



ACS Group, Iridium – ACS Infrastructure Development

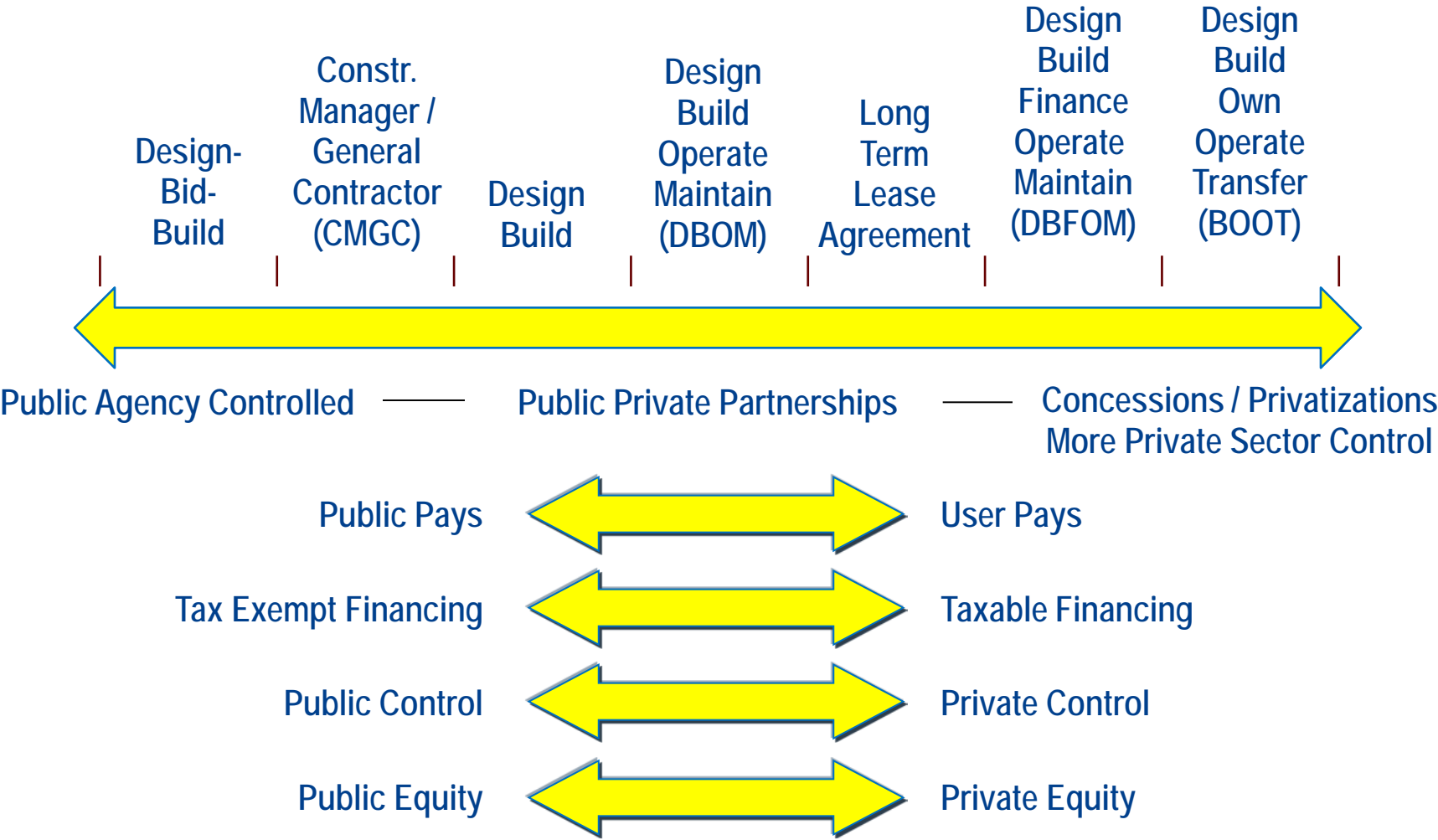
PUBLIC-PRIVATE PARTNERSHIPS

A Framework For Service Delivery

OTEC 2011
Columbus, Ohio

- ▶ Benefit the economy
 - Put people to work
 - Do more projects
 - Accelerate delivery of project benefits

- ▶ Ensure long-term operation and maintenance of critical infrastructure



<i>Development</i>	<i>Design</i>	<i>Construction</i>	<i>Operations & Maintenance</i>
Planning	Scope	Scope changes	O&M costs
Legal	Schedule	Schedule	Performance
Political	Quality	Quality	Availability
Environmental	Budget	Budget	Traffic
Financial			Revenue
Traditional Planning	Traditional Design	Traditional Bid-Build	Separate O&M

Design-Build-Finance-Operate-Maintain

- PPP in Development Stage**
- Do VfM analysis
 - Assess priority
 - Assess public support
 - Clarify project goals
 - Choose development strategy
 - Choose procurement strategy

- PPP in Delivery Stage**
- Integrate life-cycle considerations in design
 - Begin system optimization in design
 - Smoothly incorporate design – construction – O&M phases
 - Accelerated delivery of benefits to public
 - Vertical integration lowers costs to public and leads to profits for investors

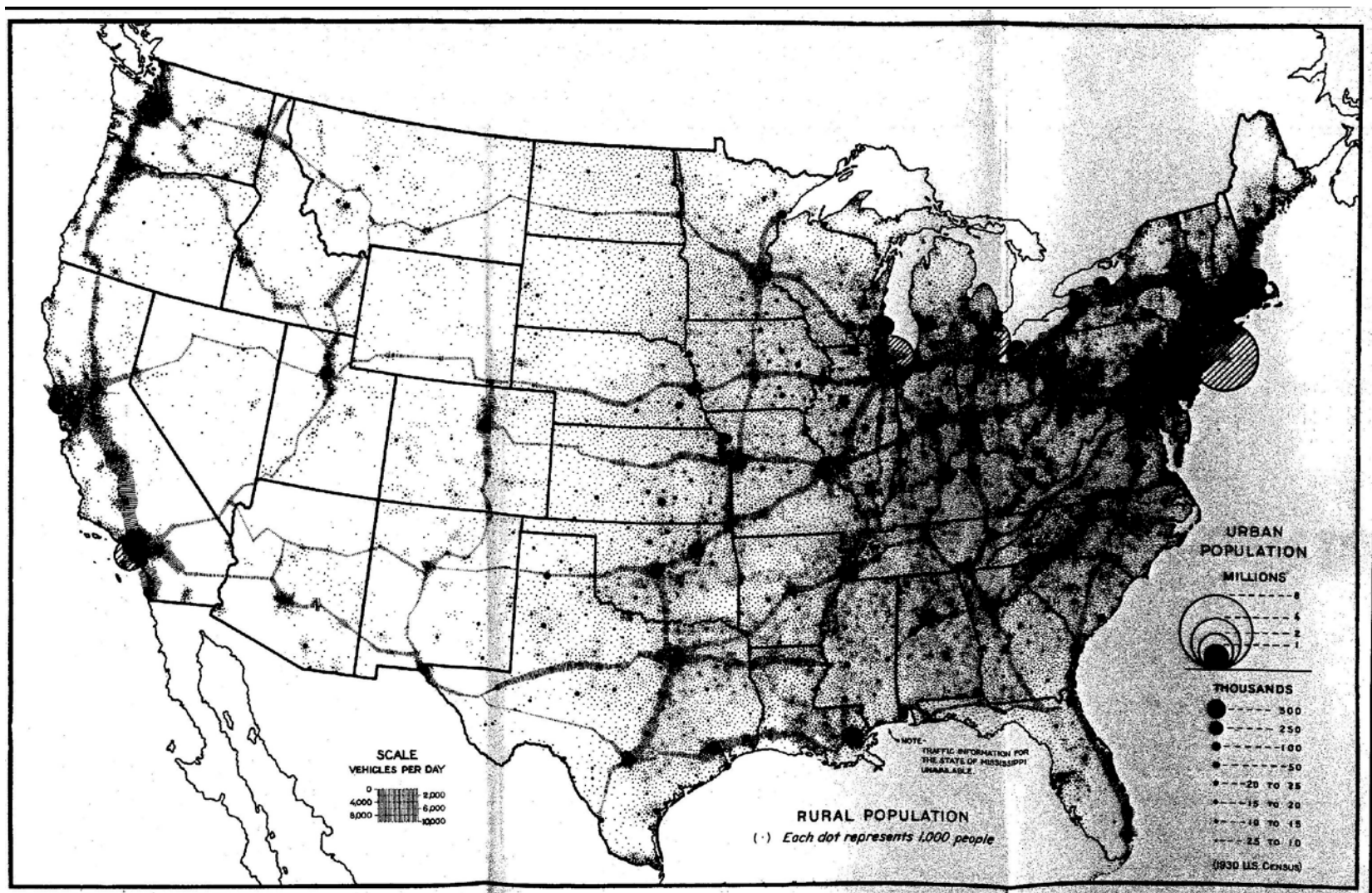


PLATE 58.—A comparison of population density and average daily traffic on existing routes tentatively selected as approximating the lines of a proposed interregional highway system.

- ▶ PPPs provide value through long-term service delivery
- ▶ PPPs are for a small subset of projects
- ▶ Complex projects are challenging, regardless of the delivery method

- ▶ PPPs provide value through long-term service delivery
 - Additional performance security required by private markets
 - Public agency preference for bonds
 - Private lender preference for more liquid instruments
 - Letter of credit
 - Parent guaranty
 - Ensure long-term operation and maintenance of critical infrastructure
 - Transfer risk for:
 - Operations
 - Maintenance
 - Inflation
 - Specifications updated throughout term

- ▶ PPPs provide value through long-term service delivery
 - *Not simply a procurement tool*
 - Some current laws restrict procurement options
 - Competitive sealed bidding via design-bid-build
 - Short term construction contracts
 - States often need to clarify legislative authority to procure the breadth of services in a long-term contract
 - *Not simply a financing tool*
 - Private financing should be a benefit, not the primary focus
 - Public agencies should advance projects they can complete regardless of the delivery method, and regardless of whether private equity or debt is available
 - Choose PPP projects that offer value for money
 - The scope and length of the contract enable efficiencies achieved through vertical integration of services across phases
 - The efficiencies enable risk transfer that is more valuable than the cost of private financing

- ▶ PPPs are for a small subset of projects
 - Large scope, long-term, high-priority projects
 - Must have clear legislative authority
 - Must have clear public and political support
 - Must address fundamental transportation need
 - Have a dedicated revenue source
 - Tolls and/or
 - Dedicated taxes or fees
 - Include long-term operations and maintenance (O&M) responsibilities
 - Some private financing
 - Equity
 - Debt
 - May be blended with public funding sources

- ▶ Complex projects are challenging, regardless of the delivery method
 - ▶ PPPs offer opportunities for:
 - Vertical integration of design, construction, operations and maintenance
 - Focus on life-cycle optimization
 - Risk transfer
 - Deliver congestion relief sooner
 - ▶ Choose PPP projects that offer Value for Money
 - Priority projects
 - Positive value: risk transfer, integration of services between phases and earlier project delivery/travel time benefits
 - Additional costs: private financing – offset by the benefits noted above
 - Smaller and/or shorter duration contracts may not offer enough advantages to offset the financing costs



ACS Group, Iridium – ACS Infrastructure Development