

# Public–Private Partnerships

## New Options for Project Delivery

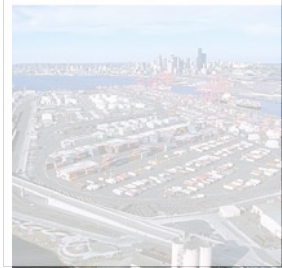
Transportation Forum  
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# Public Private Partnerships

- What are they?
- Why are they needed?
- What are advantages?
- What are disadvantages?
- How do we encourage more?



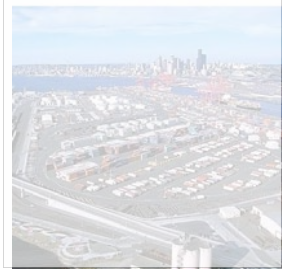
# Public Private Partnerships

What Are They?

# Public Private Partnerships

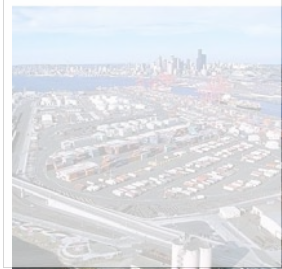
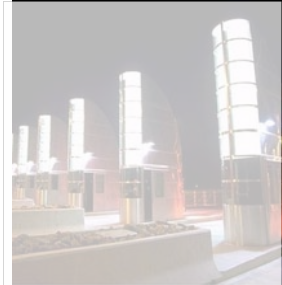
## From the National Council of Public-Private Partnerships:

“a contractual agreement between a public agency (federal, state or local) and a for-profit corporation. Through this agreement the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public. In addition to the sharing of resources, each party shares in the risks and rewards potential in the delivery of the service and/or facility.”



# Public Private Partnerships In Transportation

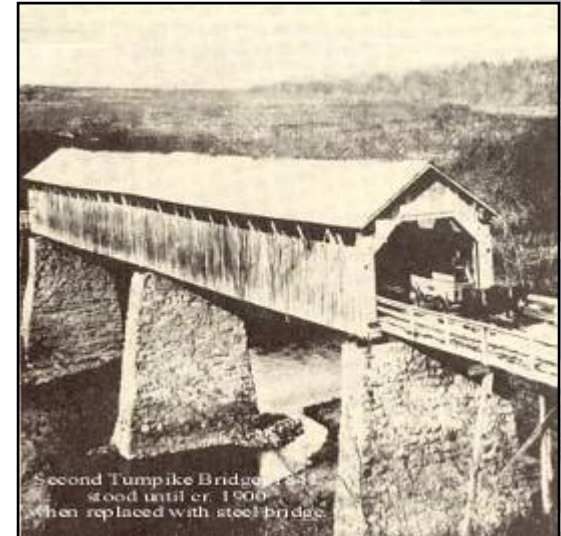
- Design-build
- Innovative financing by public sector
- Finance, design-build
- Design-build, operate, maintain (public sector financing)
- Finance, design-build, operate, maintain
- Franchise or concession



# Public Private Partnerships

## A Little History

- 19th Century: Turnpikes
  - Dirt-filled roads financed by tolls
  - Named for the gates across the road and the sharp pole or “pike” on the gate allowing it to open or close



# Public Private Partnerships

## A Little History

- 19th Century: Railroads
  - 1869 – World's first transcontinental railroad completed
  - Paid for by non-equity government financing
  - Pacific Railroad Bill of 1862 provided for land grants, advanced money to railroads payable upon completion of certain mileage segments



# Public Private Partnerships

## A Little History

- New York's Transit System
  - 1868 – elevated line privately financed by the New York Elevated Railroad Company
  - Subway – the idea was there, but complicated legal and surety issues hindered implementation
  - 1904 - first subway line opened by Interborough Rapid Transit



# Public Private Partnerships

## A Little History

- 20th Century:  
State Turnpikes
  - 1940 - First US turnpike opened in Pennsylvania – 160-mile, 4-lane toll road
  - Financed through \$29M federal grant and a \$40M purchase of turnpike bonds by the government's Reconstruction Finance Corporation at 3.75%



Pennsylvania Turnpike circa 1940

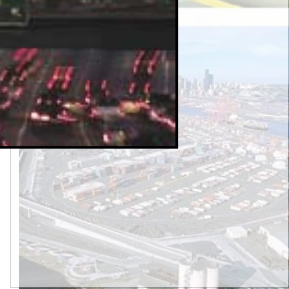
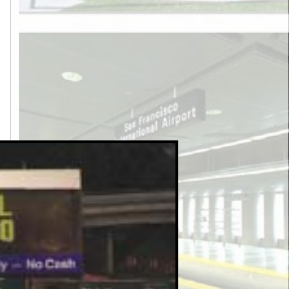
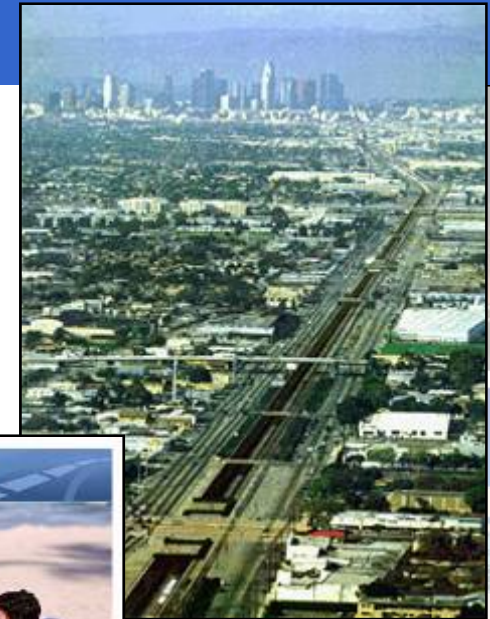


New Jersey Turnpike circa 1950

# Public-Private Partnerships

## A Little History

- 20<sup>th</sup> Century: Mixed Record in California:
  - Orange County Toll Roads
  - SR 91
  - SR 125 San Diego
  - Alameda Corridor
  - LA to San Diego Bullet Train
  - Two other AB 680 Projects



# Public Private Partnerships: Options

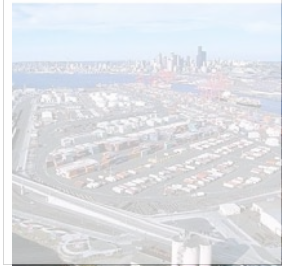
- Shadow tolls
- FAIR lanes
- HOT lanes
- Express lanes
- Truck lanes
- Toll roads



SR 91 Tolled Express Lanes  
Orange County, California



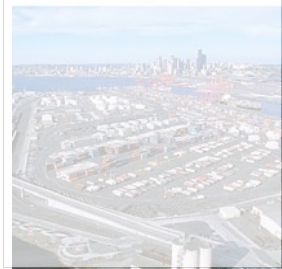
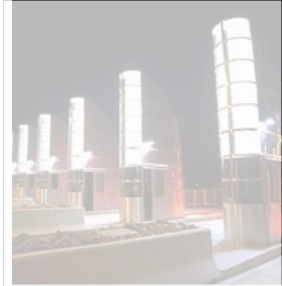
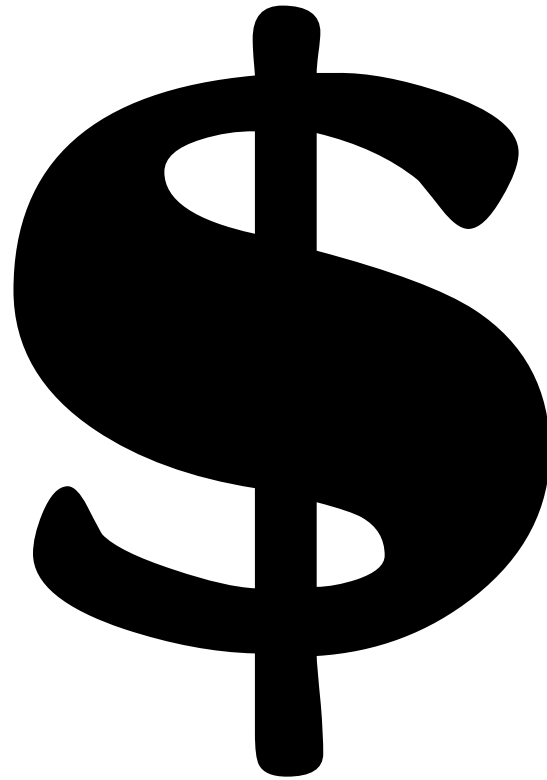
Future HOT Lanes  
Houston, Texas



# Public Private Partnerships

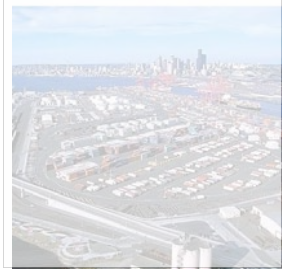
Why Do We Need  
Them?

# Public Private Partnerships: Why?



# Options to Address Transportation

- Raise the vehicle fuel tax
- Increase enforcement of traffic laws
- Increase general taxes to fund transportation
- More aggressive traffic management
- Implement vehicle mileage fee
- Allow congestion to discourage users
- Attract private capital to fund transportation projects

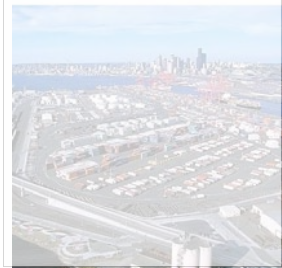


# Public Private Partnerships

What Are the  
Advantages?

# Public Private Partnerships: Advantages

- Additional project funding
- Potential up-front payment
- Increase leverage from revenue streams
- Requires less public resources
- Faster delivery of projects
- Shares risk

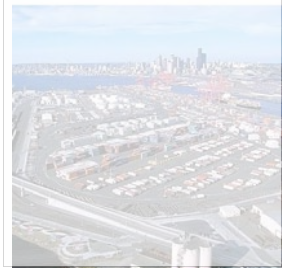
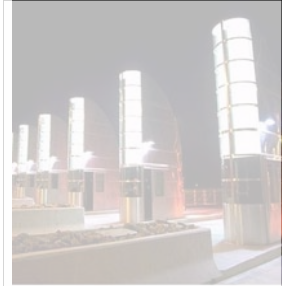


# Public Private Partnerships

What Are the  
Disadvantages?

# Public Private Partnerships: Drawbacks

- Less public control of project
- Public perception of the concept
- Long term commitment



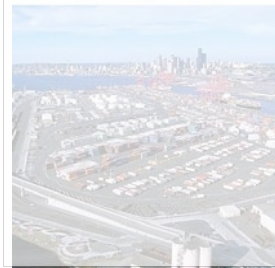
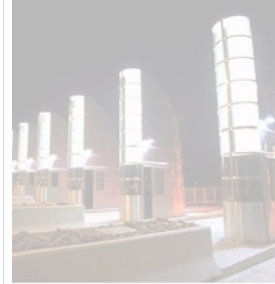
# Public Private Partnerships

How Do We Encourage More?

# Encouraging Public Private Partnerships

## What Can the Public Sector Do?

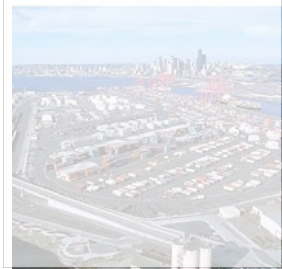
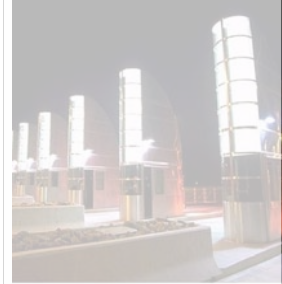
- Start with a well-defined project
- Streamline the procurement process
- Prepare contract with fair risk allocation
- Fund environmental studies
- Procure right-of-way in urban areas
- Reduce government involvement in implementation
- Draw on lessons learned elsewhere



# Encouraging Public Private Partnerships

## Optimum Project Characteristics

- High-priority with strong support
- Non-controversial
- Well developed project concept
- Does not rely on unproven technology or approach
- Greater than \$200 million in size



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