

# 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

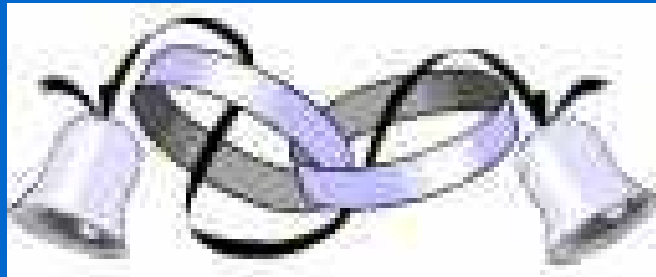
### Requires:

- \* 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](http://WWW.NCPPP.ORG)

Case Studies, Fundamentals of Partnerships,  
Issue Papers, Publications



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