Pennsylvania Legislators Weigh Private Lease of Turnpike

By Allen Kenney

As the Pennsylvania state legislature returns to work this month, the delegates are expected to make a decision on democratic Governor Ed Rendell’s proposal to lease the Pennsylvania Turnpike to private interests.

In May, Rendell’s office announced that a consortium of investors had submitted a winning bid of $12.8 billion for the rights to a 75-year lease on the turnpike. The winning team included Spanish infrastructure manager Abertis Infraestructuras, Citi Infrastructure Investors and Criteria CaixaCorp, one of Abertis’ major shareholders.

However, final approval of the arrangement rests with the legislature, which would need to pass new legislation and amend existing state law for the agreement to take effect. In 2007, the state passed a transportation funding bill calling for the Pennsylvania Turnpike Commission to request permission from federal authorities to begin collecting tolls on the state’s stretch of Interstate 80.

Rendell has presented the lease arrangement as an alternative to toll increases. The governor’s office has estimated that leasing the turnpike would generate 13 percent more revenue for the state than the maximum amount available under the toll plan.

“Pennsylvanians will get more and pay less, and that’s a good deal as far as I am concerned,” Rendell said at the time of the announcement.

Among the terms of the bid, the group pledged approximately $5.5 billion in capital improvements to the road. The $12.8 billion lease payment would be put toward statewide road and bridge repairs. Transportation agencies in the state also would receive a portion of the payment.

“We urgently need new funding for road and bridge repair, and a turnpike lease will help us meet that need,” Rendell said.

Rendell says the management group would “be held to the highest operating standards” under the terms of the agreement. The lease terms include conditions that would limit toll increases and ensure that the new management team would finish off the state’s current capital improvements plan for the turnpike.

Based in Barcelona, Abertis manages infrastructure assets in areas such as transportation and telecommunications. Currently, the company has interests in five U.S. airports, including Orlando and Atlanta.
For more information on infrastructure investment, read “Running Down the REIT Highway.”