

ALLEY

From page 1

That's the plan pushed by Gov. Charlie Crist and the FDOT.

They face massive budget deficits that could range between \$2 billion and \$4 billion this year and next, experts say. And since state officials have cut or held down property taxes, they lack a traditional and obvious source of money to fix Florida's infrastructure.

Throughout the state, aging roads and bridges need work. In Collier, Lee and Broward counties, whose citizens do most of the regular traveling on the Alley, that's especially true. Activists here want the state to use their toll money to help other projects in their counties, not to pay for work elsewhere in Florida, they say.

Whatever their source of income, FDOT officials need cash. But their public hearings this week in Collier and Broward may have come about because of clamorous public resistance to the notion of getting that cash by turning over the Alley and its potentially huge future profits to outsiders and privateers.

Or not.

"FDOT officials have said that extending the deadline (for bids) to Jan. 9 will give more time for public input. Poppycock. Public input is inconsequential to the governor or to the FDOT," surmises Gina Downs, director of the watchdog Citizens Transportation Coalition, based in Collier County.

The real reason, she says, is more likely "that they need more bids. We know that of the original six bidders, two have severely altered financial pictures. One partner was Lehman Brothers...enough said. Another partner was Goldman Sachs."

Other American banks partnering with the foreign bidders included J.P. Morgan and the Carlisle Group.

In the case of Goldman Sachs, Ms. Downs points out, the company's so-called debt ratio — the money it can use to invest based on its total assets — has gone into the basement, "from the 20s to, I believe, 12."

Goldman Sachs, through an infrastructure investment arm called G.S. Global Infrastructure Partners, teamed with a Spanish firm to be one of six original bidders for the Alley who presented their cases to officials in October. They called their partnership Everglades Parkway Partners.

But that was then.

"It is doubtful they could add this type of leveraged purchase to their portfolio with an adjusted 12 percent limit," concludes Ms. Downs.

In other words, the company's total assets would not be enough, if they can now invest only 12 percent of that figure, to offer a fair or competitive price for Alligator Alley, Ms. Downs says. "So assuming (the Lehman Brothers partnership and Everglades Parkway Partners) have dropped out, four players remain."

Questions and critics

Any company that bids to lease the Alley must rely on its own experts, hired from a very small pool of qualified consultants, to judge what the toll road might really be worth over the long haul.

The same is true of FDOT officials, who are accused by critics of not doing their homework so far, and thus putting themselves — and us — in a position of giving away the Alley too quickly and cheaply.

One of those critics has been Sen. Dave Aronberg, the Greenacres Democrat re-elected in November to represent the sprawling District 25 that stretches coast-to-coast across Lee, Charlotte, Glades, Hendry and Palm Beach counties.

"The idea to cede control over Alligator Alley to foreign-owned companies was born out of desperation," he wrote recently, offering an opinion to readers of a daily newspaper.

"The suitors are all foreign-owned because no American company submitted a bid. The 'For Lease' sign exists because the state wants to fill a large budget hole without any

noticeable tax increases. The temptation is a short-term infusion of cash: up to \$850 million over the next 50 years."

In Naples, another critic of the state plan, Bob Murray, offers something of the same argument online at www.napleschamber.org, the Web site of the Greater Naples Chamber of Commerce, which presents both a pro and con opinion on the issue.

"There are areas of work that can be accomplished more efficiently by the private sector, but this isn't one of them," insists Mr. Murray, who argues that the status quo is sufficient.

"This is nothing more than a gimmick to get cash quickly, and just about everyone knows that. Why are they going with this crazy scheme? Well, because they can — because our government decided they wouldn't be faulted for raising revenue for the so-called current need through means that wouldn't be determined as bad or good until they left office. That is not a good reason by any calculation."

There are specific questions that Ms. Downs, at Citizens Transportation Coalition, details eagerly, dividing them between questions about tolls on the one hand, and bad business in form of a giveaway lease on the other.

About tolls, she wonders what will prevent a private company from making them uncomfortably stiff.

About bad business, she lays down several questions.

1. When other states have leased roads to private companies, they've asked for more money than FDOT officials or the governor have suggested recently (figures ranging from \$504 million to \$850 million have been mentioned by state officials). Why?

"The lowest-priced road per mile to date was the Indiana-Illinois Toll Road, a 159-mile roadway, which sold for \$24 million per mile," Ms. Downs reports.

At that price the 78-mile Alley should be worth almost \$1.88 billion, she says. And at Chicago Skyway prices (a rough comparison since it's a bridge and flyover, mostly), the Alley could be leased for about \$18.3 billion.

"In the latest attempt at selling a road, the Pennsylvania Turnpike, Gov. Ed Rendell had a signed contract with a foreign investor for \$12.8 billion, which averaged \$80 million per mile," Ms. Downs says.

At that price the Alley could be sold for \$6.24 billion. But in June the Pennsylvania contract secured by Gov. Rendell was turned down by the state legislature in a 185-12 vote.

2. Isn't increasing the toll to \$3.50, and repaving the Alley for \$94 million, just window dressing at taxpayer expense to make the road a more attractive purchase to buyers, Ms. Downs asks?

Tolls were already increased by 67 percent in 2006-2007, but the re-bonding of the Alley, and the money from the increase, were not spent according to plan, she claims.

Officials have partly ignored the justifications for those moves after they occurred, Ms. Downs says, ticking off a checklist: "More funding for Everglades restoration (what's new?); more troopers and road rangers patrolling the Alley (didn't happen); construction of a rest area and recreation access on the Collier County side of the Alley (didn't happen); Oh, and repaving of the entire 78-mile roadway. Somehow THAT happened."

3. Another question is what happens if state officials bound to a long lease decide to build a commuter rail line across the Alley, offering commuters and heavy users

a chance to travel the way people in New Jersey, for example, travel in and out of New York City? Or if they rebuild U.S. 41 to the south of the Alley?

Ms. Downs fears that "no-compete" or "adverse-action" clauses of the kind that officials agreed to when they turned over toll roads to private companies in Colorado or Texas could tie the hands of any Florida officials forward-looking enough to seek alternate means of travel across the Everglades.

In all of this, Ms. Downs and many others see a cynical and calculating effort by state managers and elected leaders to grab quick money without having to disappoint voters by raising taxes.

The governor's pressing deficit problems are driving him, she insists, along with his desire to retain political capital.

"He's doing an Alligator Alley lease plan for the same reason he raids the Lawton Chiles (tobacco settlement) fund, the Sadowski (affordable housing) fund, etc., etc. We used to call him Charlie 'Sell It and Spend It' Crist. Now we've added 'Raid It' to that moniker."

Answers and defenders

Not everyone accepts this line of thinking, however. In Naples, an employee of the WilsonMiller engineering firm, David Rivera, argues on the Chamber of Commerce Web site that if state officials can meet certain criteria, they should lease out the Alley.

The reason to consider those criteria in the first place, he says, is that if Florida doesn't lease the Alley, then making money to fix the infrastructure "would most likely require... additional fees and taxes that politically have not been acceptable to the community in the past."

Mr. Rivera cites five criteria for a deal:

First, he says, any lease should provide a "wind-fall" for transportation needs in Collier and Broward counties, alone; second, all profits should be directed to transportation needs somewhere, and not other needs; third, a private company should take most of the "revenue risk" and pay a fair price for the value of the road over the 50-year period, in today's dollars; fourth, Collier and Broward counties should decide how much each will get

before the deal is done; and last but not least, how the money will be spent — on which projects and where — should also be decided before any lease is signed.

(Note: WilsonMiller has a transportation division, and the firm's retired CEO, Bill Barton, chaired the Southwest Florida Expressway Authority, which supported a toll road in future lanes five through 10 from Golden Gate in Collier County to Colonial Boulevard in Fort Myers. That's been put on hold, and lanes five and six, now under construction, will be toll-free.)

At the FDOT, meanwhile, officials have answers to many of the critics' questions. And they ask for patience in the case of other questions, where answers will be easier to decide after Jan. 9, they say.

As for the question about increasing tolls on the Alley, the state will control that, not a concessionaire, promises Kevin Thibault, FDOT assistant secretary for engineering and operations. "I've said in public meetings exactly what it's going to be from now until 2050," Mr. Thibault answers.

"I'm only raising it a buck, from \$2 to \$3 (for those who pay tolls in advance, and to \$3.50 for cash customers). At workshops we've had, no one has complained about the toll. It's still competitive for SunPass customers.

"Then I won't touch it again until 2011. And then, I should be indexing my tolls to the CPI (the Consumer Price Index) — we assume 3 percent, since we don't know what that's going to be."

When it comes to privatizing a public road, that's already happened in part.

"I have DOT employees acting as contract managers, but the toll collection is all private sector now," Mr. Thibault says. "The whole Alley is pretty much private sector. The guy cutting grass, the guy collecting tolls — that's all private."

Not only that, but there's little difference between leasing to a private firm or raising the tolls and re-bonding as a state action, he argues.

"When I go and get a bond issue, I'm pledging future revenue to pay back the bond, to pay back that debt service.

"So there is little difference. If the state does it, we've tied up those revenues for the duration of the bond issue. I'm going to pay back those bond holders."

But there is one difference, he adds: A private company will give the state money upfront and keep the revenue, but if a "down-turn in traffic" occurs, taxpayers would still have to pay bond holders, and maintain and operate the road.

In the contract Mr. Thibault imagines securing, however, the private company would be obligated to that instead.

And if the road were closed for some emergency reason — say a hurricane or a terrorist act — a clause in the contract would protect taxpayers from having to make up the difference in lost traffic revenue.

That was not the case in the Indiana toll road leased to a private company three years ago. When it was shut down because of an emergency, taxpayers had to pick up the tab for lost traffic.

Florida officials have learned from those mistakes, they claim.

"When (bidders) give us their financial models (on Jan. 9), they're going to show us what the traffic revenue is going to be, the rate over time, and the return," Mr. Thibault says. "If they don't achieve their rate of return, that's their problem. I'm not locked in."

Since, as Sen. Aronberg has pointed out, the only two ways a concessionaire can make money on Alligator Alley are to raise tolls and reduce maintenance costs, such a company may do different calculations than the state when it figures why this should be a good business deal, Mr. Thibault suggests.

Trying to anticipate the thinking of bidders, Mr. Thibault offers this scenario, also promising that no state contract would include a no-compete clause, or prohibit the state from building a rail line, for example.

But that shouldn't bother a concessionaire.

"He may be more liberal in the number of trucks or axles he estimates," he says. "He may figure the reality of a rail line from Fort Lauderdale to Naples won't happen in the first 40 years. In the last 10 years, I'm not worried about it because I've covered my costs," (a concessionaire might say).

"He can also be aggressive because the long term saves him a maintenance scar. We'll be done resurfacing the whole Alley, and that lasts about 12 years. So he knows he'll have to resurface three or four times.

"But he may be able to say, 'I'm going to do a different pavement design that costs more now, but I can skip a cycle or two. If I use concrete pavement, I can get 40 years out of it instead of 12, but it's twice the initial cost.' So he may have capital built up that says, 'For the long term that's more effective. And then I don't have to worry about maintaining it.'"

Mr. Thibault remains open to any possibility — including dropping the whole idea, he claims, if the bids are not worthy.

The sagging economy and the crash in the banking industry no doubt will have significant impact on the matter of Alligator Alley — from the size, nature and number of bids that come in to lease the road, to the final decision the state makes.

Time will tell just how big an impact, but not until the bidding begins, in the New Year. ■

