

PRIVATE DEVELOPER PERSPECTIVES ON PPPs AND LABOR

Session: The Relationship Between Labor and PPPs



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Background

- **Not a developer but interact with lots of developers**
- **Understand the perspectives of many developers regarding PPPs and labor**
- **Objective of presentation:**
 - **Share my perceptions of PPP developer perspectives on PPPs and labor issues**

Variety of PPP Developers

- **PPP developers not a monolithic group**
 - Some have long experience from overseas horizontal development or domestic vertical development – includes best-in-class developers
 - Others are new to the process and are learning fast
- **PPP developers generally fall into two groups:**
 - Enlightened developers
 - Unenlightened developers
- **Focus on enlightened developers – who will ultimately be the most successful**

Views of Enlightened PPP Developers

- **Policymakers should define rules of the game that developers must abide by**
- **Labor is an issue best left to local policymakers to address – not developers**
- **Developers will work with whatever labor arrangements established by local policymakers**
- **Developers want a level playing field on which to compete**
 - Contracting rules
 - Labor arrangements
 - Davis-Bacon
 - Prevailing rates
 - Transition arrangements
 - Toll rates and schedule adjustments
 - Environmental clearance process

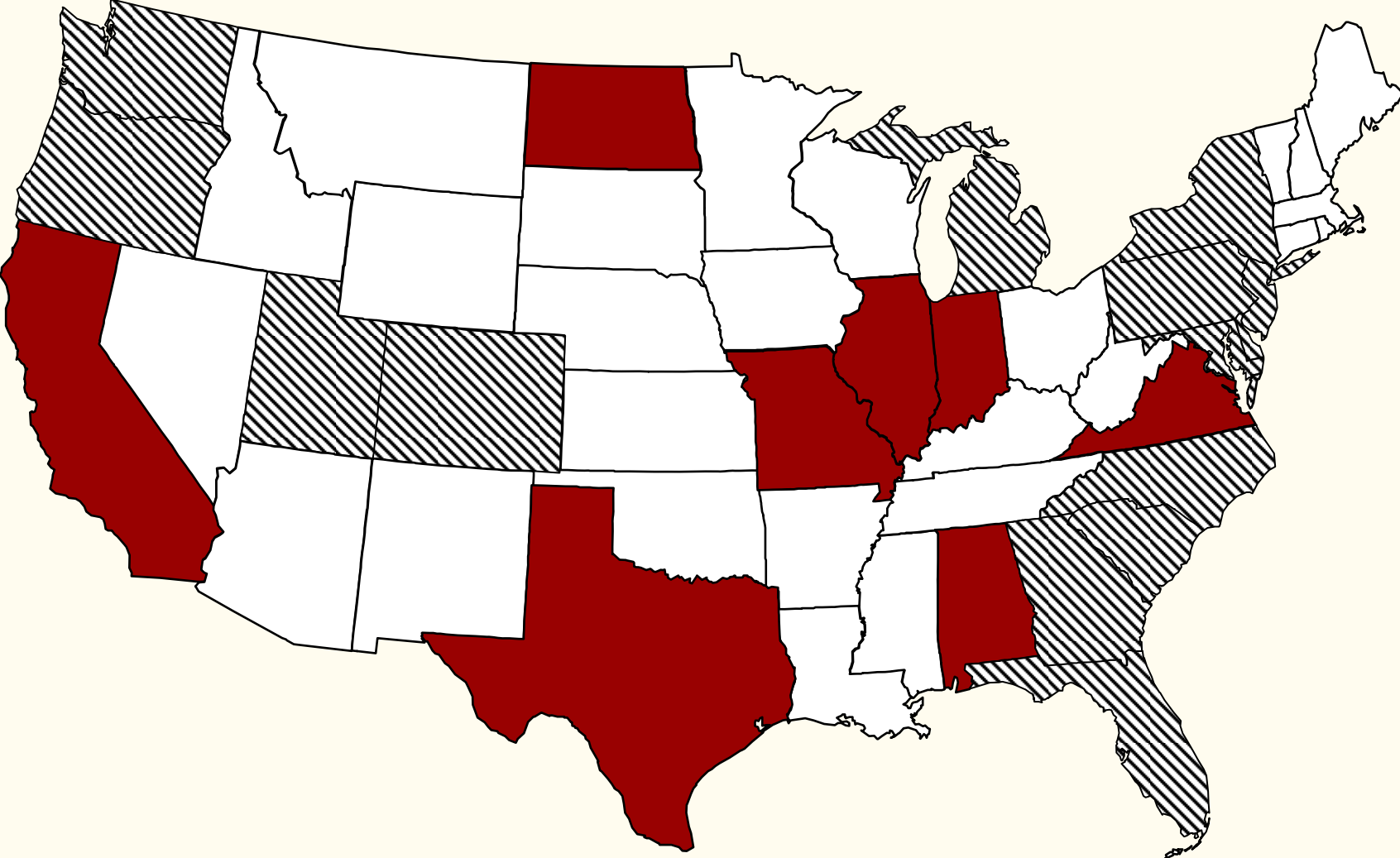
Focus of Enlightened PPP Developers



- **Relationship between the developer and contractor is key consideration in assembling a team:**
 - Success of prior working arrangements
 - Confidence in contractor's senior management team
 - Business plan clearly aligned with interests of developer
 - Creative use of innovation to be more cost-effective
 - Open book on costs, schedule, quality, risks, price escalators, and future expansion – basis for accountability
 - Understand importance of asset life-cycle cost and risk control – over term of contract
 - Lowest-cost contractor may not be preferred choice by developer
 - depends on:
 - Strong working relationship
 - Confidence in performance
 - Best value over long-term

PPPs and the Future of the Surface Transportation Industry

- **PPPs are good for all stakeholders, including labor:**
 - Traditional approaches to project funding and delivery are not keeping up with needs – strangling on institutional inertia
 - Another instrument in the toolbox of financing and project delivery approaches to enable policymakers to grow their surface transportation programs
 - Augment gas tax proceeds through introduction or greater use of direct user fees to increase funding
 - Add resources and true competition to do more projects
 - Expedite use of innovation, introduction of new technology, and delivery of infrastructure projects
 - PPPs generally use mostly local firms and labor
 - Ultimately the overall surface transportation program will grow more because of PPPs - more opportunities for developers, contractors, and labor

States with Existing and Potential Concession Projects



-  States with potential concession-type projects
-  States with existing concession-type projects