P3s – Public-Private Partnerships? Or Peripatetic Pain in the Pants

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States continue passing P3 enabling legislation

In recent years
- Alabama
- Arizona
- California
- Massachusetts
- Puerto Rico
Why public-private partnerships (PPPs)?

- Makes possible projects that otherwise would be deferred or simply not pursued
- Especially suited to major projects (mega-projects)
- Growing U.S. as well as global track record.
Advantages

- Significant risk transfer to concession firm:
  - Construction risk
  - Completion risk
  - Traffic & revenue risk

- Incentive to design to minimize life-cycle cost, not initial cost

- Proper maintenance assured, long-term
Advantages

- Better-targeted investment (ROI vs. politics)
- Fairness (user pays);
- Innovation (thinking outside the box).
PPPs and Congestion in Chicago

- Reason’s [Practical Strategies for Reducing Congestion and Increasing Mobility for Chicago](#) released in August 2012:
  - Proposes 11 major transportation projects that would add 2,401 new lane miles of expressways in the region, reduce the time that Chicagoans spend stuck in traffic by 90 million hours a year and add $2 billion a year to the regional economy by 2040
  - Self funded though pricing new capacity and financed by PPPs
Disadvantages

- Risks of new approach
- Requires a change in management practices and capability
- Potential conflicts of interest
- Lock in of bad decisions
**Other Concerns**

- Foreign companies
- Too long a term?
- Huge up-front payments—wasted?
- Excessive toll rates?
- Private company seizing land?
- Non-compete provisions?
- Termination/buyout provisions?
Protecting the Public Interest

- Getting terms of partnership right
- Tapping best practices and lessons learned
- Creating objective measures and oversight
- Treating it as a partnership
Politics of Tolling and PPPs

- Tolling itself still controversial in many states.
- Good survey data shows majorities prefer tolls to tax increase, to fund new roadways.
- But left-wing and right-wing populists can still stir up significant anti-toll opposition.
Need for P3 process reforms

- Best practices, value-for-money
- Separate entities, as in Australia, Canada:
  - California’s Public Infrastructure Advisory Commission
  - Michigan’s new P3 office
  - Puerto Rico’s new P3 agency
- Principles for concession agreements
- Project selection via Public Sector Comparator
Outlook for PPPs

- Underlying case very strong.
- Political backlash has happened before (Arizona, California, Minnesota, Washington in 1990s).
- More, better educational outreach is crucial.
- States that get it right will compete better for business.