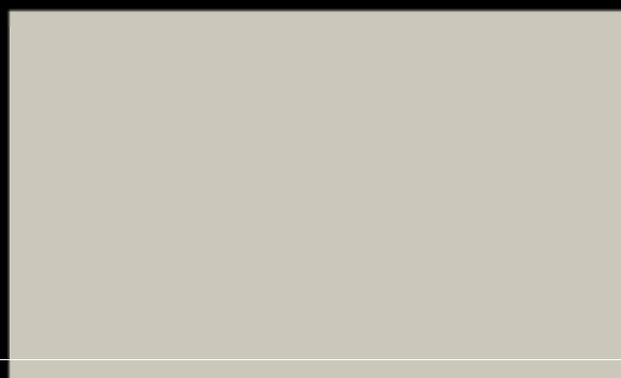


**An Option for Financing Ports:  
Public-Private Partnerships**

**Latin American Congress of Ports  
June 19, 2008**

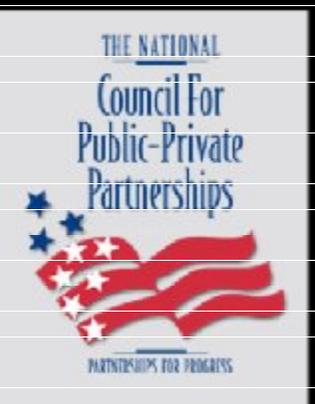
**Rick Norment  
NCPPP Executive Director**

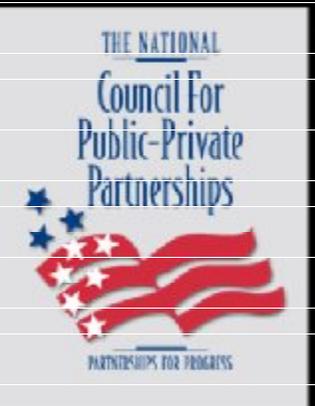
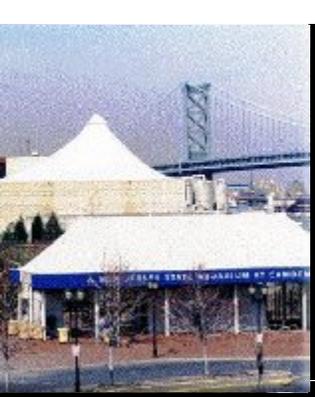




# Challenges Facing Ports

- **Current difficulties with intermodal connections (rails and trucks)**
- **Rapidly expanding international trade**
  - Opening of the Panama Canal's third channel = major impact on all Atlantic Ports
- **Growing need for capital to meet these demands**





# 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 illustrate that Public-Private Partnerships (PPPs) are:

- Possibly an answer to these challenges
- **Not revolutionary**
  - Used in a number of infrastructure sectors
  - Over 200 years of experience in the US
    - First ones for transportation
  - More widely used in other countries
    - Europe, Asia, Latin America, etc.
- **Don't answer all challenges**
- **Does provide a valuable tool**





# Challenges & Opportunities

## TRUST IN EACH OTHER

- The need for transparency
- Understanding the other's position

## PUBLIC SECTOR

- Aging Infrastructure
  - Maintenance
  - Replace & Expand
- Shrinking Budgets
- Constituent Demands
- Exercising Authority

## PRIVATE SECTOR

- Economic Development
- Accelerated delivery
- Innovative financing
- Capitalize on public sector resources
  - Underutilized Assets

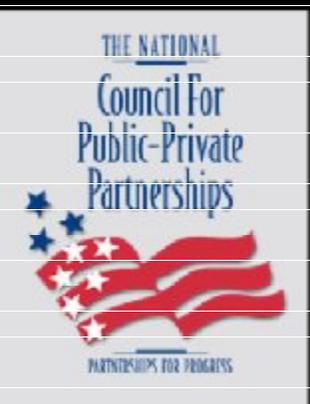
**PPPs = An Answer, not the answer**



# WHAT IS A PPP?

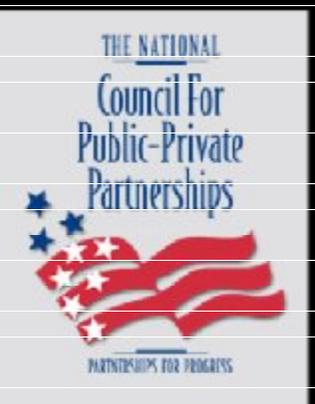
A Public-Private Partnership is a **contractual agreement** between a **public agency** (federal, state or local) and a **private sector entity**. Through this agreement, the **skills and assets** of each sector (public and private) **are shared** in delivering a service or facility for the use of the 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](http://www.ncppp.org)





# A LITTLE HISTORY OF PPPs





# All Projects were “Public”

## The Change – The emergence of Capitalism



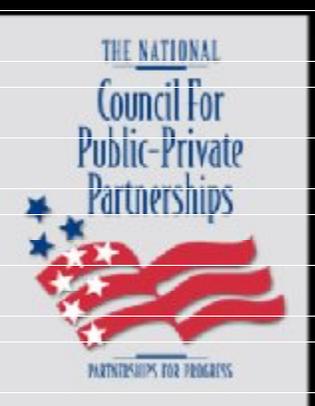
**1776 – Adam Smith’s Wealth of Nations**



**1756 – Philadelphia Fire Insurance Company**



**1796 – Lancaster Turnpike**



# The Change – The emergence of Capitalism

**1825 – Erie Canal**



**1869 -  
Transcontinental  
Railroad**



# Sectors Where PPPs Have Been Used

**THE EXPERIENCE IS TRANSFERABLE**

**“Lessons learned from one . . .”**

- Transportation
- Water/Wastewater
- Urban Development
- Utilities
- Financial Management
- Schools

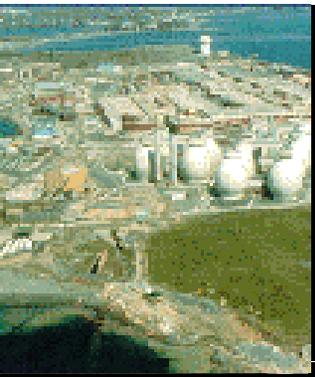




## Advantages of PPPs

- 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





## Private Sector Strengths

### The Result of Market Competition

- Management Efficiency
- Newer Technologies
- Workplace Efficiencies
- Cash Flow Management
- Personnel Development
- Shared Resources (Money?)





## Public Sector Strengths

### The Result of Serving the Public Trust

- Legal Authority
- Protection of Procurement Policies
- 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

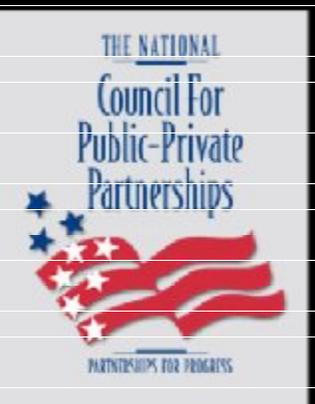




# Case Studies at [www.ncppp.org](http://www.ncppp.org)



- Transportation
- Water / Wastewater
- Financial Management
- Real Estate / Economic Development
- Public Safety
- Social Programs
- Education

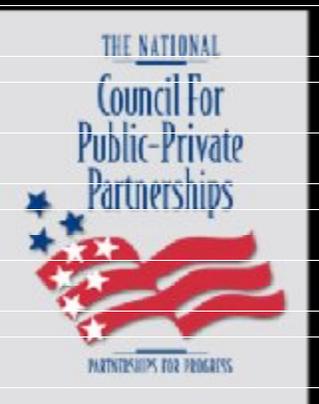




## CASE STUDY: Washington DC Metro Station



- An “in fill” station in an economically depressed area
- Public and private initiatives
- Cost: \$90 million
- Local Developer provided 30% through a dedicated tax district and the land for the station
- Economic Impact: 600% increase in property values in 3 years





## CASE STUDY: Colombo Port, Sri Lanka

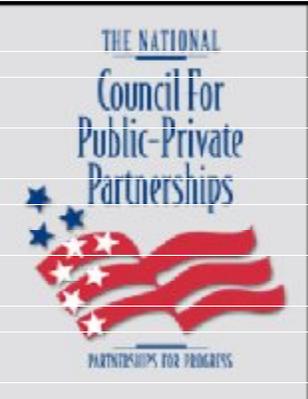
- Inefficiencies and delays reduced the competitiveness of the port
- Queen Elizabeth Quay (QEQ) expanded through a 30 year BOT concession
- Financed \$227 million, based on debt/equity ratio of 60:40, private sector financing
- Throughput for QEQ increased 350% from 2000 to 2004
- Construction of 3 container berths and 1 passenger berth completed in stages—port remained operational throughout





## CASE STUDY: Martin Garcia Channel

- Countries: Argentina and Uruguay
- Waterway of the Rio de la Plata, Paraná River, and Uruguay River vital for trade
- 10-year DBOT granted—revenue from tolls collected for passage and payments from the governments
- Able to accommodate larger vessels using in shipping-245 m long and 32 m wide
- Financial problem: countries unable to make all payments after the financial crises of 2002 and 2003





## CASE STUDY: Port of Miami Access Tunnel

- Trucks currently travel through 6 to 7 traffic signals to get to the port
- Tunnel will provide direct access between port, I-395 and I-95 and take port traffic off the downtown streets
- Estimated costs: over \$1 billion
- Miami Access Tunnel Team was awarded the 35-year contract in 2007
- FDOT will make availability payments over the lifetime of the project, starting after the tunnel is completed





# THE PROCESS

(How do you attract the interest of the private sector?)

## The Problem of “No Response”

- The need to make a return on the investment
- Up-front costs at risk

## Public sector steps before the RFP

- General concept design, but not design specific
- Evaluation of the value of publicly held lands
- Evaluation of market potential, including tax revenues to be generated
- RFQ to select a design and construction team
- RFP to the select group developed by the RFQ
- Private pre-RFP costs can be significant, but projects have a higher probability of success (because of the pre-RFP process)





# Attracting Investors

Investors seek environments where their proposals will receive fair evaluation, and where they can reasonably expect a fair return on investment. Good Governance is critical, e.g.:

- Statutory/Regulatory enabling environment
- Transparent procurements
- Sanctity of contracts
- Objective, consistent judicial system
- Fair risk allocation



# Challenges of Bringing the Public and Private Sectors Together

## “Failure to Communicate”

- “We Don’t Speak the Same Language”
  - “Business Speak”
    - Customer Satisfaction
    - Return on Investment
    - Risk/Reward Evaluation
  - “Public Speak”
    - Responsibility
    - Accountability
    - Risk Avoidance





# But Are These Really Different?

## BUSINESS

## GOVERNMENT

Customer Satisfaction

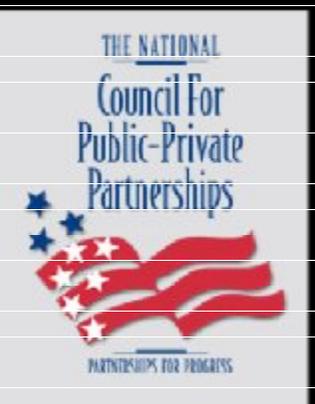
Responsibility

Return on Investment

Accountability

Risk/Reward Evaluation

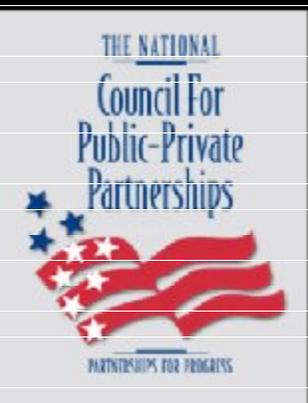
Risk Avoidance





# Six Keys to Successful PPPs

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



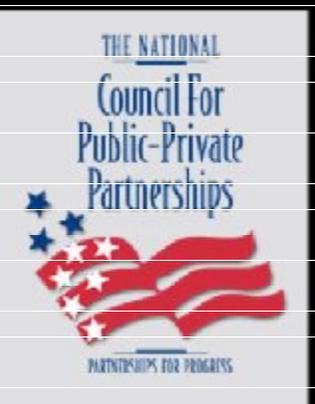


# Managing for Success – Six Keys

## 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



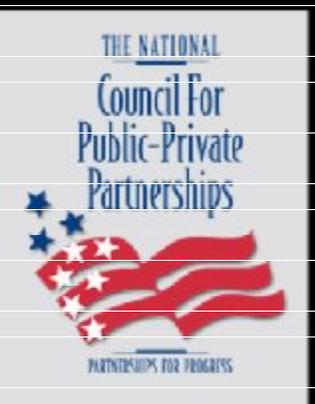


# Managing for Success – Six Keys

## Component Two:

### Organizational 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)





# Managing for Success – Six Keys



## 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





# Managing for Success – Six Keys

## 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



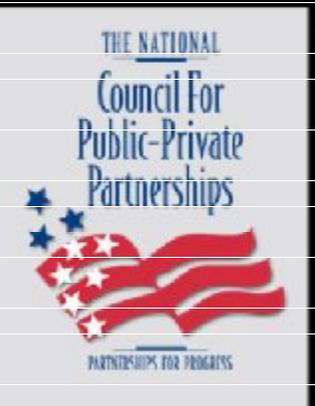


# Managing for Success – Six Keys

## Component Five:

### Stakeholder Support

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





# Managing for Success – Six Keys

## 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?

[www.ncpppp.org](http://www.ncpppp.org)

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



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