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The Growing Evidence that P3s are Delivering Value.

Faced with constrained resources, government officials continue to turn to public-private partnerships (P3s) for various reasons, including maximizing capital resources, transferring risk, accelerating project delivery, achieving cost savings and enhancing accountability. This is particularly true for capital-intensive, highly complex infrastructure projects.

But what evidence exists from projects that have been completed or are under construction to show whether P3s are delivering public value? An examination of some of the larger P3 infrastructure projects across the country offers reasons for optimism.

The P3 market has developed dramatically over the past 25 years. In the 1990s, Indianapolis pioneered a host of P3 transactions. Using a philosophy of managed competition — in which public, private and nonprofit organizations competed to provide government-funded projects of the highest quality for the best price — over $400 million of value was created for the city's taxpayers. Notably, a P3 involving the city's wastewater treatment system saved $189 million over 10 years.

The 2000s offer a more complex set of P3 data points as, too often, transactions involving the leasing of existing public assets moved from the goal of best taxpayer value to one of near-term monetization of future revenues. In reflecting the optimism of the times, the private sector often overpaid for the long-term leases that governments put to bid. On toll roads alone, estimated equity write-downs — private partners' losses — are in excess of $2 billion, with approximately $800 million of that represented by the Indiana Toll Road bankruptcy alone.

These losses and bankruptcies confuse the public, although an area for further research would be to explore whether such investor losses were in a sense public gains, given that governments collected upfront payments and reinvested the proceeds. At this point, however, these kinds of controversial privatization transactions are few and far between.

Most recently, over the last three years, eight U.S. P3 projects involving new construction have been completed and have opened for use. While each of these P3s offers different lessons, the outcomes achieved on three of them — a toll road project in Florida, a container terminal expansion at the Port of Baltimore and a new courthouse development in Long Beach, Calif. — demonstrate that significant public value can be created through the responsible fusion of private- and public-sector resources.

In Florida, the Interstate-595 P3 provided capacity improvements 15 years sooner than a conventional plan would have offered. The innovative expansion of the Port of Baltimore's Seagirt Marine Terminal was completed two years ahead of schedule via a P3 model, and as a result in 2014 the port was able to handle a record 484,410 containers, a 10 percent increase from 2013. And in California, the Administrative Office of the Courts used a P3 to deliver a new 535,000-square-foot courthouse in Long Beach ahead of schedule and under budget. The new courthouse received a 2014 Urban Land Institute Global Award for Excellence.

These projects offer tangible evidence of the value creation potential of P3s. But do they illustrate a decisive trend? Only time will tell, of course, but it’s worth looking at early indicators for some of the 14 projects listed in the table below that were bid as P3s and are or soon will be in the construction phase.

Scheduled Completion	**Projects**
2015	LBJ Express (Texas), Presidio Parkway (California), Carlsbad Desalination Project (California)
2016	Denver FasTracks, East End Crossing (Indiana/Kentucky), US36 Express Lanes-Phase 2 (Colorado)
2017	Elizabeth River Crossings (Virginia), North Tarrant Express-Segment 3A (Texas)
2018	Goethals Bridge (New Jersey/New York), Indianapolis Justice Center, I-77 Express Lanes (North Carolina), Pennsylvania Rapid Bridge Replacement (Pennsylvania), Portsmouth Bypass (Ohio)
2021	I-4 Ultimate (Florida)

While it is difficult to make general conclusions across all of these projects, early evidence is positive, at least as far as Wall Street is concerned. Take for example, the $2.7 billion LBJ Express variable toll managed lanes project in the Dallas/Fort Worth area. According to a Fitch Ratings analysis issued last month, construction “has proceeded on schedule and on budget, and operations are on target to begin during 2015.”

Similar results have been noted on the $925 million Carlsbad Desalination Project in California, the largest planned desalination plant in the Western Hemisphere. In December, Fitch affirmed the project’s underlying bond ratings, citing “timely construction progress of the project with provisional acceptance expected to be achieved several months ahead of guaranteed completion date in 2015.”

So overall, the evidence — both looking backward and looking forward — from the current crop of U.S. P3 projects is largely positive. As the industry continues to evolve, P3 advocates would be wise to focus less on ideological arguments and more on the growing body of evidence that P3s are largely delivering genuine public value.

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