

**KEY TERMS OF CHICAGO
SKYWAY & INDIANA TOLL
ROAD CONCESSION
AGREEMENTS**

JULY 24, 2007

PREPARED BY

SECTION 1909 COMMISSION STAFF

This paper represents draft, pre-decisional briefing material; any views expressed are those of the authors and do not represent the position of either the National Surface Transportation Policy and Revenue Study Commission or the U.S. Department of Transportation.

KEY TERMS OF CHICAGO SKYWAY AND INDIANA TOLL ROAD CONCESSION AGREEMENTS

	Chicago Skyway	Indiana Toll Road
Project Description	7.8 mile highway and bridge over the Calumet River on Southeast side of Chicago	157 mile toll road across the state of Indiana
Up-Front Concession Fee	\$1.83 billion	\$3.8 billion
Rate of Return	Unlimited by concession agreement or statute: estimated investment IRR of 12.3%/equity risk premium of 6% (per Macquarie)	Unlimited by concession agreement or statute: estimated investment IRR of 12.5% - 13.5%; equity risk premium of 8-9% (per Macquarie)
Concession Term	75 years	99 years
Toll Rate Schedules	Specific maximum toll schedule through 2017; after 2017, \$5.00 plus greater of 2% or GDP per capita	Specific maximum toll through 2011; commuter tolls frozen through 2016; then increases by greater of 2% or GDP per capita
Refinancing	No restrictions or approvals required	No restrictions or approvals required
Congestion Pricing	Skyway agreement requires discounted rates for vehicles with 3+ axles 8PM – 4AM	None currently implemented; ETR users will receive discount
Buyback Provision/ Termination Compensation	City cannot terminate for convenience; if adverse action materially affects fair market value (other than noncompete issue) concessionaire can terminate & receives fair market value as determined by independent third party	Termination compensation set at the greater of the fair market value of concessionaire's interest and the outstanding leasehold mortgage debt (including breakage costs)
Noncompete Provisions	None	New comparable highway, at least 20 miles long, w/in 10 miles of toll road, will trigger compensation to

This paper represents draft briefing material; any views expressed are those of the authors and do not represent the position of either the Section 1909 Commission or the U.S. Department of Transportation.

KEY TERMS OF CHICAGO SKYWAY AND INDIANA TOLL ROAD CONCESSION AGREEMENTS

	Chicago Skyway	Indiana Toll Road
		concessionaire
Capital Improvements/Other Requirements	Specific viaduct and overpass work required in first few years. No ETR requirements but installed in first year of operation	Capital improvements specified, and further improvements may be required based on road congestion. ETR must be installed within 2 years
Performance Requirements	Specific operating standards on traffic, emergency response, snow, ice, and debris removal, customer service, and all other operating elements. Performance verified by independent engineer; repeated failure can lead to termination without compensation to concessionaire	
Oversight/Monitoring Provisions	Public sector has: right to inspect; right to repair in event of default; right to repair to address emergency, danger and actions impairing continuous operation Receives: required reports: financial, traffic, accident, environmental, etc and reimbursement of monitoring costs	
Labor/Workforce/Procurement	City Minority/Women-Owned business and residency preferences must be followed; no requirement to hire existing staff. Current toll takers were offered city jobs	MBE/WBE & Buy Indiana requirements
Liability Risk	Liabilities retained for pre-closing condition of land; concessionaire assumes all other liabilities; Concessionaire subject to specific insurance requirements Default by Concessionaire gives governmental entity right to take back asset without compensation to Concessionaire	

This paper represents draft briefing material; any views expressed are those of the authors and do not represent the position of either the Section 1909 Commission or the U.S. Department of Transportation.