Public Private Partnership
Center for Buildings, Infrastructure and Public Space
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Introduction
Public Private Partnership is a co-operative arrangement between public and private parties who work together to deliver a meaningful project typically of a long term nature. The private party bears significant risk and management responsibility and remuneration is linked to performance.

Overview of US P3 Market
Infrastructure projects in the US market require a funding of $3.5T per year to meet the needs of our growing population and expanding economy. The figure below shows the percentage of GDP spent on infrastructure projects from 2003 to 2028. As of 2018, only 33 states out of 50 states in the US have a statutory authority and a well-enough P3 Legislation.

Public Role
The public sector is responsible for designing of the infrastructure, construction, operation and maintenance and most importantly project finance.

Private Role
The private sector is responsible for P3 Contract Monitoring to look after the requirements of the agreement along with the daily business activities and security of the asset.

Case Studies

- **Goethals Bridge**: Construction of new bridge to replace existing old bridge
  - Value of contract: $1.5 billion
  - Lease period: 35 years
  - Challenges: Milestone payments, no proper authority to look after P3 regulations, risk sharing

- **Chicago Skyway**: 7.8 mile elevated road connecting Chicago and north-western Indiana
  - Value of contract: $1.83 billion
  - Lease period: 99 years
  - Challenges: Parallel road condition, repair cost of bridge, unclear lease provisions and conditions

- **SR 125**: 9.5 mile highway connecting railway freeway network to the US-Mexico border
  - Value of contract: $638 million
  - Lease period: 35 years
  - Challenges: Private sector to bear both environmental risks and clearance of permits

- **Goethals Bridge**: Development of the central terminal
  - Value of contract: $4 billion
  - Lease period: 40 years or until 2050
  - Challenges: Catastrophic drilled-shaft failure, exposure to named storms and geology conducive to sinkholes

Conclusions
The infrastructure funding gap of $3.5 trillion in the USA has increased the requirement of private funds in infrastructure. Public Private Partnership has allowed the private entities to enter the market and cover the investment shortfall. But on analysis of the US market, we observe that they are not completely prepared for the implementation of Public Private Partnership. One of the main factors behind this is the lack of a federal agency which can provide guidelines and set up a platform for this model of delivery. The other challenges observed during our research of different case studies dealing with Public Private Partnership projects are lack of appropriate risk allocation, elongated procurement process, insufficient details regarding current and future projects and lack of public and monetary support from government. The review of the Public Private Partnership markets in Colombia, Australia, France, UK and Canada has provided the idea for the solutions to these challenges.

Governmental entities need to consider Public Private Partnerships for key infrastructure projects as procedural tools that reduce risk, cost and time. P3 needs to become a part of the industry culture. One way of accelerating acceptance is to set up a statutory authority to develop and update P3 guidelines and push for use of this innovative mechanism.

Country Comparison Matrix

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<thead>
<tr>
<th>Feature</th>
<th>France</th>
<th>Italy</th>
<th>Spain</th>
<th>Latin America</th>
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<tr>
<td>Statutory Authority</td>
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<td>0</td>
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<tr>
<td>Risk Sharing</td>
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<td>Legal Framework</td>
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<td>Political Support</td>
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<td>Procurement Frameworks</td>
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<td>Government/Pub Support</td>
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Recommendations
We recommend that any legislative body which is compiling P3 guidelines should consider these critical success factors:

1. **Appropriate Risk Analysis Methodology**
2. **Good Governance Structure**
3. **Favorable Legal Framework**
4. **Formulation of a Public Agency**
5. **Strong Private Consultancy**
6. **Macroeconomic Factor**
7. **Government and Public Support**
8. **Transparent and Competitive Procurement Process**
9. **Strong Private and Public Commitment**
10. **Sound Economic Policy**

Recommendations for Successful Projects:

- **Project Feedback**
- **Leadership Factor**
- **Risk (Hydrological & Economic) Policy**
- **P3 Project Implementation**
- **Procurement Plan**
- **Procurement Policy Social Service**
- **Governmental and Political Support**
- **Successful FPP Project**
- **Best Construction Period**

RECOMMENDATIONS