

# ***Combining Risk Analysis and Reasoned Consent to Make Partnerships Work***

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**David Lewis, CEO & President  
HLB Decision Economics Inc  
Ottawa • Washington, DC • San Francisco**



# Getting to Win-Win

	GOVERNMENT PARTNER				INDUSTRY PARTNER		
	Expenditure/ Investment	Return on Investment	Value in Savings And Benefits	Risk Adj. ROI	Expenditure /Investment	Return on Investment	Risk Adj. ROI
Option 1							
Option 2							
Option 3							



**Search for  
Win-Win  
Risk-Reward Sharing  
Strategy**

# Win-Lose

	GOVERNMENT PARTNER				INDUSTRY PARTNER		
	Expenditure/ Investment	Return on Investment	Value in Savings And Benefits	Risk Adj. ROI	Expenditure/ Investment	Return on Investment	Risk Adj. ROI
Option 1	0		-	-	\$30 M	20%	3%
Option 2	\$5 M		\$6 M	14%	\$25 M	30%	10%
Option 3							



Try another sharing option

# Win-Win

	GOVERNMENT PARTNER				INDUSTRY PARTNER		
	Expenditure/ Investment	Return on Investment	Value in Savings And Benefits	Risk Adj. ROI	Expenditure/ Investment	Return on Investment	Risk Adj. ROI
Option 1	0		-	-	\$30 M	20%	3%
Option 2	\$5 M	20%	\$60 M	14%	\$28 M	30%	10%
Option 3	\$10 M	30%	\$120 M	22%	\$22 M	50%	20%

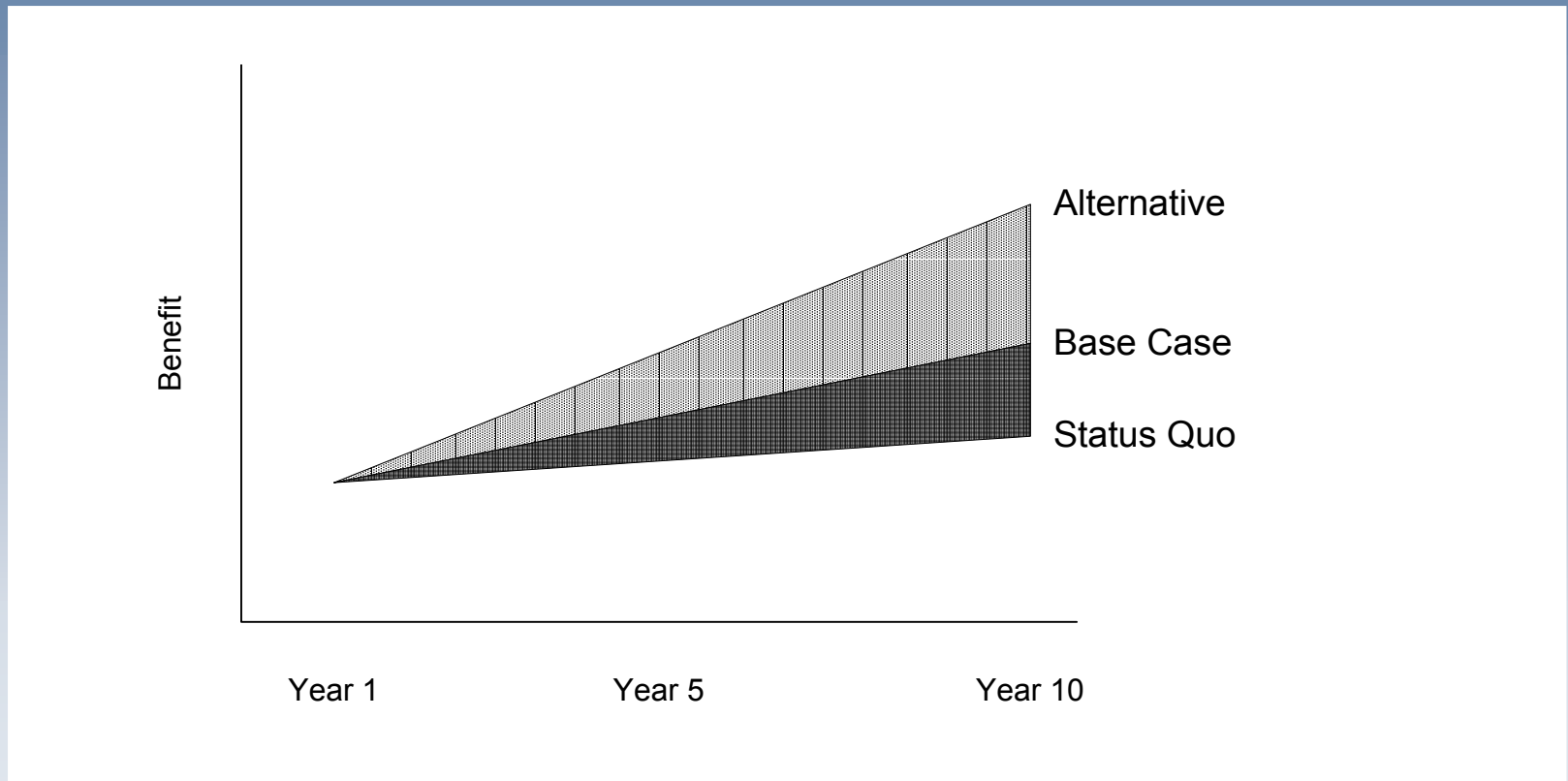


**Basis for Financial  
Arrangement**

# Success Through Reasoned Consent

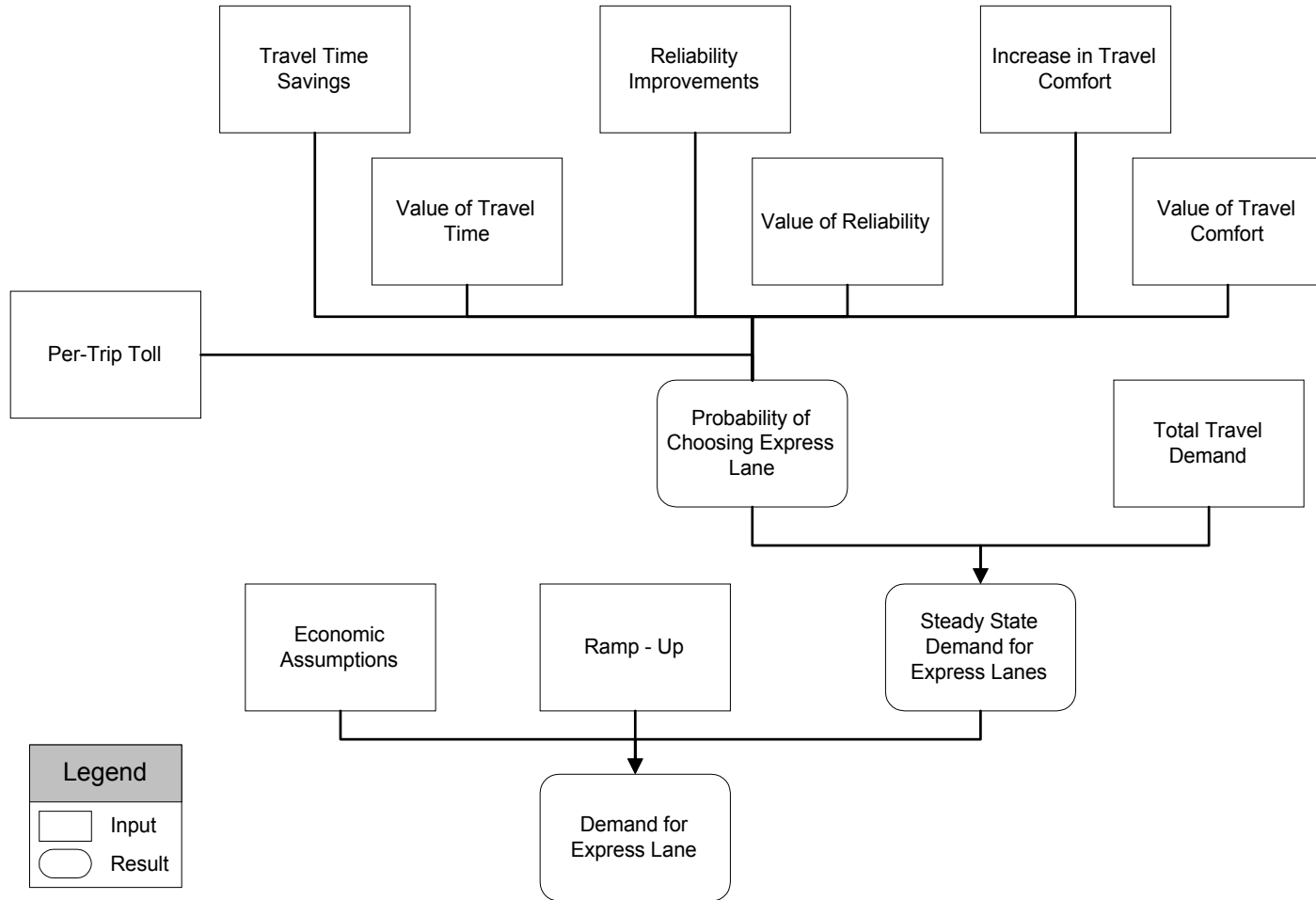
- Get the base case right
- Map the logic of your business case and risk
- Quantify and visualize your risk
- Negotiate and Manage through reasoned consent

# Avoid the PPP Trap: The Base Case is Not the Status Quo!



# Know the logic of your business case

## METROROAD HOT LANE, PHOENIX



# Subjective risk is a reality: Work with it

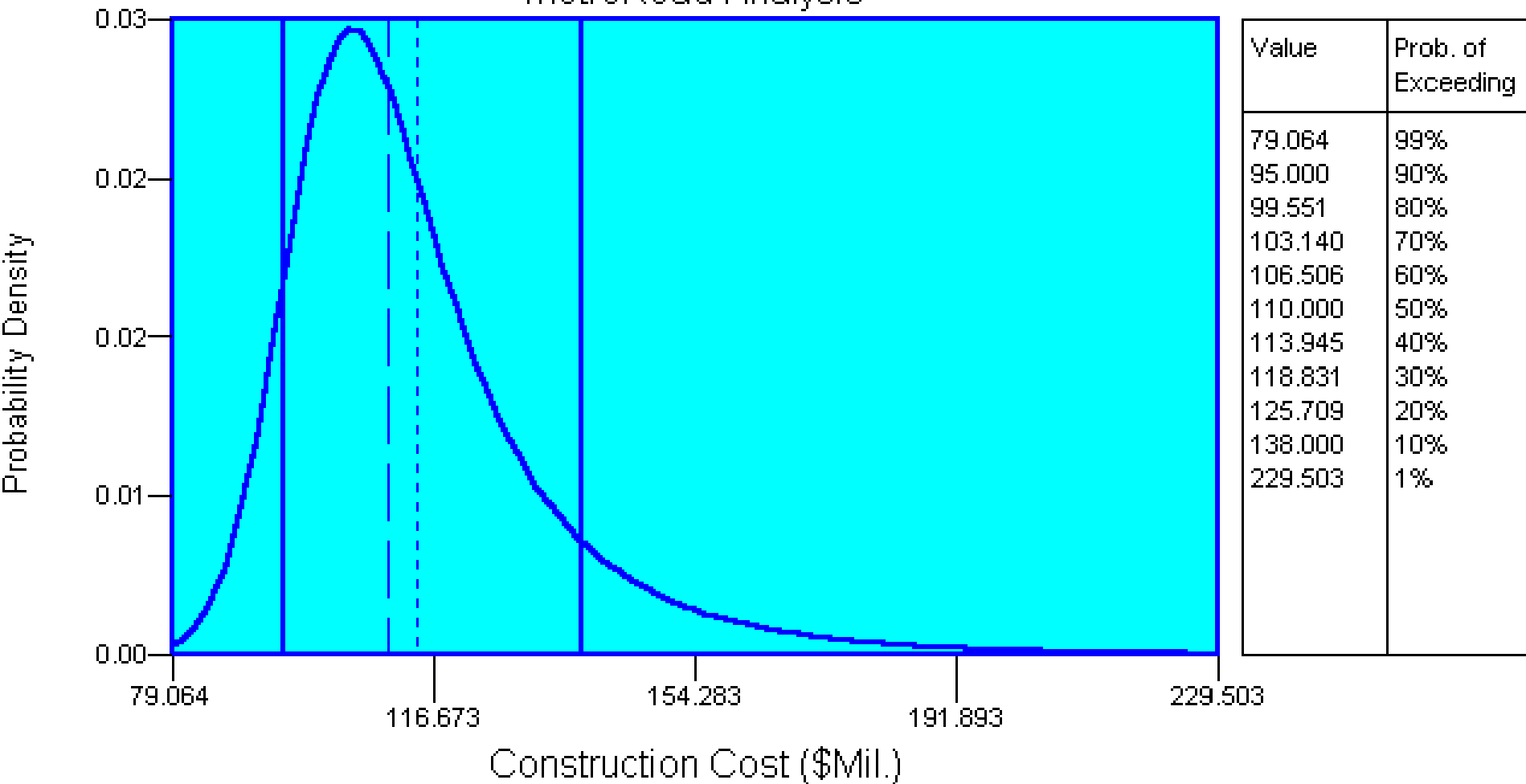
## Value of Time (\$)

MEDIAN	10% LOWER*	10% UPPER*
10.0	5.0	12.0

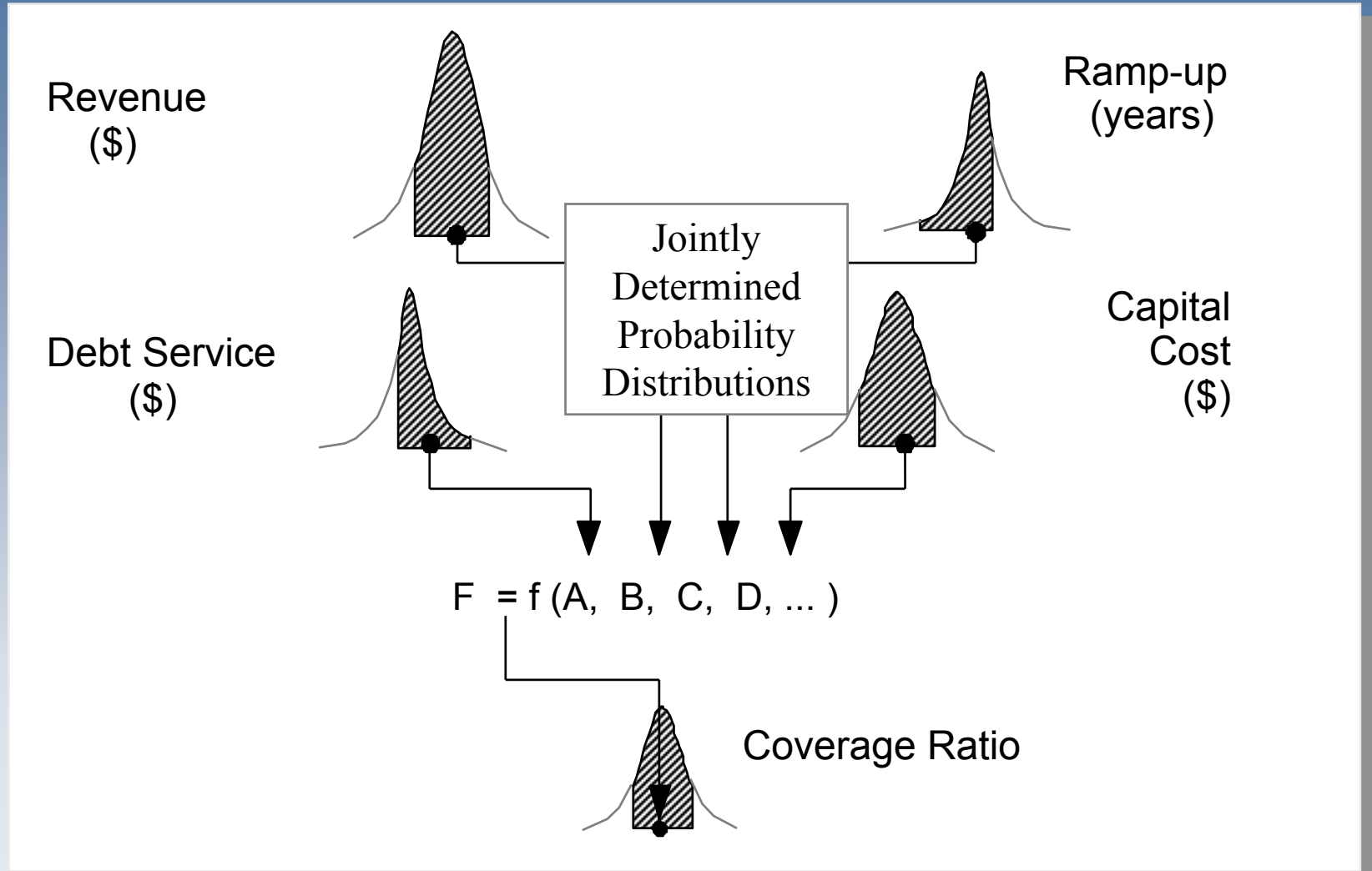
\* INDICATES THE UPPER AND LOWER LIMITS OF AN 80% CONFIDENCE INTERVAL.

# Visualize Risk for Reasoned Consent

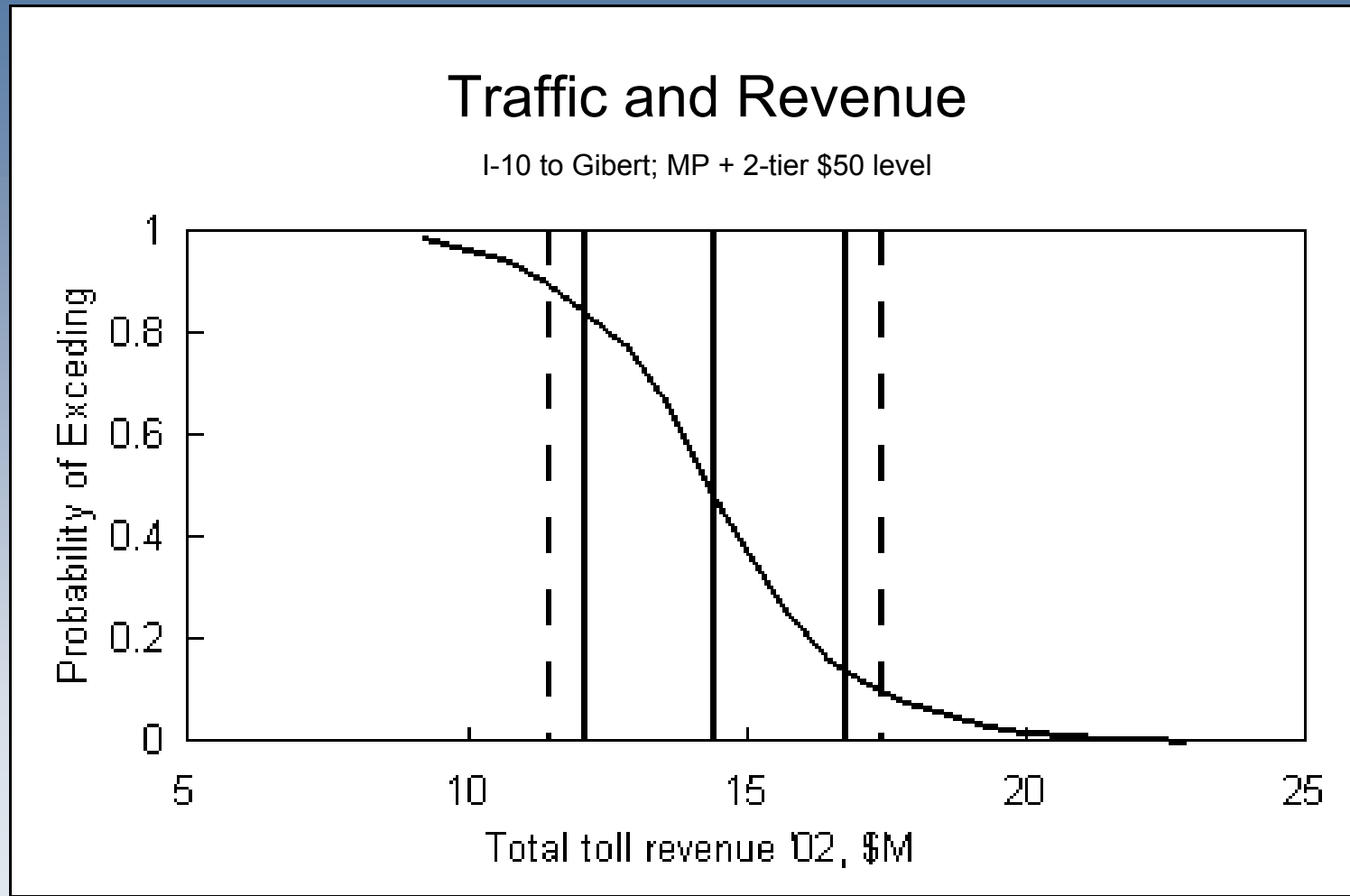
Risk Analysis of Toll Road  
MetroRoad Analysis



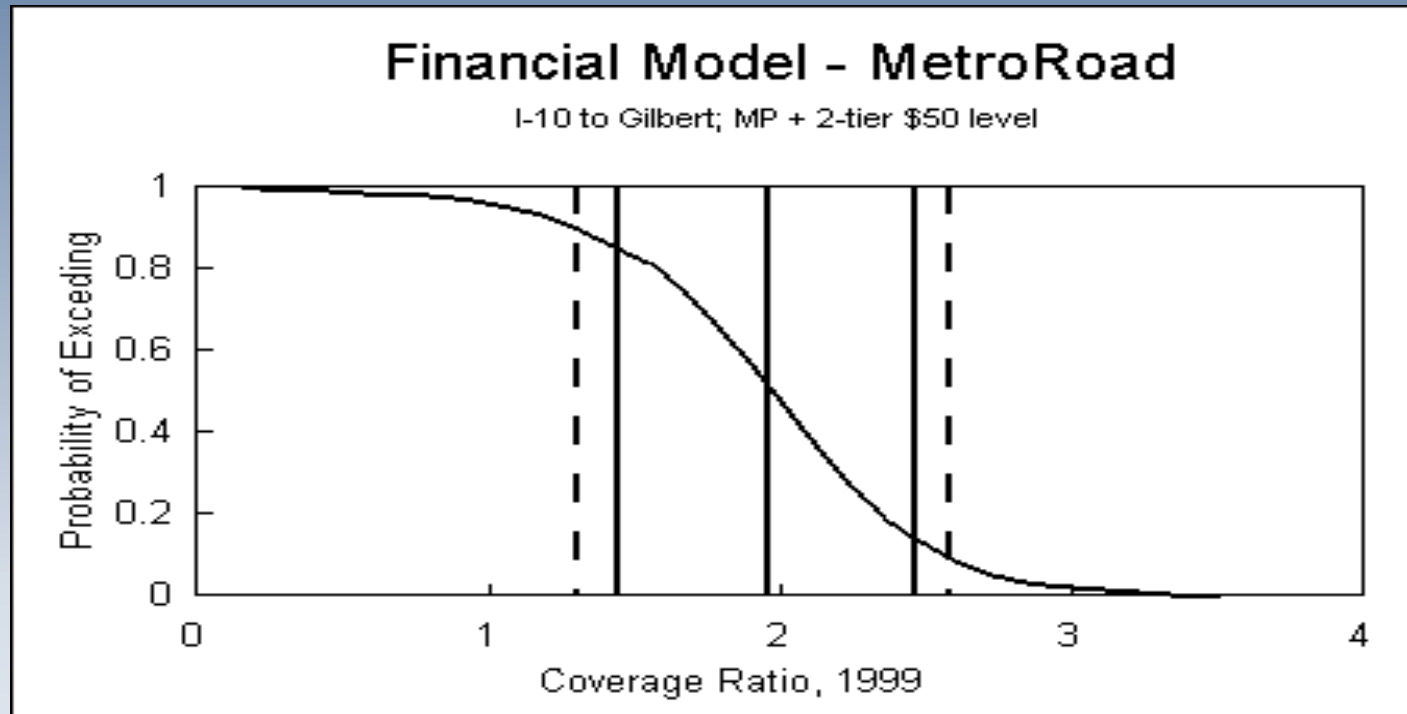
# Risks Prowl in Packs



# Example: MetroRoad, Phoenix



# MetroRoad (Cont'd)



# MetroRoad Example

- Risk analysis of feasibility study indicates that coverage ratios satisfactory at no more than the 50 percent probability level
- Investors would incur 80 percent probability of coverage ratio falling beneath investment-grade level
- Arizona advised that state contribution to capital justified on Strength of Public ROI (congestion relief, environment)
- With State contribution, PPP is win-win

# Example: New Denver International Airport

- HLB conducted third-party risk assessment in wake of anchor airlines' financial crisis and failure in automated baggage system
- Analysis conducted in one-week, during period of credit watch
- Results indicated high probability of continued investment-grade performance