



## Florida Department of Transportation-D-6 Port of Miami Tunnel Study

## News Clip

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Subject: **State to test unique funding arrangement for port tunnel**

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### **State to test unique funding arrangement for port tunnel**

By Charlotte Libov

With formal bid requests out for a proposed Port of Miami tunnel, the stage is set for testing of an innovative public-private funding arrangement for the \$1.2 billion state project.

The Florida Department of Transportation last week released its request for proposals to the three teams selected to compete for the contract to design, build, finance, operate and maintain the facility. The teams must respond with final proposals by Feb. 15 and it is expected that the contract will be awarded in early spring, said Ric Katz, a project spokesman.

The one-mile tunnel would run between Interstate 395 and the port, enabling trucks to bypass surface streets and ease downtown traffic. It is being developed as a public/private partnership. Although such projects exist in the US, the financing plan that involves availability payments to the private builder instead of tolls is believed to be a first for the nation, said Jeffrey Parker, a consultant to the transportation department on the plan's financing.

"The way this project is going to be funded, through availability payments, is the first that is being done this way, and that's what we're psyched about," he said. "Whenever you talk about public/private partnerships, people think about tolls. But people aren't really happy about tolls."

Under the plan, the state eliminated a toll-reimbursement system in favor of availability payments. The winning bidder will receive availability payments at regular intervals over the duration of the contract's 30-50 years. The payments will be tied to the performance of the structure. If the structure underperforms, meaning, for instance, that it needs to be closed, the state will be allowed to make a reduced payment.

Mr. Parker said the plan has several advantages over tolls. For instance, by divorcing the payment of the tunnel from a toll system, the state guarantees the contractor that enough money will be available for the project regardless of usage, he said. That takes the uncertainty out for the contractor, he said.

But the system also benefits the public entities, Mr. Parker added. "When the state of Florida signs a contract for the delivery of this tunnel, it will not be making major payments until the tunnel opens with the exception of some milestone payments. So there will be major pressure to complete the construction."

Also, since payment is to be made over 30-50 years, there will be pressure for the contractor to make certain the construction quality is top-notch. This lesson has been learned from other projects, most notably Boston's Big Dig, said Mr. Parker, who lives in nearby Martha's Vineyard. That project, which involved the rerouting of Boston highways, is considered the most expensive highway project in the US, incurring

escalating costs, leaks and the death of a motorist due to a partial tunnel collapse.

The idea to use availability payments comes from Europe, predominantly the UK, where such plans are common, Mr. Parker said. Initially, they were used to build hospitals and schools. For instance, a private company would build a school for the public sector, which would provide the educational element. If the building was closed because of a flaw such as a malfunctioning heating system, the builder's fee would be reduced. Eventually, the concept was translated to large public transportation projects as a way to avoid tolls. Canada has several such projects under way — including the Sea-to-Sky highway in British Columbia being built for the 2010 Winter Olympics in Vancouver.

"In the UK, they did some research and found that these projects tended to come in on time and within budget as opposed to the ones bidding conventionally, where they were late and generally ran 20-30% over budget. So there was a lot of enthusiasm to try the plan here," said Mr. Parker, president of Jeffrey A. Parker & Associates.

With the Miami port tunnel, the state is to pay half of the cost in partnership with Miami-Dade County and the City of Miami. Recently, county officials said they might consider collecting tolls to pay for its share of the project, but Mr. Parker said that won't interfere with the state's toll-free concept.

"The question is: What are you using the tolls for? If the county ultimately decides to use a toll for its share, that doesn't change the basic assumption because the county is still obligated to make its payments to FDOT, and FDOT will still make its payments to the concessionaire," he said.

According to Mr. Parker, state transit officials will carefully review the bids when they come in, evaluating them not only for price but also for how the teams are planning to design the project and build it. Each of the three teams comes with worldwide reputations for building such projects, he said. But he acknowledged that no matter how good the planning, unforeseen circumstances often arise. "These contracts run for hundreds of pages, they are extremely detailed, they anticipate many of the events and they have been refined by the companies and their attorneys.

"I think we're acting in a prudent way to try and learn from past experience both positive and negative," Mr. Parker said