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House T&I Panel Discusses Value of Public-Private Partnerships in Highway and Transit Projects

The House Committee on Transportation and Infrastructure's special panel on public-private partnerships held a hearing on Wednesday to talk specifically about these partnerships for highway and transit projects, gaining insight on a range of issues pertaining to transportation PPPs.

"Today's hearing will focus on how PPPs can accelerate the delivery of highway and transit projects. States are increasingly utilizing PPPs to help them address their highway needs. Americans are also using transit systems more than ever to get them where they need to go. But as we all know, building new transit lines can be a complex and costly effort," said Rep. John Duncan (R-TN), chair of the T&I PPP panel. Duncan also said he wanted to hear about how the public sector can ensure PPP projects deliver public benefits, how those benefits are protected over the years, what the private sector looks for in selecting projects in which they can participate, sharing the risk in these projects, and the federal role in these arrangements.

Duncan and the rest of the panel heard from Texas Department of Transportation Interim Executive Director and Chief Financial Officer James Bass, Regional Transportation District General Manager Philip Washington, Fluor Senior Vice President Richard Fierce (on behalf of the Associated General Contractors of America), and Congressional Budget Office Assistant Director for Microeconomic Studies Joseph Kile.

Bass said PPPs were a very important tool for TxDOT in delivering much-needed transportation projects in the state.

"In Texas, PPPs for transportation projects are entered into using a procurement process that allows TxDOT to select the proposal that provides the best value to the state. These agreements provide for the design and construction, rehabilitation, expansion, or improvement of a transportation project and may also provide for the financing, maintenance, or operation of such a project," Bass said. "Through the use of PPPs, TxDOT has been able to narrow the gap between our transportation needs and transportation assets, and has helped citizens to realize our transportation goals such as improved traffic flow and air qualities in areas of greatest need and demand. Without the option of PPPs, several projects would not be developed for a number of years... projects needed to improve mobility and reduce congestion."

Washington, whose organization worked to deliver the Denver Union Station project, echoed Bass' statement that PPPs and other financing mechanisms (like the TIFIA program) make projects possible.

"Without the PPP delivery method and other financing mechanisms, RTD would not have been able to move forward with plans for the construction of Denver Union Station. We encourage Congress to lean further forward with PPPs, along with other innovative financing methods in the new transportation reauthorization bill," Washington said. "As the demand for infrastructure increases and traditional funding resources become more difficult to obtain, more creative solutions become necessary in addressing critical transportation needs."

Kile said the private sector can play important roles in carrying out highway projects, especially "the financing of projects and the provision (the design, construction, operation, and maintenance) of highways." According to Kile, CBO believes that: based on a small number of studies, these partnerships "have built highways slightly less expensively and slightly more quickly, compared with the traditional public-sector approach;" the cost of financing a highway project privately is about the same compared to financing it publicly after factoring in costs associated with the risk of losses from the project and financial transfers made by the federal government to states and localities; and private financing will increase the availability of funds for highway construction in some cases.

And while PPPs are deemed a tool for states in completing highway and transit projects, witnesses said they should not be the only option and that stable federal investment in transportation is vital.

"PPP or any other type of innovative financing tool must be viewed as just that—a financing tool," Fierce said. "There is no replacement for direct federal funding, and the number one priority for Congress should be to ensure there are long-term sustainable funding sources in place for our federal surface transportation programs."

The PPP panel will look at the current state of PPPs in the U.S. to find: the role PPPs play in the development and delivery of transportation and infrastructure projects across the country and on the nation's economy; if and/or how PPPs enhance the delivery and management of those projects "beyond the capabilities of government agencies or the private sector acting independently;" and how to balance public and private sector needs when working on PPP projects. The panel is authorized to operate for a period of six months.

Additional information on the hearing, including a video of the event and all written testimony, is available [here](#).

Questions regarding this article may be directed to editor@ashtojournal.org.

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