Public-Private Partnerships (PPPs) for Transportation: Two Decades of Lessons Learned

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Why Do States Use P3s or Design-Build?

- Leverage Private Capital
- Urgency of Project
- Opportunity for Innovation
- Opportunity for Risk Transfer
- Cost Savings
- Higher Quality

If your state has an infinite amount of time and money, you probably don’t need P3s or design-build.
The “Traditional” Way – Design-BID-Build

Two contracts are used to accomplish design and construction.

CONTRACT WITH ENGINEER

THIS IS WHERE THE COST COMPETITION TAKES PLACE

CONTRACT WITH CONSTRUCTOR

REPLETE WITH COST CHANGE ORDERS, COST OVERRUNS & DELAYS
P3s Delivers The Dynamic Duo

✓ Private Sector Financial Resources

✓ Design-Build Project Delivery Method
Design-Build...

a single contract is used to accomplish design and construction.

The “Better” Way – Design-Build

Great Past Performance + Innovative Ideas + Creative Approach = Contract

THIS IS WHERE THE ENTIRE COMPETITION TAKES PLACE

Within the Owner’s Established Budget

Plans

Ontime, on budget, without litigation is the rule
Design-Build Performance
(Comparison of Design-Build vs. CM-at-Risk vs. Design-Bid-Build)

- 6% Lower Cost
- 12% Faster Construction Time
- 33% Faster Project Completion
- Higher quality in all measured categories

SOURCE: Construction Industry Institute (CII)/Penn State Research comparing 351 projects ranging from 5K to 2.5M square feet. Projects were of various types and from various industries.
The Diversity of P3 and Design-Build Projects

❖ P3 Projects Under 50 projects

- Design-Build-Finance-Operate-Maintain 39%
- Design-Build-Finance-Operate 23%
- Design-Build-Finance 21%
- Design-Build-Operate-Maintain 10%
- Design-Build-Finance-Maintain 7%

❖ Design-Build – Over 500 projects
2012 Public-Private Partnership (P3) State Laws

- **Green**: P3 is authorized
- **Light Green**: P3 is limited or project-specific
- **White**: P3 is authorized by regulation
- **Red**: P3 is not authorized

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DBIA
Comparison of P3sMarkets - US vs. Canada

Public Perception of foreign Concessionaires:
• U.S. – Perception is sending all the profits overseas
• Canada – Foreign investment in our economy is a good thing

Political Reality:
• U.S. – Federal Government retains much authority
• Canada – Much more power given to individual Provinces

Budget constraints:
• U.S. – Prefer P3’s because all other sources of $ are dry
• Canada – Prefer P3’s because of private sector innovation and efficiency

Performance Bonds:
• U.S. – Typically required by law
• Canada – Not required as risk of non-performance has been shifted to private sector
More P3s On The Horizon

- Gas Tax is Losing Value
- P3s Give States More Options
- We are Trending Toward Performance Based Construction
Lessons Learned

- P3s and Design-Build projects are more complicated and require additional training and expertise.

- Not every project is suitable for a P3 – Design-Build may be a better solution.
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