

The Framework of Public-Private Partnerships

by Richard Norment, NCPPP



These are challenging times

- Deficits at all levels of government, in the U.S. and around the World
- Often have requirement for a "Balanced Budget" if not statutory, at least driven by financial market demands
- Infrastructure and service needs escalating
 - Postponed maintenance
 - Population growth increases demands

I may have an answer

What is NCPPP?

- Membership
 - Public and Private
- Partnerships range from:
 - Outsourcing
 - Public-Private Partnerships
 - Privatization
- OUR FOCUS = Public-Private Partnerships
 - "Joint Ventures"
 - "Collaborative Enterprise"
- NOT "Privatization"
 - Difference = The level of public control & oversight

Objective

To provide a framework to illustrate the use of Public-Private Partnerships (PPPs) in the US:

- Are not revolutionary
 - More widely used in other countries
 - Europe, Asia, Latin America, Africa
 - Used in a number of sectors infrastructure
 - Over 300 years of experience in the US
 - First ones for transportation and water
- Don't answer all challenges
- Does provide a valuable tool

What is a PPP?

A Public-Private Partnership is a **contractual agreement** between a **public agency** (federal, state or local) and a **private sector entity**. Through this agreement, the **skills and assets** of each sector (public and private) **are shared** in delivering a service or facility for the use of the general public. In addition to the sharing of resources, **each party shares in the risks and rewards** potential in the delivery of the service and/or facility.

source: www.ncppp.org



Sectors Where PPPs Have Been Used

THE EXPERIENCE IS TRANSFERABLE

"Lessons learned from one . . . "

- Social Infrastructure
- Transportation
- Water/Wastewater
- Energy
- Financial Management
- Social Services



Private Sector Strengths

The Result of Market Competition

- Management Efficiency
- Newer Technologies
- Workplace Efficiencies
- Cash Flow Management
- Personnel Development

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Shared Resources (Money?)

Public Sector Strengths

The Result of Serving the Public Trust

- Legal Authority
- Protection of Procurement Policies with a need for transparency
- Broad prospective/balance the competing goals to meet public needs
- Personnel dedicated but constrained
- Capital resources



Successful Partnerships

The Secret is to Balance the Strengths of Both Sectors



Advantages of PPPs

- Maximizes the use of each sector's strength
- Reduces development risk
- Reduces public capital investment
- Mobilizes excess or underutilized assets
- Improves efficiencies/quicker completion
- Better environmental compliance
- Improves service to the community
- Improves cost effectiveness
- Shares resources
- Shares/allocates risks
- Mutual rewards

Six Keys to Successful PPPs

- Statutory and Political Environment
- Organized Structure
- Detailed Business Plan
- Guaranteed Revenue Stream
- Stakeholder Support
- Pick Your Partner Carefully



Component One: The Environment

- Statutory authority and regulations
- Political leadership must be in place
 - Leading Political Figure
 - Top Administrative Officials
 - "The Will to Change the System"
 - A Strong Policy Statement



Component Two: Organized Structure

- Dedicated group (tied to the purpose of the partnership)
- Dedicated and TRAINED personnel to monitor implementation
- Examples: TXDOT, VDOT, PPP Centrum, Partnerships UK, Irish Government's Central PPP Unit
- Best Value vs. Lowest Price
 - Difficult to Administer but...
- Need for Good Governance
 - To assure an open and fair procurement process
 - Consolidate staff = easier to monitor
 - Independent authority (domestic/internal or international)

Component Three: Detailed Business Plan a.k.a. Enforceable Contract

- Performance goal oriented Allow for innovative plans
- Best Value vs. Lowest Price
- Plan/Contract should include:
 - Specific milestones and goals
 - Reporting of metrics and frequency
- Risk Allocation
 - Shift to the private sector can raise costs
 - Identify best prices to retain, which to shift
- Dispute Resolution Methodology
- Workforce Development?
 - Develop in-country resources/small businesses

Component Four: Guaranteed Revenue Stream

- Funds to Cover the Long-Term Financing
 - Tolls/Fees (real or shadow)
 - Intelligent transportation systems
 - TIF or other form of a Tax District
 - Long-Term Maintenance Contracts
 - Availability Payments
 - Underutilized Assets
 - Concession Model (limited application)
 - Creative Approaches

Component Five: Stakeholder Support

- End Users
- Private Sector
- Labor Unions
- Competing Interests
- Public Sector Employees
- Requires:
 - Open and frank discussion between sectors
 - Knowing the FACTS (not myths)
 - Translating each other's language

Component Six: Pick Your Partner Carefully

- This is a long-term relationship
 - Verify experience (technical capability)
 - Verify financial capability
 - Best Value vs. Lowest Price
- Remember each sector's motivation
 - Genuine need (market value to the project)
 - Political / statutory environment
 - Reasonable return on investment and manageable risks
 - Timely and effective execution vs. development costs



Managing for Success

The Most Critical is Component One:

Strong LEADERSHIP makes all the other factors come together

Need Help?

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www.ncppp.org

Case Studies, Fundamentals of Partnerships, Issue Papers, Publications, Resources

