

Toll Road Monetisation P3, Puerto Rico

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In December 2023 Puerto Rico's \$5.2 billion Project Yunque toll road monetisation P3 project reached financial close, the largest highway privatisation process ever carried out in the Commonwealth.

The concession relates to the upgrade and O&M of 4 toll roads and takes preferred bidder Abertis's toll road management contracts in the country to 7. The project itself will boost the efficiency of the island's last remaining public toll roads, which account for more than 60% of traffic.

A \$2.85 billion upfront concession payment from the sponsors will be made to the Puerto Rico Highways and Transportation Authority (PRHTA), making it one of the largest upfront concession payments to a public sponsor for a surface transport asset.

Additionally, it is important to note that new lenders set foot in the Puerto Rican finance market with Japanese banks Mizuho, MUFG Bank, and SMBC participating for the first time.

Background

The P3 contract will see Abertis subsidiary Metropistas rehab and O&M 4 toll roads in various areas of the country:

- [PR-20](#)
- [PR-52](#)
- [PR-53](#)
- [PR-66](#)

The PR-52, PR-66 and PR-20 are highly strategic motorways connecting to the San Juan metropolitan area, while PR-53 is located in the southern and eastern parts of the Island.

Originally the toll roads were operated by the public PRHTA but in recent years the organisation has faced funding constraints, raising capital costs, and outstanding debt on assets amount to some \$1.6 billion.

The challenges have resulted in sub-optimal road conditions, increased congestion, lack of sustainability and safety concerns on the toll roads.

The P3 funding model will allow the PRHTA – which filed for bankruptcy in 2017 – to pay off all its debt and turn its attention to the rest of the island's public highways.

The upfront accelerated payment was approved by Puerto Rico's bankruptcy court in December 2022 and will not carry any penalties.

Procurement

With the PRHTA mired in debt, the decision was made to procure the project as a 40-year O&M PPP in a bid to get the authority out of the red.

In [March 2022](#) the government carried out a market sounding following a feasibility study to gauge interest in the concession.

The project was jointly launched by the PRHTA and the Puerto Rico Public-Private Partnerships Authority (P3A) on [4 August 2022](#) to find a suitable private partner to:

- maximise the upfront value for the toll roads allowing PRHTA to reinvest in transport improvements in Puerto Rico
- improve the toll roads' safety standards, service levels, and roadway quality

Four expressions of interest were submitted, 3 of which were shortlisted to the bidding stage in [December 2022](#):

- Abertis Infraestructuras
- Concesionario Nuevo Puerto Rico – Plenary Americas US and Shikun & Binui Concessions USA
- Vías de Puerto Rico – Sacyr Infrastructure USA and TKO Core Infrastructure Fund (managed by Star America Infrastructure)

A best and final offer clause in the RFP phase led to a substantial increase in the final bid amounts from interested parties.

In October the following year (2023) it was announced that a consortium led by Abertis's Puerto Rican subsidiary – Metropistas – had been [awarded the contract](#).

The deal reached financial close in [December 2023](#) with Metropistas chief, Julián Fernández Rodes stating that that the transaction marked a significant turning point for the island's transport infrastructure.

He said: "Not only did we complete the financial closing of the largest public-private partnership to date, committing to a total investment of \$5.2 billion of private funds, but we also took a giant step towards modernization, improvements in infrastructure and technology on Puerto Rico's highways."

Financing

The \$5.2 billion deal was financed via several tranches and involved a large lending club as well as the project sponsor.

The 11-strong lending group consisted of:

- Banco Popular
- Banesco
- Crédit Agricole
- FirstBank
- ING
- Intesa Sanpaolo
- Mizuho
- MUFG
- Oriental Bank
- SMBC
- Société Générale

Of the total contract value, \$2.85 billion was paid as an up-front sum to the PRHTA – some \$1 billion of this was an equity package from Abertis – whilst \$2.37 billion was paid as a private capital investment to cover costs over the first 12 years of the concession.

The loan package was structured as a single-tranche term loan which also included:

- interest rate swap to hedge the debt's risk
- letter of credit
- revolving credit facility which supported a separate capital investment

Financing was divided into several tranches:

- \$1.14 billion – Abertis equity package
- \$1.43 billion – term loan:
 - \$257.9 million – Banco Popular de Puerto Rico
 - \$257.9 million – Mizuho
 - \$150 million – First Bank Puerto Rico
 - \$126.6 million – MUFG
 - \$126.6 million – SMBC
 - \$126.6 million – Société Générale
 - \$117.9 million – Intesa Sanpaolo
 - \$82.8 million – Credit Agricole
 - \$75 million – Oriental Bank of Commerce
 - \$74.12 million – ING
 - \$35 million – Banesco Banco Universal
- \$209.8 million – revolving credit facility:
 - \$42.1 million – Banco Popular de Puerto Rico
 - \$42.1 million – Mizuho
 - \$23.28 million – MUFG
 - \$23.28 million – Société Générale
 - \$23.28 million – SMBC
 - \$22.1 million – Intesa Sanpaolo
 - \$17.1 million – Credit Agricole
 - \$15.9 million – ING
- \$67 million – Letter of Credit – ING

The the time of closing, executive director of the PRHTA, Edwin González, said: “With the financial closing of this transaction we give way to a new chapter for the PRHTA. The transaction will allow PRHTA to pay off its debt in full, and will put PRHTA in a position to focus its efforts on improving the toll-free road infrastructure, which represents more than 10,000 lane-miles, to provide more safe and reliable roads for all drivers”.

Julián Fernández Rodes, CEO of Metropistas, added: “This demonstrates our long-term commitment to the development of the island and to all Puerto Ricans. Our 20 years of experience working hand in hand with Puerto Rico and our successful track record in the world are our best testimony”

Advisers

Advisers to sponsor:

- Agentis – financial
- Barclays – financial
- Gibson Dunn – legal
- McConnell Valdes – local legal
- Jacobs – design
- AECOM – technical
- Marsh – insurance

Advisers to lending club:

- Winston & Strawn – legal
- Adsuar – local legal
- Infrata – technical

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