

State of Good Repair And Public Private Partnerships: Theoretical Case Study

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About Metro

- Second largest rail transit system in the nation
- Seventh largest bus network in the nation
- More than 347 million passenger trips in FY2008
- Averages above 1.2 million weekday passenger trips



Metro's Evolution

- 30 years as a construction agency
- Today an operating agency
 - Others build
 - We will operate



No Strangers to PPP

- NY Avenue station
 - In-line construction
 - Funded by private interests, District of Columbia and the Federal government
 - Land donated to project by private owners

- Dulles Rail Project
 - Funded by public/private partnership
 - Metropolitan Washington Airports Authority will build
 - Metro will operate



Impact of State of Good Repair

- Must balance expansion and maintenance
- Capital funding for state of good repair was an obstacle to the approval of the Dulles Rail project



Capital Needs Inventory

- Capital Needs Inventory
 - Review of **all** capital needs
 - Tool for shaping Metro in the future
- \$11.3 billion in projects



Capital Needs Inventory



Customer

\$700 million



Performance

\$7 billion



Demand

\$3.5 billion

Provide the Best Ride in the Nation

How Might PPPs Help Metro?

Test Track and Commissioning Facility

- Metro must double the monthly number of new cars commissioned from 8 to 16 to keep pace
- Facility cost \$48 million
- Unfunded
- Opportunity cost if facility is not built - at least \$132.5 million



Evaluating a PPP

$$\begin{aligned} &\text{Construction Cost} + \text{Operating Cost} + \text{Opportunity Cost} \\ &\quad \times \\ &\quad \text{(Multiplied by)} \\ &\quad \text{Possibility of Traditional Funding} \\ &\quad > \\ &\quad \text{(Must be greater than)} \\ &\quad \text{PPP Cost} \\ &\quad / \\ &\quad \text{(Divided by)} \\ &\quad \text{Risk} + \text{Political Environment} \end{aligned}$$

- Metro has been successful with PPP in the past
- Metro's operating philosophy is in keeping with the PPP models
- Metro has \$11.3 billion capital needs over the next ten years
- Any takers?

