

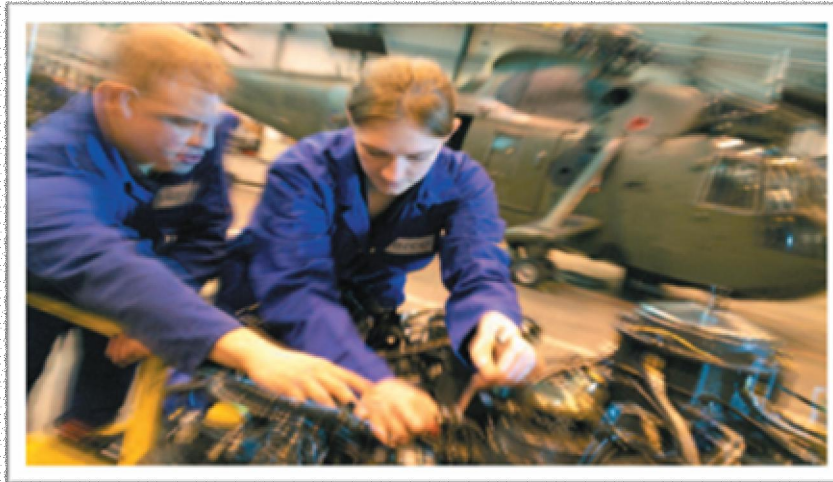
P3's, Privatization, Public Private Partnerships *the solution or a tool?*

Presentation to Georgia ITS Annual Conference
ITS TIME

By: Keith Hulbert

Vice President Infrastructure and Transportation

Welcome to Serco



- Our vision is to be **the leading service company in its chosen markets.**
- Our governing principles are:
 - We deliver our promises.
 - We enable our people to excel.
 - We build trust and respect.
 - We foster an entrepreneurial culture.
- Supporting clients as a trusted partner

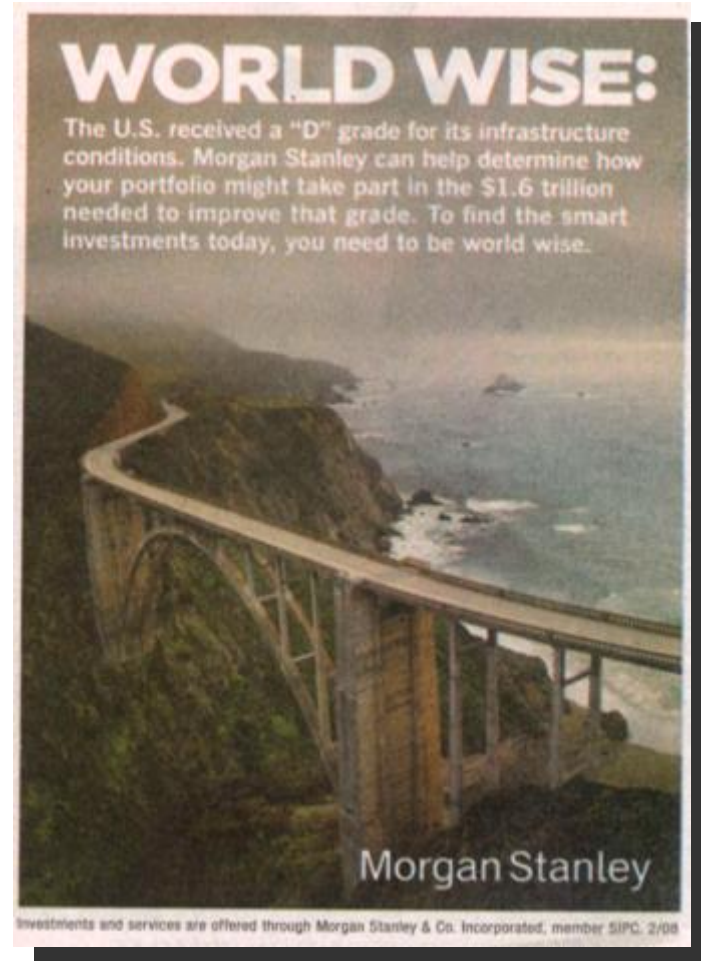
Who is Serco?



- Serco is a leading global service company managing over 600 contracts in transportation, local government, defence, science and technology, health, leisure and education and home affairs.
- More than 55,000 people across the world bring together a portfolio of projects valued over \$6 billion annually. Transportation services account for over 8000 of these employees and 26% over our annual revenue.
- Serco's North American headquarters is located in Reston, Virginia and currently has contracts in 34 states and 3 provinces of Canada

Where are we? Today's Market Assessment

- Roads and Rail
 - Aging infrastructure
 - Preventative maintenance deferment
 - Fuel prices are near an all time high
 - Construction material is near an all time high
 - Right of Way cost is challenging
- Funding issues... (pre September 2008)
 - Federal
 - ▶ Highway Trust Fund required an infusion mid budget cycle
 - ▶ Better mileage vehicles- more degradation per fuel tax
 - ▶ Focus on mass transit
 - States
 - ▶ 30 states have a combined \$50 billion budget gap. What is it today?



Advertisement from Wall Street Journal 15 October 2008 pg A1

Human Resources

- Cost of governmental benefit programs
- Ability to recruit and retain top talent
- Outcome based performance targets

State Budget Scenarios- August 2008

SIZE OF FY2009 BUDGET GAPS		
	Amount	Percent of FY 2008 General Fund
Alabama	\$784 million	920.0%
Arizona	\$1.9 billion	17.8
Arkansas	\$107 million	2.5
California ^{1,2}	\$22.2 billion	21.3
Connecticut	\$150 million	0.9
Delaware	\$217 million	6.4
District of Columbia	\$96 million	1.5
Florida	\$3.4 billion	11
Georgia	\$245 million	1.2
Illinois	\$1.8 billion	6.6
Iowa	\$350 million	6
Kentucky	\$266 million	2.9
Maine	\$124 million	4
Maryland	\$808 million	5.5
Massachusetts	\$1.2 billion	4.2
Michigan ¹	\$472 million	4.9
Minnesota	\$935 million	5.5
Mississippi	\$90 million	1.8
Nevada	\$898 million	13.5
New Hampshire	\$200 million	6.4
New Jersey	\$2.5-\$3.5 billion	7.6- 10.6
New York	\$4.9 billion	9.1
Ohio	\$733 million- \$1.3 billion	2.7- 4.7
Oklahoma	\$114 million	1.6
Rhode Island	\$430 million	12.6
South Carolina	\$250 million	3.7
Tennessee	\$468 - \$585 million	4.2- 5.2
Vermont	\$59 million	5.1
Virginia	\$1.2 billion	6.9
Wisconsin	\$652 million	4.8
TOTAL	\$47.6- \$49.2 billion	9.3- 9.7
¹ These states have not yet adopted budgets for FY2009		
² In a special session earlier this year, California adopted measures to close \$7.0 billion of this shortfall. A gap of \$15.2 billion remains to be closed. Assumes that FY08 gap would have carried over to FY09>		

**\$47.8-\$49.2
billion
budgetary gaps
.....Aug. 2008**

Information pulled from the
Center on Budget and Policy
Priorities web article updated
5 August 2008



Procurement Tools

- DBOM- Design, Build, Operate, and Maintain
- BOT- Build, Operate, Transfer
- DBFM- Design, Build, Finance, and Maintain
- RFP- Traditional competition, low bid, qualified bid
- P3- Privatization Public Private Partnership
- Self Perform- Bond, Design, Build, Maintain

Are P3's the answer?

■ Timing- Competition

- Ports, Water Plants, Electric Utilities, Airports, Hospitals and Public Buildings, Railroad, Roads.

■ Expertise

- Europe, Australia, South America are mature markets
- North America is a newer market
 - ▶ 50 States, XXX authorities/agencies

■ Private Company

- Risks
 - ▶ Revenue risk allocation
 - ▶ Environmental and right of way
 - ▶ Stability and expertise of public "partners"
- Operations
 - ▶ Ability to deliver improvements
 - ▶ Technology and operational expertise
- Financial
 - ▶ Longevity
 - ▶ Market support
 - ▶ Speed



Transportation

- Rail
- Airport
- Parking
- Roads and Bridges



Considerations

- States and agencies will be in a recruitment mode for P3's
 - Competition for limited resources
 - Players are changing
 - Equity requirements have dramatically increased
- Are the states and agencies prepared?
 - Shift from delivery to program management
 - Shift from administration to partnering
 - Shift from technically cultured to outcome based culture

Summary

- This is a great country

... but not everything was invented here.

LOOK AROUND!

- Foreign investment is here to stay
- Operations is a growth market with a diversified client base
- Mass transit will expand
- Fuel tax will be replaced with a user charge.

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