



STATEMENT SUBMITTED BY
NATIONAL COUNCIL FOR PUBLIC PRIVATE PARTNERSHIPS
TO THE
NATIONAL SURFACE TRANSPORTATION POLICY AND REVENUE STUDY COMMISSION
MAY 10, 2007

The National Council for Public Private Partnerships (NCP PP) is pleased to provide this statement as the Commission considers a number of policies that are directly related to the use of public-private partnerships (PPPs) for transportation projects. The NCP PP is a national organization dedicated to promoting the appropriate use of PPPs in water, transportation, real estate and in many other areas of our nation's infrastructure. The Council is a national non-profit organization with over 140 members, with membership comprised nearly 50 percent each from the private and public sectors, making the NCP PP truly a public/private organization.

The Council appreciates the challenge that this Commission faces in trying to find solutions to fund transportation infrastructure in the United States. The utilization of public-private partnerships is one tool that can be used to help bridge that gap between funds that are available and funds that are needed to not only maintain our national transportation infrastructure, but to expand the system to meet the growing needs of this country. The Council applauds the vision of the Secretary of Transportation in supporting PPPs in transportation and for understanding that PPPs are not the sole answer to the funding crisis, but can certainly provide part of the solution. Public-private partnerships are often misunderstood and in truth are not part of the problem.

The Council has been surprised by statements made by some of the Commissioners and certain Members of Congress about PPPs that are not only wrong, but a disservice to achieving the high goals of the Commission. The Council wishes to take this opportunity to correct the misimpressions that have led to these conclusions.

1. INCORRECT IMPRESSION: THE CHICAGO SKYWAY AND THE INDIANA TOLL ROAD PROJECTS AND OTHER SIMILAR PROJECTS ARE PRIVATIZATION PROJECTS:

These projects are not privatization projects. Privatization is when the ownership of an asset is transferred to the private sector, with minimal public sector control. The word “privatization” is used by some to suggest an abrogation of public participation in the management of a project. The Skyway, Indiana Toll Road and similar projects are concessions, wherein the private sector manages the asset under strict terms defined in a contractual relationship between the public and private sector entities. The public sector retains ownership and full oversight of the operations and management of the asset. Through this type of PPP, the public sector sets the guidelines and the rules and the private sector uses its innovation and access to capital markets to provide innovative responses to a range of needs. The full control of the public asset can revert completely to the public sector if the private entity does not completely live up to its contractual responsibilities. Accordingly, the term “privatization” has been misused by a number of people during the Commission’s hearing.

Equally important is the fact that these concessions comprise only a small portion of the PPP projects that are underway. While the Skyway and Indiana Toll Road have received a disproportional amount of press coverage, they do not represent the preponderance of partnership activities that are underway in the United States.

2. INCORRECT IMPRESSION: PPP PROJECTS ARE ANTI-UNION:

The experience in use of PPPs clearly indicates that just the reverse is the situation. While some labor and other organizations have voiced a concern about the loss of jobs when PPPs are utilized, in fact PPPs are significant creators of jobs. In nearly all the projects that are under way in this country, accommodation is made in the PPP contract for the existing labor force and prevailing wages. Similarly, with the additional availability of funds that are generated through these PPPs, more projects can be undertaken, thereby creating many more labor jobs than would have been there before. Experience clearly shows that the developers of these projects rely on a small management team for direction of the project, but draw the overwhelming majority of the workforce from local resources. In addition, a significant portion of these projects are subcontracted to local companies, who provide

additional positive impact on the growth of jobs in the community. Again, PPP projects can create an opportunity to tap into private capital and create new jobs that would not have existed otherwise.

3. INCORRECT IMPRESSION: PPP PROJECTS EXIST BECAUSE PRIVATE FIRMS WANT TO MAKE A PROFIT:

There is no doubt that profit plays a role not only in PPP projects, but equally so in all contracting of the private sector by the public sector. Through the public sector's oversight and contract terms, a "reasonable" level of profit can be assured. It is the profit motive that generates the efficiencies in delivery, operation and maintenance of PPP projects. Without a profit motive, there would be no need for improved efficiency. In the competitive environment of our market place, profit produced by efficiency separates successful service providers from those that fail. This type of cooperation and public oversight of corporate profits has been ingrained in the federal highway and transit programs since their inception. While adoption of full life-cycle accounting may alter some fees, the margin of profit in PPPs is largely derived from improved efficiencies in delivery and operation.

4. INCORRECT IMPRESSION: INDIANA TOLL ROAD TYPE PROJECTS LEAD TO FRAGMENTATION AND LOSS OF COORDINATION OF THE FEDERAL HIGHWAY SYSTEM:

Public-Private partnerships can only be executed with the guidance and control of the public sector. Even with unsolicited proposals, the project can not proceed unless it has been approved by the appropriate public agency. In this way, the same level of interstate coordination of the transportation system is maintained, and with the additional resources provided by a PPP, can actually be substantially improved. There are currently numerous projects that are addressing the "missing links" in the current Interstate system – links that could not be addressed previously because of limitation in the public funds available.

The Indiana Toll Road concession provides just one of the many clear examples of support of the Interstate system. First and foremost, the State of Indiana still maintains ownership in this public asset, thereby not diminishing its control over the system. In addition, the Indiana Toll Road concession provided \$3.85 billion in additional funds for the people of Indiana to invest in their transportation system, an amount equal to nearly ten years of federal highway funds in addition to the current funding that the State of Indiana continues to receive.

Preliminary estimates from the possible concession proposal for the Pennsylvania Turnpike show the agreement could result in \$10-12 billion in additional funds going to the Commonwealth of Pennsylvania -- again, additional funding equal to about 10 years of federal highway funds over and above the federal allocation that the Commonwealth already receives. With a growing gap between the funds available from the federal and state governments and the funds needed just to maintain the system as it is, these additional funds are correctly viewed by the public agencies as a means of addressing some of the real problems they are facing today.

5. INCORRECT IMPRESSION: THE PUBLIC SECTOR CAN DO IT ALSO AND MAYBE EVEN BETTER;

In theory it is possible for the public sector to be more innovative and efficient in delivery of transportation infrastructure, but practice and experience indicate otherwise. The public sector has been in control of the federal aid highway program now for over 51 years, yet the needs of delayed maintenance and expansion to meet capacity needs are compounding. This is not a criticism of the public sector, but rather simply a realization of institutional limitations. The public sector does not have competitive forces to make it more efficient, and does not have the force of contracts to mandate improvements or compliance with national or state standards. Equally important, there are ingrained institutional practices and procurement limitations on the use of new technologies that can inhibit efficiencies. Finally, and appropriately, the public sector is risk avoidant, while the private sector can calculate the level of risks and make appropriate business decisions.

CONCLUSION

The system for creation of our Interstate Highway system served us well for nearly 50 years, but recent experience now indicates that the policy and programs are inadequate to meet the growing demands. Public-private partnerships can provide a valuable adjunct to that system, expanding the resources to address public needs, while maintaining an appropriate level of public control.

The NCPPP strongly urges this Commission to endorse the utilization of public private partnerships in transportation, as an additional resource and not a replacement of the current system. According, the NCPPP requests that the Commission include in its recommendations to Congress that the next reauthorization of SAFETEA-LU not only utilize

PPPs but place the use of PPPs into the very functioning fabric of the highway and transit statutory structure, instead of the current experimental manner. The use of PPPs should be permanently placed into the toolbox of every State DOT and transit authority to advance its responsibility to the public to maintain and increase our nation's mobility.

Thank you for this opportunity to present our views and we would request that these remarks be made a part of the permanent record of this Commission.

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