



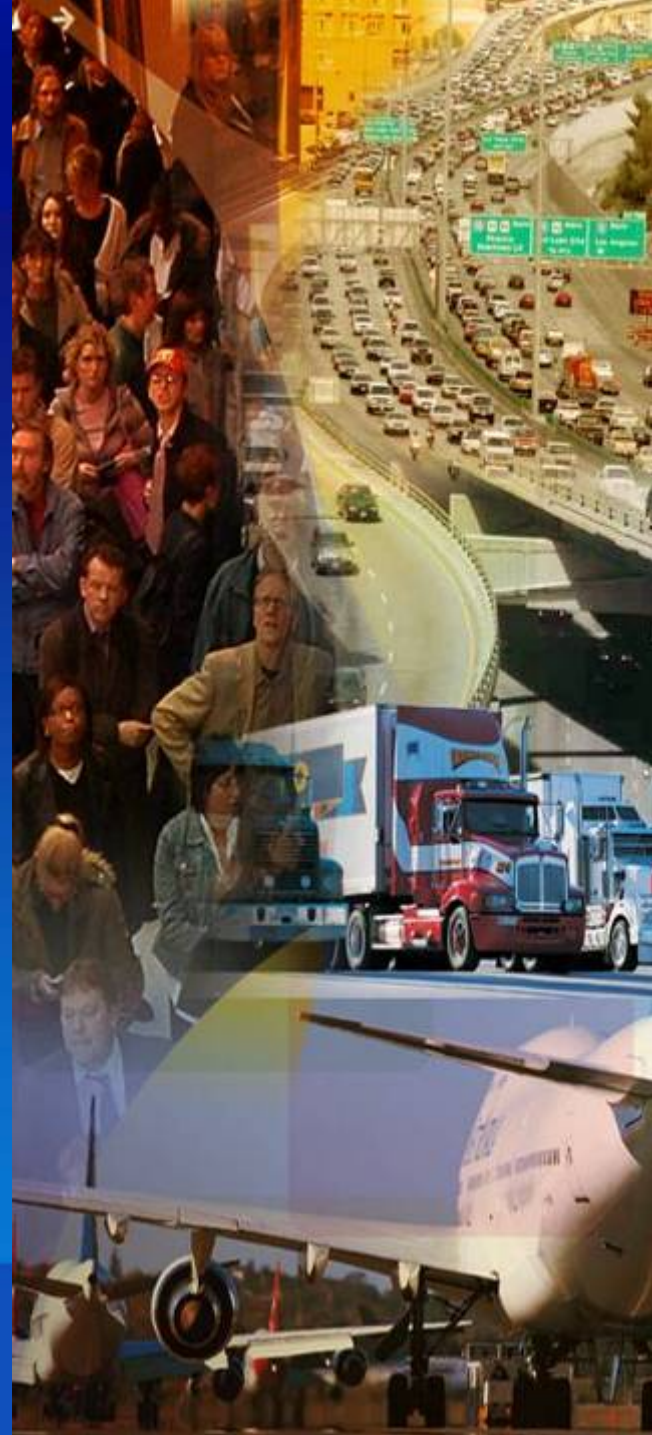
U.S. Department of  
Transportation

# 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



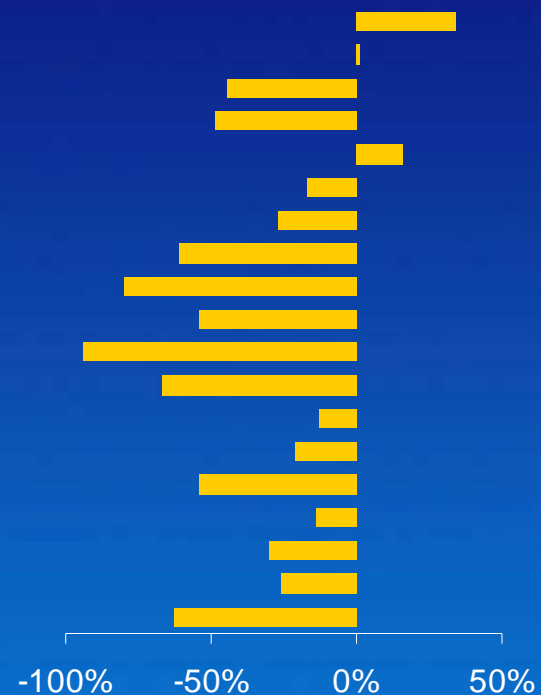
- Key elements
  - Form of procurement for new transit capacity
  - Private entity granted significant responsibility (and liability)
  - Private entity assumes risk (in some form) ...
  - ...but gains opportunity for commensurate financial returns
  - Best value vs. lowest reasonable cost
- Premise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



# PPPs in Transit: The Benefits

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

