Editorial: DIA Got Out Of A Bad Public-Private Partnership, We Should Stop Getting Into Them.

Denver International Airport is a mess at the moment.

Airport officials terminated a billion-dollar, 30-year, public-private partnership contract with the international giant Ferrovial Airports. It was a drastic move in the middle of a massive renovation of the Jeppesen Terminal.

But it was the right move.

Ferrovial Airports and its affiliated construction team Ferrovial Agroman had recently estimated that the project was going to be delayed by years and cost hundreds of millions of dollars more. Rather than ride out a mediation process to determine who was at fault for the delays and cost overruns, airport officials decided to execute an escape clause in the public-private partnership that gets them out of the deal now and able to move forward on their own.

That option comes with its own costs, which will have to be calculated out in a separate mediation process based in part on a guaranteed return on investment of 4.8 percent on some of the equity Ferruvial had already brought to the project.

But we agree with Kim Day, CEO of the airport, that they needed to regain control of the budget, contracting and scheduling. Day says that without Ferrovial, her team will be able to scale down the scope of the project and deliver it for $770 million, which is far less than what Ferrovial was projecting.

We believe that Kim Day and her team learned hard lessons about a job of this complexity and dealing with a difficult partner. They own up to not acting more aggressively when key personnel were replaced with inadequate substitutes. They admit that for various reasons — including not being told prices for options — they were slow to make design decisions. And they admit that they probably should have cut ties sooner with Ferruvial and the partnership created to manage the project, Great Hall Partners.

We believe they are committed to finishing the scaled-down project within budget.

But because Day insists the problem was the partner they chose and not the fundamentals of the P3 arrangement, we do not think they learned the biggest lesson of all: Public-private partnerships are risky, maybe even dangerous and should be used only when there are truly no other options. We're not even convinced they should be used then.

DIA did not need Great Hall Partners to finance the renovation. Instead, they were seeking expertise in undertaking such a massive project without disrupting airport operations any more than necessary.

This reasoning puzzled us from the start: Why give away so much control to a partner rather than just hiring the expertise you need? Day says they now have that expertise in their COO, and of course, they will retain the plans drawn up by Ferrovial for this project.

But the fundamental lesson learned here is that public-private partnerships give a private for-profit company control over public projects and public dollars. Oversight can be difficult — perhaps made more difficult in this case by a partner headquartered in Spain — and after the contract is signed, private companies can balk at requests for transparency. While cities and states say that these project agreements are great at transferring risk, one need only look at other projects in the area to see that when push comes to shove, these entities would rather take the issue to court than let unforeseen costs eat into their profits.

Thankfully Day and her team had drafted up a contract that included a reasonable escape hatch when disputes arose.

Moving forward, we urge public bodies to look for alternatives to public-private partnerships and if none exist, consider postponing the project until public financing is available.

By THE DENVER POST EDITORIAL BOARD

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