While a number of states have deployed public-private partnerships (P3s) to tackle infrastructure projects over the last decade, many believe the P3 industry in this country still has yet to take off in the way it has elsewhere in the world. That’s despite demonstrated success of P3s in traditional areas like managed lane projects and promising developments in a variety of new asset classes including airports, broadband projects and high-tech applications. And while the Trump administration looks to encourage more P3s and institutionalize their practices in federal programs, there are many factors that could limit growth in the industry and prevent any kind of a much-needed infrastructure push from ever getting off the ground in the years ahead.

Those were just some of the takeaways from the Inframation Group’s U.S. P3 Infrastructure Forum 2018 held June 13-14 in New York City. The annual event brings together state and federal public officials and regional transportation authorities, along with infrastructure developers, investors and financiers to talk about the issues shaping the P3 industry’s future.

“We saw financial close of $4.77 billion (in P3 projects) in 2017,” noted Inframation Americas Editor Jon Berke at the outset of the conference. “It was way off the $10.66 billion in projects that closed in 2016. In the first half of 2018, things haven’t fared much better.”

But Berke said there have been promising signs of late, including P3s to tackle rural broadband and smart city projects, water infrastructure and renewable energy projects, and autonomous vehicle programs. Airport projects have also started to gain momentum, he said. On June 8, the city of Los Angeles reached financial close on a $4.9 billion agreement to build an automated people mover at Los Angeles International Airport. A consolidated rental car facility project at the airport is also getting the P3 treatment. P3 projects at JFK and LaGuardia airports in New York are also moving forward.

Nuria Haltiwanger, North America CEO for ACS Infrastructure, said the people mover at LAX is an example of a great P3 project because it involves a client that could have moved forward on their own but they instead decided a P3 could offer added benefits.

“They decided to do this project as a P3 specifically because they thought they were going to be able to ... achieve the right innovations, risk transfer and life cycle optimization that they were looking for,” she said.

Haltiwanger believes if P3s like the Los Angeles and New York airport projects are successful, success will breed success.

“As we see more of those projects, I think other airports are going to realize the applicability of the projects and how they can implement the potential P3 approach,” Haltiwanger said.

**Broadband P3s**

While not immune to growing pains, one area of growth in the P3 arena of late has been broadband
and fiber projects around the country.

“There’s a bit of a perfect storm going on in telecommunications right now,” said Mark Powell, senior managing director at Ernst & Young Infrastructure Advisors.

Powell points to factors driving the market such as continued growth in demand for data usage, the transition to higher-speed 5G networks and the expansion of technology applications in the transportation sector, including intelligent transportation systems, all-electronic tolling, smart city technologies and connected automation, which will require vehicles to be able to talk to each other and the infrastructure.

“Because of all this, the right-of-way on which telecom networks can be built is increasing in value,” Powell said. “And because of this increase in value there’s a need for (transportation agencies) to step back and say ‘okay, what are my needs and what’s the market value of what I have here? And maybe I can create some clever financing mechanism where I can satisfy my needs and actually not have to outlay a whole lot of money because of increasing value.’”

Michael Bonini, who directs the P3 office at the Pennsylvania Department of Transportation, explained that the decision by his department and the Pennsylvania Turnpike Commission to enter into a P3 to install a fiber optic network within the turnpike’s right-of-way had a lot to do with the fact that operation of such a network fell well outside the core functions of the state’s transportation agencies.

“In our case it’s to plow the snow, it’s to maintain roads and bridges and ancillary to that is the efficient movement of people and goods,” Bonini said. “(The P3 allows us) to have someone come in and assist with the ability to lock in the operations and maintenance of a fiber network, which ultimately gives the turnpike commission the ability to shift to their all-electronic and cashless tolling ... (and) to provide broadband to underserved sections of Pennsylvania.”

**Other P3 Technology Applications**

Broadband isn’t the only technology where state transportation agencies have found themselves outside their comfort zone and willing to seek new partners to deliver infrastructure innovation. Colorado is in the midst of studying whether the futuristic Hyperloop travel system could be feasible there and has partnered with the company Arrivo to build a half-mile test track near the Denver airport.

“As public servants, we’re supposed to go out and fix potholes and replace guardrails and plow the snow,” said David Spector, director of the Colorado High Performance Transportation Enterprise, the state’s P3 agency. “That’s people’s expectation and we have to continue to do that and do that well. But mobility is changing. How people get around is changing every day. ... People are hungry I think for different mobility options and choice. ... Our authorizing legislation says ‘aggressively pursue mobility solutions’ and innovative solutions to our mobility problems. So, for us, it’s part of the job.”

Elsewhere, the state of Michigan is participating in two partnerships that are helping to advance research into autonomous and connected vehicles. The first of those is Mcity, the 30-acre facility near Ann Arbor where vehicles are being subject to 35 different factors they could encounter on the open road.

“The university and the state of Michigan paid for the construction (of Mcity) and then private companies have come in and they pay for the continued operations,” explained Michigan Department
of Transportation director Kirk Steudle. “Currently there are 11 private companies in what they call the leadership circle. They each put in $1 million apiece over three years. There’s 45 affiliate companies that each put in $150,000 over three years. And they provide for the operations of that facility and fund the research.”

The model was so successful, Steudle noted, Michigan decided to replicate it and scale it up to create the American Center for Mobility, a 330-acre site where vehicles can move from proof of concept to validation testing. The $140 million facility is another public-private partnership built by challenge grants with six companies contributing $5 million apiece to get it started.

See the extended version of this article here. [2]

CSG served as a supporting organization for the U.S. P3 Infrastructure Forum.

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