

California Rolls Out Welcome Mat For Road Investors

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By Jim Christie

Billions of dollars of private capital for infrastructure may pile into California with the state, the world's eighth-largest economy, opened to public-private partnerships.

The tie-ups, known as "P3s," had been blocked by state employee unions because they allow private companies to both build and operate public works. But Gov. Arnold Schwarzenegger recently signed a bill allowing state transportation planners to approve unlimited P3 projects through 2017.

Previously, California only allowed up to four of the tie-ups until 2012, with their fate in the hands of the legislature, where political opponents could stall them.

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"What California has done in essence is open the door and put out the welcome mat," said D.J. Gribbin, managing director at Macquarie Capital, a unit of Australian toll-road investor Macquarie Group Ltd (MQG.AX: Quote, Profile, Research, Stock Buzz). "California is a very attractive market because of its size and the number of people out there -- and because of its needs."

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Officials ... hope to open the infrastructure spigot when the state resumes market sales of its debt and expect federal stimulus money to help bring projects on line sooner.

But California's needs are so vast it could use even more infrastructure dollars -- most obviously for congested roads, a reason for the bill aimed at highway P3s. "The clearest cases for public-private partnerships have always been made for transportation," said Schwarzenegger adviser David Crane.

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While P3 deals have grown trickier amid the credit crunch, investor interest is holding up and the California bill may add to it, said John Ma, head of the infrastructure banking group at Goldman Sachs: "There has been and remains considerable investor appetite, particularly on the equity investor side."

(This report can be read in its entirety at: <http://www.reuters.com/article/reutersEdge/idUSTRE5295DX20090310>)