other) and sections of the road. The information should include the peak and off-peak traffic period, important to designing the infrastructures in the future. Past traffic studies would be also important.
- **Historical data from other Express Toll Lanes** of the area: % of violators, % means of payment spilt into categories, enforcement responsibility, etc.
- **Technical information:**
  - Pavement information: for complete O&M services on the entire freeway we will need construction design, sections, materials, construction year, year/s of the rehabilitation and type of the work done to date. Additionally, pavement testing (IRI, FWD, Skid Resistance, Cracks and visual surveys) will be needed.
  - Subsoil and ground conditions reports: any geotechnical survey and soil investigation reports done along the corridor
  - Structure reports: any reports summarizing the condition status and the maintenance of the existing structures in the corridor (e.g. NBIS inspection reports)
  - Utility information: any SUE investigation done along the corridor, list of utility companies whose facilities might be affected by the construction, relocation plans, existing and potential easements etc
  - Lane marking, existing ITS and signaling information
  - Land parceling
  - Environmental information
  - Drainage information
- **Current O&M related information for purpose lanes:**
  - Overheads (Insurances, offices costs and consumption, SPV staff, etc.)
  - Operation Staff (no. and wages)
  - Winter Maintenance (equipment, WM subcontracts, etc.)
  - Current Subcontracts (E.g. Landscaping, Sweeping...)
  - Current KPI's, Consumption Costs, Inspections, etc.



**7. What would you consider a reasonable stipend payment for unsuccessful proposers responding to a potential RFP? Please discuss how the stage of project development (purpose and need, alternatives retained for detailed study, preferred alternative, final environmental document, etc.) completed prior to RFP issuance would impact the stipend payment amount.**

As mentioned before taking into account the project size and the estimated cost GVI recommends that the project should be split in at least 3 solicitations of similar contract size. A reasonable stipend payment for unsuccessful proposers for each solicitation could be 5 million. This amount could be reduced depending on the project definition and information available. A higher degree of project development would mean lower development costs for the developers and contractors, and therefore stipend could be adjusted accordingly.

**8. Would it be more beneficial for right-of-way acquisition activities to be transferred to the developer or should MDOT retain that risk? Please discuss your reasoning.**

Allocation of right-of-way risk on the Private side of the P3 contract can clearly affect access to financing and overall cost. It would also decrease competition, as it would certainly reduce the number of participants in the process. That measure would add uncertainty to the project schedule and the initial investment, consequently, decreasing the private sector interest in the project as already mentioned. In addition to that, right of way risk allocation on the private side would probably lead lenders to require sponsors to put in place certain credit-enhancement measures to take risk away from them, increasing the overall cost of the financing. Therefore, MDOT is the party who could best manage the right-of-way risk.

A risk sharing mechanism could be proposed in order to encourage the private sector to minimize the acquisition of new right-of-way by means of an optimized design using the existing ROW. In this way, the new ROW surface could be established as a bid variable.

**c. Technical Challenges**

**1. Based on your experience in the development of similar projects and characteristics of the I-495/I-95 and I-270 corridors, please explain the technical challenges, including minimization of right-of-way impacts, to providing congestion relief improvements. Please provide any recommendations for mitigating or overcoming those challenges that you would be willing to share.**

The technical challenges that may arise as the project advances are:

Technical Challenges	Mitigation
<p>Minimization of the impact on traffic during the construction phase: The construction of the tolled lanes will entail demolition and reconstruction of existing structures in many cases, traffic detours and an impact in the mobility of the area, especially to commuters in peak hours.</p>	<p>A traffic impact study should be carried out while the design build project is being done in order to analyze the impact of the construction in traffic in the corridor and the surrounding roads. Mitigation measures will need to be taken such as providing alternative routes in advance online to users, allowing lane closures only in non-peak hours, adjusting signal timings in the crossing roads... Engineering design, utility relocation and the construction of the tolled lanes will need to consider a phased execution in order to minimize all these impacts.</p>

<p>Right-of-way: Most of the corridor is built along dense residential, commercial and office areas.</p>	<p>It is important to optimize the design, maximizing available ROW in the existing corridor for the final footprint minimizing the acquisition of new ROW. Each section of the corridor needs to be analyzed deeply and the solution must be designed accordingly always looking for the optimal cost-benefit solution complying with environmental and aesthetic requirements.</p>
<p>Utility relocation: Utility relocation is a long process that can delay the beginning of construction if for example an easement is not acquired and an existing utility cannot be relocated immediately.</p>	<p>Subsurface utility engineering will need to be performed for the construction of the new lanes. It is important to perform this task as soon as the design of the project begins. Many parties are involved in this process and it is important to coordinated them and keep them informed during the whole DB phase.</p>
<p>Technical requirements of design:</p>	<p>They should be as much defined as possible in order to identify and fulfill different challenges such as NEPA's requirements during the bid process and future necessities due to technology development (e.g. autonomous vehicles). Technology development and its law regulation implies a high uncertainty degree, which makes it difficult to predict during the design phase. This challenge could be mitigated by sharing the technology innovation risk among both parts.</p>
<p>ITS devices' definition:</p>	<p>It is essential to implement the best technical solution in terms of user's information (e.g. variable message panels), vehicle identification and classification, tariff assignment as well as enforcement mechanism.</p>
<p>O&amp;M responsibility between parties during the different phases of the project:</p>	<p>Allocate clearly in the scope which items will be maintained by the developer and which ones will remain under the department responsibility during the different phases of the project. It may seem obvious that the Tolled lanes will be operated and maintained by the developer once opened to traffic. However, there are items that provide information to drivers for the toll lanes and for the freelanes (e.g. a gantry sign with signage for both users of freelanes and toll lanes, or all underground box culvert and pipes for drainage of the whole highway). Also, during the construction phase it is important to specify who will be responsible to maintain the existing lanes and other elements (pavements, structures and all the signs, signals, ITS etc).</p>
<p>Integration of the projects into a regional tolled highways plan between MDOT and VDOT</p>	<p>Currently there are Express lanes under operation in I-495 in Virginia with dynamic pricing depending on the congestion and different policies for carpool (toll free for HOV+3) and buses (toll free). It is important to look for homogeneous solutions for users both in policies and also in technology (E-ZPass and E-ZPass Flex)</p>

**2. Are there recommendations that you may be willing to share concerning the project scope or development strategies to reduce the upfront capital costs and/or the lifecycle costs of potential corridor congestion relief improvements?**

Upfront capital costs will depend mainly on the selected technical solution (underground, depressed, on grade or elevated) and on the final surface of new right of way that needs to be acquired to build the new lanes. The technical solutions are:

- At grade: technically it is the least expensive solution however it requires more right of way and it will be in conflict with more utilities than other solutions. The ETL can be built in the median (if there is room to build the new ones) or, new free lanes can be built on the outside and the inner ones can be converted in ETL.
- Elevated: experience in other projects show that elevated solutions can reduce the quantity of new right of way to acquire but it may have issues of aesthetics and environmental impact. The elevated lanes can be either for ETL or GPL. It has the risk that the underground soil is poor or not optimal and the price of the foundations is higher than usual.
- Underground: it is usually the most expensive but it is the one that requires less new right of way. It is also the one that has less affection to existing traffic however it has high technical risks depending on the construction method for the tunnel. Also, O&M costs are higher since the tunnels need to have lightning and ventilation, firefighting and other systems that need to be maintained and for that reason this solution is not recommended.
- Depressed lanes: An intermediate solution between on grade and underground are the “depressed lanes” for either the ETL or the GPL. They would be built on a lower level than the existing grade between concrete walls but opened on the top. The upper lanes would be partly on cantilever right above the depressed ones. This intermediate solution has the advantage of reducing the footprint (reducing the acquisition of new right of way) and is less expensive than a full underground solution. It doesn’t require tunnel systems therefore O&M costs are similar to an on grade solution. It can be used in the sections where the acquisition of new right of way is too expensive.

**3. Please explain any technical solutions that you may be willing to share that may enhance the development of the potential congestion relief improvements. Identify risks associated with the solutions and, if possible, discuss estimated cost of the solutions.**

ETL is a good solution to reduce traffic in a congested corridor. This can be achieved by building new toll lanes by the existing free ones or by converting the existing HOV into HOT (with carpooling policies) or just converting them into ETL (with no carpooling policies).

According to the RFI, II. Objectives, it is our understanding that it is MDOT objective to keep the current capacity on I495 and on I295 free and only the additional capacity is be tolled. This means that the alternative proposed in the Capital Beltway Study 6 GPL + 4 ETL might not be acceptable since most sections of I495 have 4 lanes per direction (8 existing GPL). Depending on the number of existing lanes that have to remain as GPL and new lanes for ETL, the technical solution will vary along the corridor. Dynamic pricing can be implemented in any ETL once built and can have a higher impact on relieving congestion during peak hours.

Some areas might need either elevated or underground or depressed ETL (at least in one of both directions) to avoid the need for additional right of way acquisition. A deeper study needs to take place as soon as the alternative solution is selected.

In question 2 above (section c. Technical Challenges) we have elaborated more details regarding technical solutions used in this type of projects.

Once the technical requirements are better defined and the solution for each section selected, we will be capable to start estimating the cost of the different sections of the project.

#### **d. Contract Structure**

##### **1. What is your recommended approach for financing the capital cost of potential congestion relief improvements?**

Managed lanes projects are large and complex. Private Activity Bond (“PABs”) and TIFIA loans are financing techniques that could be implemented. TIFIA loan is a proven strong tool of financing, not only for completing the amount required to have a fully funded project but also for its own structural conditions that usually make a project much more easily financed and providing additional comfort to both the Equity and the Debt players. Its structural subordination (Termination excepted), extra-long term maturity, unbeatable low cost and the substantial amount that is potentially accessible for a TIFIA loan tranche makes mandatory to consider it as an extremely relevant source of funds.

An adequate risk allocation between private and public sector must be in place to develop the project. Construction risk, its potential implication on the project schedule, demand risk and its impact on cash flow growth rate are the key issues that define the project financial risk. Project size would also need to be aligned with sources of equity, lenders capacity, design and build, operations and maintenance contractor’s ability to perform the work.

Since latest managed lanes projects have been basically and almost uniquely financed from TIFIA and PABs, sharing-risk mechanisms should be considered to increase lender’s appetite to participate in the project. This approach has to be considered not as a way for the private sector to avoid risk but as a mechanism to improve project bankability. This would increase potential financing resources for the project and therefore value for money for MDOT.

##### **2. Should MDOT set a concession term or allow proposers to establish a concession term as part of the response to a potential RFP? If MDOT were to set the concession term, what is a reasonable concession term and why?**

Establish a concession term as part of the response for the RFP could be a good bidding strategy. The minimum term required will be defined by the investment, scope, traffic projections and payment mechanism. In any case concession term should be long enough to allow the Private Partner raising and repaying the required financing, while obtaining a market-adjusted profitability.

A reasonable concession term would permit to make the contract deliverable and attractive.

Taking into consideration the size of the project (and therefore the amount of debt to be raised) the concession contract extension should permit the Private Partner to fulfill all its objectives and ultimately repay the required financing at market standard conditions.

A variable contract term approach which reduces or lengthens the term depending on actually generated revenues seems very reasonable, since it will reduce the traffic risk, which is obviously

the most important risk in this project. Through this mechanism, MDOT will be protected from underselling the project and private sector from traffic underperforming forecast, with the final result of maximizing value for all parties.

- 3. Are there any contract terms you would recommend, such as Alternative Technical Concepts, Alternative Financial Concepts, contract balancing, pre-development agreements or progressive agreements, etc. to minimize risk to proposers, maximize opportunities for innovation, maximize a concession payment to MDOT, or are key to obtaining competition? Please discuss the benefit and risks of the recommended contract terms.**

Alternative technical and financial concepts terms could maximize opportunities for innovation and competition. Design and financial flexibility will encourage developers to optimize the solution, MDOT will define bid variables in order to make the different proposals comparable (for example, % of revenue risk sharing, ROW acquisition, etc.).

GVI does not recommend pre-development agreements because those could reduce competition and therefore maximize contract value.

#### **e. Miscellaneous**

- 1. Are there any particular concerns with the information provided in this RFI? Please explain any concerns and provide any proposed solutions or mitigation to address those concerns.**

At this point of the process we have no concerns regarding the information provided by MDOT.

- 2. Please provide any suggestion or comments on how MDOT can encourage participation by Minority Business Enterprise/Disadvantaged Business Enterprise firms and local workforce in the development of the congestion relief improvements.**

In other process where Globalvia was involved the Authority established an overall SB goal of 30% to be achieved through the utilization of small businesses that are certified as SBE, DBE and DVBE. Globalvia reached out to over one hundred SB firms that provide technical, advisory and administrative services and developed a Small Business Utilization Plan where 36 companies had the commitment to carry out the project alongside with us. Our proposal was the one which the largest SBs List.

In Pocahontas Parkway concession the VDOT demands 20% participation of DBE and SWAM companies. Globalvia meets this requirement by outsourcing companies that perform traffic control, toll collection staff, mowing and liter removal and road maintenance.

- 3. What opportunities would you like to see for industry outreach related to these potential P3 opportunities?**

Industry forum and one-on-one meetings are good platforms to facilitate discussion and gather constructive feedback.

MDOT should put in place a bidding process that encourages and maximizes competition.

**4. Please provide any additional comments or questions you may have related to the information in this RFI.**

We would be glad to discuss in person with MDOT in a future industry meeting or one-on-one meeting the preferred requirements to propose the better alternatives to MDOTs' needs.

For any contact, please refer to:

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