PPPs in Transit

The Inaugural William O. Lipinski Symposium on Transportation Policy

October 15, 2007

David Horner
Deputy Assistant Secretary for Transportation Policy
U. S. Department of Transportation
PPPs in Transit: The Concept

• Key elements
  – Form of procurement for new transit capacity
  – Private entity granted significant responsibility (and liability)
  – Private entity assumes risk (in some form) …
  – …but gains opportunity for commensurate financial returns
  – Best value vs. lowest reasonable cost

• Premise
  – Discipline of the private sector’s requirement for financial return will reduce costs of delivery and operation below current levels

• The opportunity: subsidy minimization
PPPs in Transit: Challenges of the Status Quo

• Inaccurate performance forecasts ("moral hazard")

• Constraints on public funding (programmatic misallocations)

• Rising construction costs

• Growing operating deficits

• Limitations of current procurement law

Accuracy of performance forecasting for 19 Federal New Starts transit projects

Actual minus predicted ridership (at time of build decision)
PPP in Transit: The Benefits

- Improvement in forecasting of ridership and cost (capital and operating)
- Faster project delivery
- Subsidy minimization
- Accountability