

## Survey: Contractors See Public-Private Partnerships as Potential Opportunity to Invest in American Infrastructure

Ernst & Young LLP Hosts 12th Annual Construction CFO Conference

**LAS VEGAS, Nov. 15, 2006** -- U.S. construction contractors are taking a cautious, closer look at participating in public-private partnership models as a way to rebuild U.S. infrastructure. In fact, of the 30 contractors surveyed at Ernst & Young LLP's 12th annual Construction CFO Conference last week most said they had "some" or "significant" interest in entering the public-private partnership (PPP) market, primarily to build transportation infrastructure rather than other types of infrastructure, such as wastewater treatment.

"There are many varieties of PPP structures, but governments typically prefer a partnership with private investors, such as an investment bank or fund, to finance the construction," said Michael A. Lucki, Americas' director of Construction Industry Services at Ernst & Young LLP. Lucki said that while the investor typically hires a contractor to build and manage the project for a negotiated fee, increasingly, contractors might pursue a small equity interest in the project.

About a third of the respondents surveyed said they expect their companies to participate in PPP's in 2007.

"They told us they expect the PPP market to grow in coming years, and many said they plan to jump in now to take early advantage of opportunities, establish a position, gain experience and start generating new revenue streams," Lucki explained. Some respondents noted that European contractors also have shown an interest in investing in, acquiring or forming joint ventures with U.S. contractors as an entree into the U.S. market.

Another third of the contractors surveyed were uncertain about entering the PPP market, and while interested in PPPs, a significant number expressed caution about entering a new and relatively untested market. One reason for the uncertainty is that, compared with Europe, Canada and Australia, private investment in public infrastructure is relatively new in the U.S.

Many American contractors are not as knowledgeable and experienced in the PPP market. Only one contractor surveyed had "significant" experience. Many are looking to understand the risks involved, and the potential fees from PPPs in relation to the costs. There is concern about dealing with government bureaucracies, the complexity of PPP contracts, the capital required, and the insufficiency of government incentives to attract private investment in infrastructure.

In contrast with other countries, there are no established PPP models for building infrastructure in the U.S. A PPP model developed in Spain has been used to build infrastructure in Europe, but the model would be difficult to adapt to the U.S. market. This does not preclude the U.S. from

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adapting best practices from other countries or developing homegrown models.

Despite the challenges, contractors generally expect the U.S. PPP market to grow. "The market will reach a tipping point, and then it will take off," one contractor commented. "It's only a question of when."

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