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## D.C.'s Metro and the Power of a P3.

***If the District of Columbia's transit system was a public-private partnership, some say it wouldn't be falling apart right now.***

As I listened to S&P Global's Anne Selting at a Governing event earlier this year describe how public-private partnerships work, I had a sort of epiphany. "If Metro in Washington, D.C., were a P3," I asked her, "would it still be falling apart right now?" She replied that, while S&P's role is not to opine on public policy, her answer would be a qualified no. Under a P3 structure, she explained, the concession grantor, typically a government, is contractually committed to a funding regime that provides for adequate maintenance.

Maintenance — the lack of it, that is — is at the heart of the crisis facing the Washington region's transit system. In the past year it has had several serious maintenance-related smoke and fire incidents, including one that resulted in a passenger's death. Train delays and equipment failures, such as escalators and elevators not working, are an everyday reality for riders. With the subway system facing an $18 billion capital deficit over the next 10 years, fixing these problems will be extraordinarily difficult.

Metro is not alone, of course. The maintenance backlog for the Boston region's transit system, for example, is reported to be at least $7 billion. The Federal Transit Administration's most recent estimate of the nationwide transit repair backlog is $85.9 billion.

The ramifications go far beyond transit, encompassing our entire nationwide infrastructure mess. As the Beeck Center at Georgetown University put it in a recent report, "There is a strong public-sector bias to invest in new capital projects rather than effectively maintaining and extending the life of public infrastructure assets meant to last 30-50 years." In other words, these problems are not simply the result of some politicians or some governments behaving irresponsibly. They are built into the system.

This is the crux of one the most important arguments for P3s for major infrastructure. It forces policymakers to confront the true life-cycle cost of a project up front. The accepted rule of thumb for capital projects is that for every $1 of design costs, $10 will be spent for construction and $100 for maintenance over the life of the asset. But since most public discussion focuses only on the money for construction, the public is horribly misled about real long-term costs.

As I learned in my epiphany, the power of a P3 isn't that it's a source of money. The revenue that will support a project will always be public money, whether the capital is raised through private equity or through traditional municipal bond financing. The strongest argument for a P3 is that it forces a more honest appraisal of life-cycle costs, better aligning the incentives of the public and private partners. When we get that right, we are less likely to have Twitter feeds like @dcmetrosucks, which as of a few weeks ago had clocked more than 23,000 tweets.

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