

FUNDAMENTALS OF PUBLIC-PRIVATE PARTNERSHIPS

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One Approach

PUBLIC-PRIVATE PARTNERSHIPS

“Joint Ventures”

“Collaborative Enterprise”

What is NCPPP?

Membership

- * Public and Private

Partnerships range from:

- * Outsourcing
- * Public-Private Partnerships
- * Privatization

Facing New Challenges

- * **Aging Infrastructure**
- * **Shrinking Budgets**
- * **Constituent Demands**
 - General Citizenry**
 - Business**
 - Special interests**

Philosophy of Government in the 20th Century

**Increased dependence on the public sector
AND
Increased distrust of the private sector**

“Failure to Communicate”

“We Don’t Speak the Same Language”

* **“BUSINESS SPEAK”**

- * Customer Satisfaction, ROI,
- * Risk/Reward Evaluation

-VS-

* **“PUBLIC SPEAK”**

- * Responsibility, Accountability, Risk Avoidance

Organized Opposition

- * **Focused Leadership**
- * **Philosophical Basis**
- * **Grass Roots Organization**
- * **Disruptive Tactics**
- * **Effective Misrepresentation**
- * **Well Funded**

A Response

***Critical Choices:
The Debate Over Public-Private
Partnerships and What it Means for
America's Future***

Private Sector Strengths

The Result of Market Competition

- * Management Efficiency
- * Newer Technologies
- * Workplace Efficiencies
- * Cash Flow Management
- * Personnel Development
- * Shared Resources (Money?)

Public Sector Strengths

- * **Legal Authority**
- * **Protection of Procurement Policies**
- * **Broad prospective / balance the competing goals to meet public needs**
- * **Personnel -- dedicated but constrained**
- * **Capital resources & underutilized assets**

Successful Partnerships

**The Secret is to
Balance the Strengths
of Both Sectors**

Partnerships at Work

- * **Transportation**
- * **Water/Wastewater**
- * **Financial Management (Welfare & Taxes)**
- * **Urban Development**
- * **Public Safety**
- * **Social Programs**
- * **Education**

Advantages of PPPs

- * Maximizes the use of each sector's strength**
- * Reduced development risk**
- * Reduced public capital Investment**
- * Mobilizes excess or underutilized assets**
- * Improved Efficiencies / quicker completion**

The Common Factors

- * Better Compliance with Environmental and worker safety objectives**
- * Improved Service to the Community**
- * Improved Cost Effectiveness**

The Common Factors



- * Shared Resources
- * Shared Risks
- * Mutual Rewards

Recruiting the Private Sector

What will bring them to the table?

Remember

Development costs = \$500K - \$1.5M

Risks are higher than a traditional DBB

The Private Sector's Criteria

- * A genuine pressing need – does the public really want this project?
- * Enabling legislation in place?
- * Reasonable development time frame?
- * Financially feasible (public, user fees, etc.)?
- * Unsolicited proposal authority w/ set time-frames?

The Private Sector's Criteria

- * Manageable and Shared Risks
 - * Political climate
 - * Public sector procurement path
 - * Market evaluation
 - * Environmental evaluation
 - * Solid partnership philosophy

The Example of Union Station

- * Owned by US DOT – an underutilized asset
- * \$170 million expense from private sources
- * From negative to positive cash flow
- * 70,000 people served each day

Keys to Leadership

- * **Statutory and Political Leadership**
- * **Organizational Structure**
- * **Detail Business Plan**
- * **Stakeholder Support**
- * **Pick Your Partner Carefully**

Managing for Success

**Component #1:
Statutory Basis & Political Leadership
Must be in Place**

**First -- Political Leadership
“The Will to Change the System”**

Managing for Success

Component #1: STATUTORY AUTHORITY

- * Impediments/restrictions against PPPs**
- * Contract law**
- * Procurement regulations**
- * Agency work procedures to improve
timeliness**

Managing for Success

Component #2:

- * Dedicated group (tied to the purpose of the partnership)
- * Dedicated and TRAINED personnel to monitor implementation
- * Allow the private sector to do its job

Managing for Success

Component #3:

- * **Detail Business Plan –
(a.k.a. an Enforceable Contract)**
- * **Performance Goals Oriented
(allow for innovative plans)**
- * **Contract / Plan should include:**
 - * Specific milestones and goals
 - * Reporting of metrics and frequency
 - * Dispute resolution procedures

Managing for Success

Component #4:

Stakeholder Support:

- * Public Sector Employees
- * Private Sector
- * Labor Unions
- * End Users
- * Competing Interests

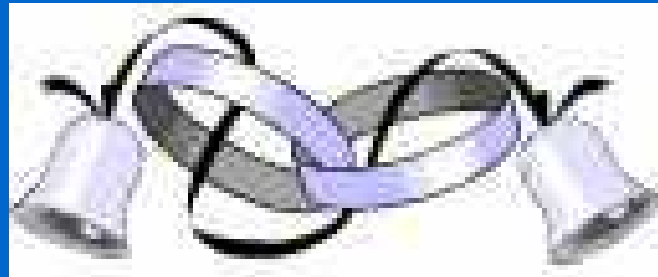
Requires:

- * Open and Frank Discussion Sector
- * Knowing the FACTS (no myths)
- * Translating each other's language

Managing for Success

Component #5: Pick your partner carefully This is a marriage

- * Verify experience (technical capability)**
- * Verify financial capability**
- * Select “Best Value” (may not be the lowest cost)**



Managing for Success

Component #5:

- * Remember what motivates the private sector
- * A reasonable assurance of a return on the investment
- * Timely execution of the project

Managing for Success

**But the Most Critical is
Component #1:**

LEADERSHIP
**can make all the other factors
come together**

Fighting the Fear of Change

Requires leadership

Requires knowledge

Need Help?

WWW.NCPPP.ORG

Case Studies, Fundamentals of Partnerships,
Issue Papers, Publications



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