

# ***PUBLIC-PRIVATE PARTNERSHIPS:***

## ***Reducing the Risk and Increasing the Feasibility of Large-Scale Transportation Projects***

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# ***Projected Growth Will Overload California Highways—Unless We Expand Capacity***

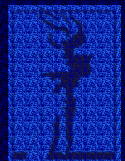
**Between 2000 and 2030, in our three major urban regions (LA, SD, SF):**

**Population will increase by 9.5 million;**

**Vehicle miles traveled will grow by 30 to 50%;**

**Truck VMT will grow by 35 to 70%;**

**Transit mode share will not exceed 7-10%.**



# ***California Needs Major Projects, Not Just Tinkering***

**HOT Networks in SCAG, MTC, and SANDAG regions**

**Truck toll lanes on selected L.A. and Bay Area freeways**

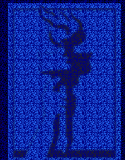
**New Riverside-Orange County corridor**

**Missing link tunnel on I-710 (South Pasadena)**

**Direct link from L.A. to Palmdale airport**

**El Monte Busway-Harbor Transitway link**

**Long-haul Toll Truckways on I-5 and I-15.**

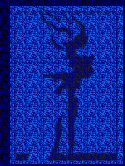


# San Francisco Bay Area HOT Network



San Francisco Bay Area  
HOT Network  
Map

San Francisco Bay Area  
HOT Network  
Map



# ***Toll revenues provide large new funding source***

## **Some Current/Planned US Toll Projects:**

**HOT lanes on Washington Beltway (\$750 million)**

**Dallas Airport Expressway HOT lanes (\$1.1 billion)**

**Austin toll road network (\$3.6 billion)**

**I-81 toll truck lanes in Virginia (\$7 billion)**



# ***Recent Overseas Toll Projects***

**Toronto Highway 407ETR (\$2.6 billion)**

**Britain's M6Toll (\$1.4 billion)**

**Paris A-86 Toll Tunnels (\$2 billion)**

**Melbourne CityLink (\$1.4 billion)**

**Sydney M7 Expressway (\$1.3 billion)**

**Cross-Israel Highway (\$0.8 billion)**



# ***But Mega-projects Entail High Risks.***

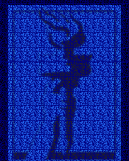
**Boston's Big Dig: cost grew from \$2.2 billion to \$14.6 billion.**

**Channel Tunnel grew from \$3.9 billion to \$7 billion; traffic only 50 percent of forecast after 3 years.**

**Worldwide problem: Norwegian study of 258 large projects in 20 countries found:**

**90% had cost overruns (averaging 20-45%).**

**Most over-estimated traffic (e.g., rail projects averaged 39% less traffic than forecast).**

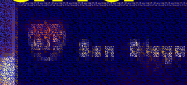


# ***Long-Term Public-Private Partnerships***

**Design, finance, build, operate, maintain**  
**Long-term agreement, projected toll**  
**revenues are basis for private financing.**

**Private sector at risk for cost and**  
**schedule over-runs.**

**Private sector must maintain what it**  
**designs and builds.**



# ***How Public-Private Partnerships Shift Risk to Investors***

	<b>Traditional</b>	<b>Long-Term PPP</b>
<b>Funding Source</b>	<b>Highway trust funds</b>	<b>Toll revenue bonds, equity</b>
<b>Procurement Process</b>	<b>Design-Bid-Build</b>	<b>Design-Finance-Build-Operate</b>
<b>Cost Overruns?</b>	<b>Taxpayers</b>	<b>Investors</b>
<b>Schedule Slips?</b>	<b>Drivers</b>	<b>Investors</b>
<b>Traffic Risk?</b>	<b>Taxpayers</b>	<b>Investors</b>
<b>Maintenance Funds</b>	<b>Annual appropriations</b>	<b>Toll revenues</b>
<b>Maintenance Incentive</b>	<b>Public complaints</b>	<b>Asset value</b>



# ***Outcome Comparison: Toll Tunnel Projects***

## **Melbourne CityLink (long-term PPP)**

**58 lane-miles, tunnel + elevated**

**\$1.56 billion, completed on-time and on-budget**

**Cost per lane-mile: \$27 million**

## **Boston Big Dig (traditional)**

**161 lane-miles, all tunnel**

**\$14.6 billion, 6.6X initial cost; years late**

**Cost per lane-mile: \$91 million**



# ***What Happens to Failed PPP Projects?***

## **Camino Columbia (Texas)**

**Traffic only 10% of forecast**

**Defaulted on debt; sold at auction for 13 cents on the dollar  
TxDOT purchased and operates as toll road (with much lower cost basis).**

## **Channel Tunnel (UK-France)**

**Traffic only 50% of forecast**

**Financial restructuring; banks took large “haircut.”**

**Shares now trade at \$0.69, vs. \$20.**

**Franchise extended to 99 years (from 65).**

**No taxpayer bailout in either case.**



# ***Second-Generation PPP Law***

## **Models in Texas and Virginia**

### **Basic provisions include:**

**Empower both state and regional/local governments to create and manage projects**

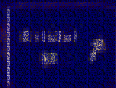
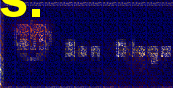
**Use both RFPs and unsolicited proposals.**

**Permit a mix of public and private funds.**

**Use partnership approach on EIRs.**

**Use partnership approach on competition issues.**

**Need is critical, due to repeal of AB 680.**



# ***Legislative Options***

**Revive and modernize AB 680 (the original 1989 private toll roads measure).**

**Amend AB 2660 (1996 law on PPPs for local infrastructure—except state highways).**

**Adapt Virginia or Texas transportation partnership laws.**

**Devolve authority to regionals/locals a la SCAG's proposed RIGHT measure.**

