



Florida Department of Transportation-D-6 News Clip Port of Miami Tunnel Project

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Subject: **TUNNEL JOB LURES FOREIGN FIRMS**

By Larry Lebowitz

Crunch time is fast approaching for the Port of Miami-Dade tunnel, the \$1.3 billion transportation project that nearly everyone seems to want as long as somebody else finds a way to pay for it.

The Florida Department of Transportation is trying to entice international construction firms and financiers into a partnership that would be unique to the Sunshine State but is quite common for major infrastructure projects in Europe and Asia.

An industry newsletter recently reported that firms from Spain, France, Australia and Brazil that specialize in such public-private partnerships are lining up partners before the April 12 filing deadline.

What's happening with the port tunnel is part of a bigger trend. International firms have been storming cash-strapped governments and authorities across the United States, offering to privatize bridges, tunnels and toll roads in return for long-term profits.

Here's how it would conceptually work: DOT will select a team that would receive exclusive 35-year rights to finance, build, operate and maintain the twin two-lane portals under Government Cut that would provide a straight shot for truckers to Interstates 395 and 95 via the MacArthur Causeway.

The vendor will absorb all the costs during the first five years when the tunnel is under construction. The public won't start repaying the money until the tunnel opens in the sixth year. Experts say the vendors are seeking a steady, reliable cash flow stream over a long period of time, plus a profit margin in the 8-to-12-percent range.

The state would maintain some control over the vendor via its so-called "availability payments." In a nutshell, if the road isn't available for traffic -- and Mother Nature is not to blame -- the state can dock the vendor's pay. If maintenance is slipping, the state can withhold a portion of its annual or quarterly payment.

Let's assume the tunnel will cost \$1.3 billion to design and build. The state and county have already set aside about \$300 million -- including the \$100 million Miami-Dade voters committed in the 2004 general obligation bond issue election.

So the vendors will be financing the remaining \$1 billion.

Experts familiar with similar public-private deals say the state would be looking at an annual payment in the ballpark of \$70 million to \$75 million a year over 35 years to make it work.

TOLLS NOT ALLOWED

That's a large chunk of change for what is essentially a mile-long project, especially when the state has determined that it won't allow tolls to be used to pay for it.

Florida Transportation Secretary Denver Stutler has already approached County Manager George Burgess and asked Miami-Dade to consider splitting responsibility for repaying the vendor over the 35-year pact.

Let's assume the county will argue that it should only split the capital costs to build the tunnel, but the state should be responsible for the lion's share of the operating and maintenance costs. Even if it's a 60-40 state-county split, the county would still be looking at a \$28 million to \$30 million annual obligation.

THREE OPTIONS

This is where the local politics could become very dicey. Imagine the firestorm if any or all of the following three options were proposed:

- Would the county try to charge a new fee on each cargo container that arrives or leaves the port?
- Will the county consider a ticket surcharge on all cruise passengers?
- How about a special downtown taxing district? Removing the 18-wheelers from the traffic grid is a key piece of the puzzle for transforming downtown Miami into a pedestrian friendly hub for the performing arts, museums, sidewalk cafés and restaurants on the ground floor of the residential high-rise condos.

POSSIBLE RATIONALE

A deft politician could argue that downtown interests should help pay for improving the 'hood and protecting the good-paying middle-class jobs and small businesses that spin off of the port.

Burgess insists that the county hasn't even begun to explore any financing options, and he wouldn't discuss the viability of the three mentioned above.

``We're going to do our due diligence. We'll look at our options, but we're not going to rush into anything."''

Time is of the essence, at least from DOT's perspective. The highway department wants to narrow the short list of competing firms by the end of April and put a request for proposals on the street by July so that a vendor could be anointed by December.

COMPLICATED ISSUE

But that isn't going to happen without a fairly firm commitment from Miami-Dade for its 40-to-50-percent share of the availability payments.

Based on Burgess' extremely cautious comments, coupled with the fevered politics of cargo, cruise ships and downtown development, don't expect county commissioners to fast-track this extremely complicated decision.

It's no coincidence that DOT hopes to have a winning team in December. Jeb Bush gives up the keys to the governor's mansion in January.

The gov strongly supports any infrastructure projects that protect and enhance major job centers like the port. But they're running out of legacy-building time.