

Highway Public-Private Partnerships

**Federal Highway Administration
Office of Innovative Program Delivery**

Select Excerpts From A Larger Presentation



Why Consider P3s?

- Private financing
 - Investor management and project supervision
- Task “bundling” and integration
 - Life-cycle costing
 - Technological innovation and competition in design
- Risk transfer to entity considered best positioned to manage
 - At minimum, design and construction risk
 - Depending upon structure, operations and maintenance, financing and/or market/demand risks
- Benefits of P3 do not always materialize and are not guaranteed
 - Need to be assessed & enforced on a project-by-project basis



Challenges in Using P3s

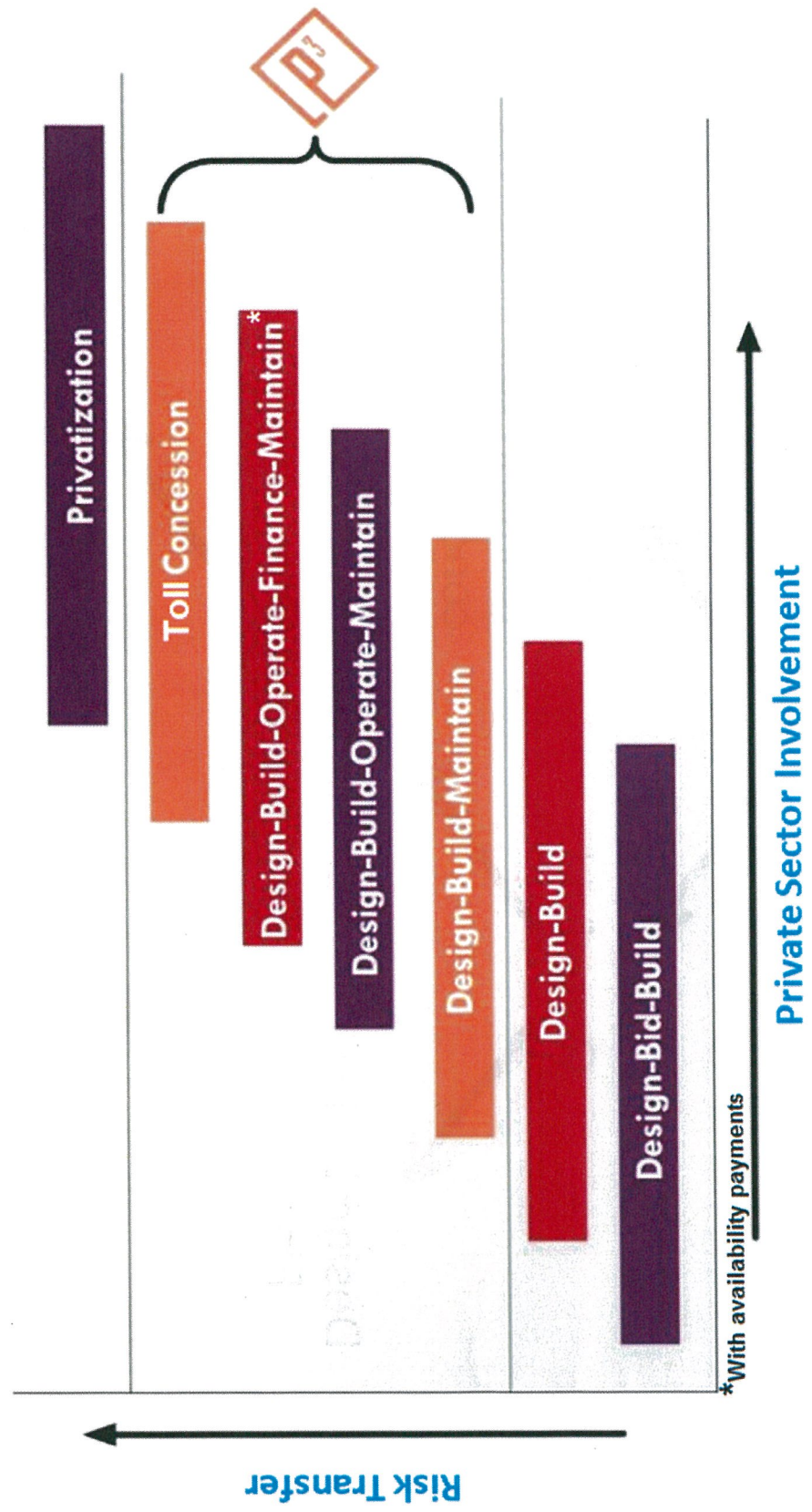
- Public acceptance
- Enabling legislation
- Organizational Capacity
 - Knowledge gap
 - Different oversight/contract management approach required



Challenges in Using P3s (Cont.)

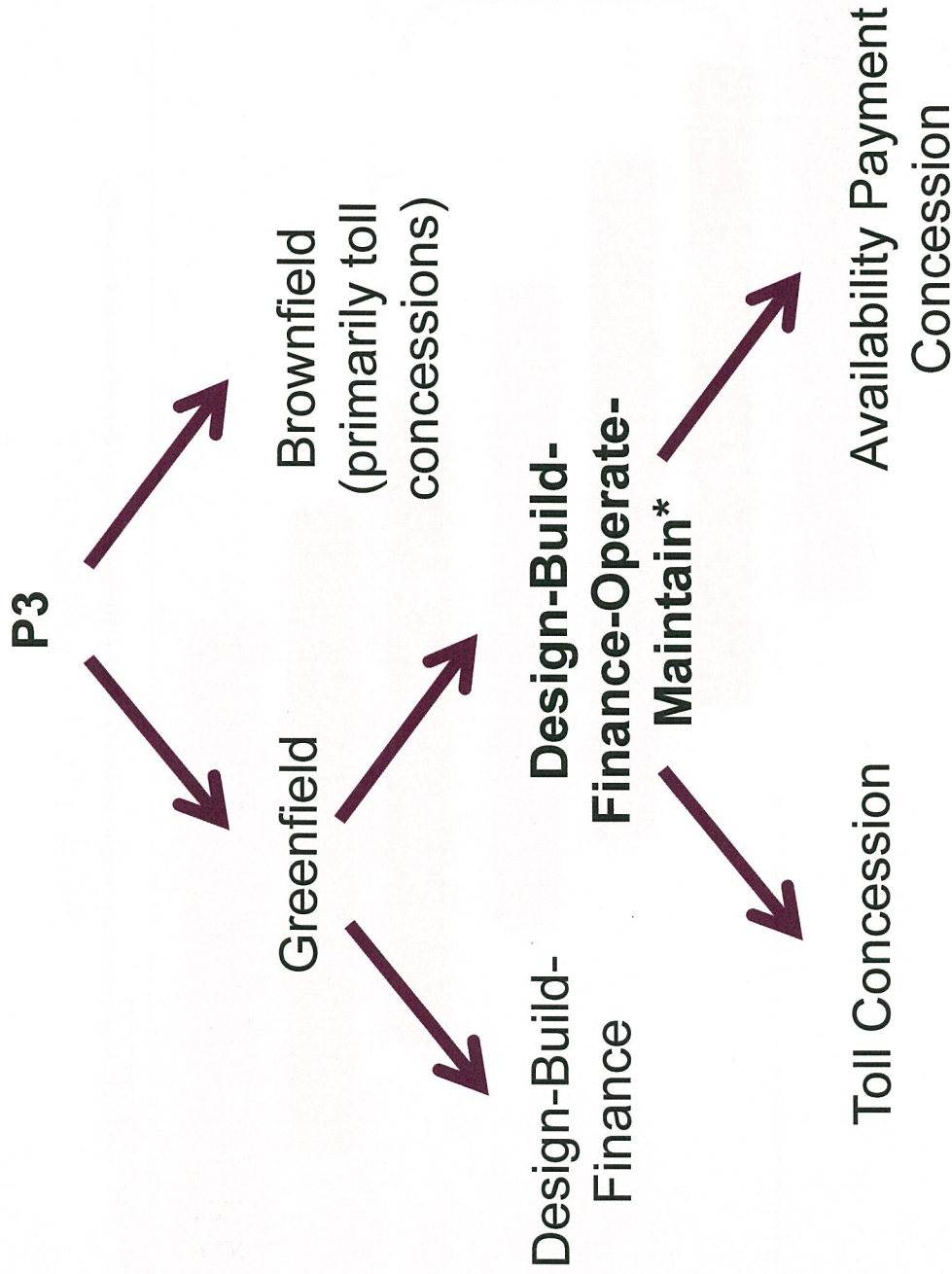
- Revenue constraints
 - Federal and state toll restrictions
 - Revenue shortfalls due to lower tax receipts
- Difficulty in predicting traffic and revenue
- Difficulty in identifying and pricing risk and proper risk allocation
- Long term nature of P3 Agreements
 - Concern about loss of upside revenue potential to public
 - Inability to anticipate future performance issues or public needs

The Range of Project Delivery Options





P3s Involving Private Financing



*Focus of FHWA Office of Innovative Program Delivery



Conventional vs. P3

Conventional Projects (design-bid-build)	P3 Projects (design-build-finance-operate-maintain)
Public sector takes on most risks (except construction)	Risks shared between public and private sector
Public Financing (mostly)	Private Financing (mostly)
Lowest bidder	Best suited/best value
Operations and maintenance (O&M) and ongoing rehabilitation (if any) carried out by public agency once constructed	O&M carried out by private sector; ongoing rehabilitation overseen by public sector stewardship of P3 agreement

Resources

- **BATIC:** www.transportation.gov/BATIC
- **Maritime Administration:** www.StrongPorts.gov
- **P3 Website:** <http://www.fhwa.dot.gov/ipd/p3/>