



Implementation of Public-Private Partnerships for Transit



Surface Transportation Reauthorization: The Transit Industry Perspective

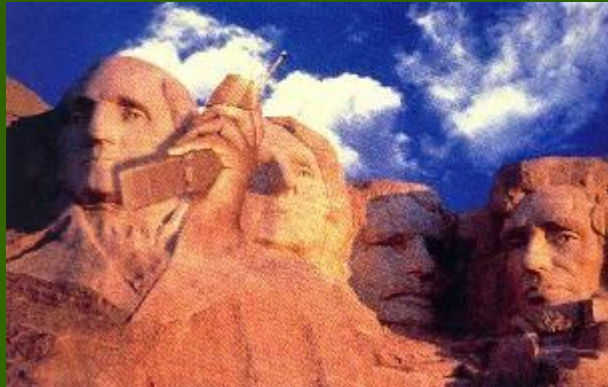
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What's the Situation?

- National debate on funding, priorities, and appropriate roles of the federal, state, and local governments... and the private sector
- National fiscal crisis affecting projected revenues, access to credit, interest rates
- Not since 1956 and 1964 has there been a discussion of such fundamental nature in the way we finance the business of moving people and goods in America...



Unprecedented Opportunities and Risks



Opportunities

- High transit ridership
- Public, media & political interest
- Economic stimulus



Risks

- Systems at capacity
- Local financial strain

Potential Game Changers

- Federal funding: Approach and magnitude
- Economic recovery and workforce development
- Energy independence: Attention to climate change
- Sustainability: "Green Tea?"



Partnerships in Public Transportation

Partnerships are about...

- Development and delivery of new capital projects
- Rehabilitation and extensions to existing transit systems
- Delivery of service to the traveling public
- Operations and maintenance

...improved delivery of projects and services

Let's Be Clear...

Our principal objective is *to implement and operate transportation programs that improve public mobility, in an efficient and effective manner...*



...it is ***NOT*** to create public-private partnerships.

PPPs Are About Project Delivery

"...a partnership between governmental agencies and private entities for the primary purpose of effectively developing, operating and/or maintaining public infrastructure traditionally in the domain of the governmental sector..."



Perspectives and Expectations

- Overall Objective: To increase funding and financing opportunities and/or to better facilitate project delivery and provision of service
- Private Sector Expectations: To provide financial/investment opportunities at acceptable rates of return; to provide increased opportunities for provision of services at a reasonable profit
- Public Sector Expectations: To achieve a combination of lowered cost; improved service quality; new technology; increased technical and managerial expertise; greater depth of available resources; and appropriate risk allocation...

Private Investment Risk...

FOR THE TIMID
INVESTOR, I RECOMMEND
OUR "PERPETUAL
CERTIFICATES OF
DEPOSIT."



S. Adams

THEY EARN THE HIGHEST
POSSIBLE INTEREST.
THE ONLY TRADE-OFF
IS THAT YOU CAN
NEVER WITHDRAW
IT.



7-8

WHY DON'T
I JUST FLING
MY MONEY
OUT A WINDOW?



AH, YOU'VE
HEARD OF
OUR "FLYING
DEBENTURE"
PRODUCT?



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Some Believe That...

- When there are no federal grants
- When there is no state money
- And when no local sources of funds are available...
- *...then (and only then) is a project a candidate for private sector involvement*

**LEVERAGING PUBLIC ASSETS
IS THE KEY TO SUCCESS**

Potential Negative Impacts of Public-Private Partnerships

- Comprehensive planning may take a back seat to expedient project development
- Projects that are inherently capable of generating a revenue stream may take precedence over those that are “non profit”
- Government may abdicate its role to provide equality of access and social justice
- Smaller firms may be left out of the game
- Environmental stewardship may be overlooked in favor of project expediency
- There has been a tendency for government to assume that the private sector will happily lose money in order to be awarded a concession

What Have We *Really* Learned?

Without significant public resources dedicated to public transportation, there cannot be public-private partnerships in transit development and operation

APTA Public-Private Partnerships Task Force

Policies and Principles For The Transit Industry



APTA: Cross-Cutting Issues

- Framework for the Future:
Four new cross-cutting initiatives
 - Sustainability
 - Enhanced mobility
 - Intermodal focus
 - *Public-Private Partnerships*

Policy Premises

- Public transportation should be viewed as a key component of the “*modal mix*”
- Transit should be included in enabling legislation for PPPs
- PPP focus should not diminish the crucial governmental role in providing financial resources for transit development and operation
- *PPPs cannot substitute for public policy, oversight and resources*

Guiding Principals for PPPs: Transit Industry

- 1) PPPs are a tool in the transit toolbox, not an ultimate solution
- 2) PPPs must be structured to sustain the public interest
- 3) PPPs should achieve public goals and support regional planning
- 4) PPPs are possible only where long-range revenue streams exist through direct user fees and/or dedicated tax revenues

Guiding Principals (Cont'd)

- 5) PPPs should be based on appropriate and beneficial sharing of risk
- 6) PPPs should be used to increase procurement flexibility and effectiveness of project delivery
- 7) PPPs focused on tolling and highway pricing should be structured to promote increased transit use
- 8) Funding and financing are not the same

APTA Task Force Recommendations

- Support federal tax incentives to enhance attractiveness of transit investment
- Increase effectiveness of methods for encouraging real estate investment (TOD, TIF, *value capture* mechanisms)
- Integrate transit into tolling projects ("*high performance corridors*")
- Seek a bold, new approach in reauthorizing surface transportation program: Without public resources, there is no opportunity for partnership



Federal Reauthorization Recommendations

- Provide incentives for using a variety of project delivery methods
 - Expedited review; “credit” for private sector involvement
- Clarify and expand *Penta-P* Program; create new programmatic options for partnerships
 - Expand options for innovative project and service delivery
- Improve project delivery procedures
 - Streamline project approval and delivery procedures
 - Streamline procurement and contracting guidelines
- Utilize a broader range of operations and maintenance service delivery models

Surface Transportation...

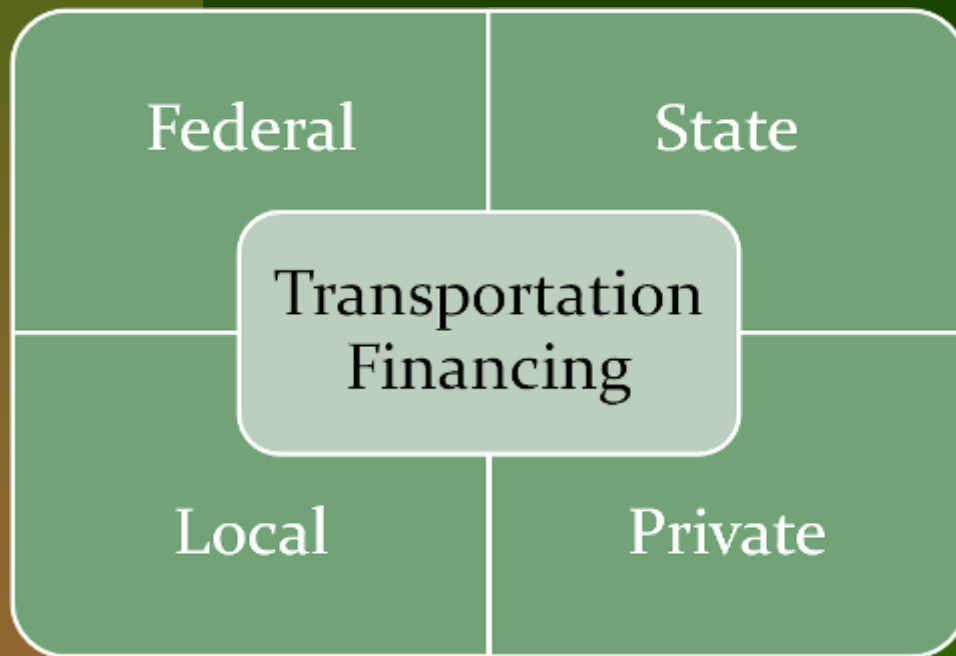
SUBTITLE B—*INTERMODAL* AND ORGANIZATIONAL INNOVATIONS

— Sec. 1202. Office of Expedited Project Delivery

ESTABLISHMENT—The Secretary shall establish an Office of Expedited Project Delivery in the Federal Highway Administration to enhance the speed of *project delivery for highway construction projects*.

DUTIES OF DIRECTOR—The Director shall provide national leadership to *enhance the speed of delivery of highway construction projects*, with particular focus on significant highway construction projects and substantially delayed projects.

A Vision for New Financing



- Financing should be tied to long-term policy and performance outcomes
- All modes should be planned, managed and financed as interrelated elements of a system

A Comprehensive Approach

- Focus on road pricing / congestion pricing / tolls
- Use fuel taxes as a *bridge* to future vehicle miles traveled (VMT) fees
- Undertake annual indexing of the fuel tax
- Utilize future VMT fees as a *multi-modal* funding source
- Create federal and state infrastructure banks
- Mainstream tax-credit bonds
- Utilize revenues derived from future carbon taxes and / or cap & trade for transportation improvements
- Build and incorporate carbon offset markets
- Make private investment attractive; derive additional revenues from *value capture* and *user benefits*

Primary Reauthorization Recommendation

Public-private partnerships should supplement – *not replace* – funding and financing provided through transportation authorizing legislation

