



COUNCIL insights

The Newsletter for Public-Private Partnerships

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SENATOR DOLE TO SPEAK AT UNION STATION ANNIVERSARY WORKSHOP

NCPPP is hosting "Partnerships for Transportation and Real Estate: A Union Station Anniversary Workshop" where **Senator Elizabeth Dole** (R-NC) will serve as the feature luncheon speaker.

This event is to celebrate the 15th anniversary of the redevelopment of Union Station through a public-private partnership (PPP). The program will include an illustration of the range of use of public-private partnerships, with particular focus on transportation and economic development projects. Union Station is a classic example of how to combine public and private sector resources for the benefit of everyone. The workshop will be held at Union Station in Washington, D.C., on September 24, 2003 from 8:00 a.m. to 4:30 p.m. The U.S. Department of Transportation (DOT) and the Association of American Railroads (AAR) are sponsors of this event.

The morning topics will include a synopsis of the Union Station redevelopment process and results from this groundbreaking public-private partnership, case studies of other types of public-private partnerships, the fundamentals of PPPs, and legislative concepts. The **Honorable Mary Peters**, Federal Highway Administration will give the morning keynote address.



Senator Elizabeth Dole (R-NC)

During the luncheon, Senator Dole will discuss her involvement with the Union Station project and her experience with public-private partnerships. It is expected that press will cover the event.

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Roundtable sessions during the afternoon will discuss how to implement PPPs and to give more details on the case studies from the morning sessions.

Public sector representatives are invited to this event as a complimentary guest of workshop sponsors with advance registration required. The program agenda and registration information are available at www.ncppp.org. This workshop is sponsored by NCPPP, DOT and AAR and cosponsored by American Iron and Steel Institute, CAPITAL PARTNERSHIPS, The Coalition for Innovative Transportation Solutions, DMJM Harris, DMJM Harris Planning, HDR, Inc., Jones Lang LaSalle, KBR, LCOR, Management Analysis, Inc., MARC, MTA Maryland, Stainback Public/Private Real Estate, and USFilter.

The Union Station example offers an excellent illustration how PPPs can be applied to a wide range of transportation and economic development projects.

NCPPP AWARDED CONTRACT WITH DOT

The NCPPP has been awarded a contract to conduct a series of workshops for the U.S. Department of Transportation (DOT). The purpose of these workshops is to provide state and local public officials with a better understanding of the opportunities in using public-private partnerships for transportation projects.

This contract is the direct result of efforts undertaken by NCPPP Vice President **Ken Butler** (Capital Partnerships) and Executive Director **Rick Norment**. In March of this year, a proposal requesting a grant from DOT was submitted to the Federal Highway Administration and the Federal Transit Administration. Following months of discussions, the proposal was converted to a competitive bid. That bid was won by a team consisting of AECOM Consult, PB Consult and the Council. **Shirley Ybarra** of the Ybarra Group (and former Secretary of Transportation for the Commonwealth of Virginia) was also identified by DOT as a key resource in executing this contract.

The contract calls for three workshops to be held before the end of January 2004. These sessions will be held outside of the Washington metropolitan area – specific locations and dates are now being developed, in

consultation with DOT and NCPPP's new Transportation Institute (see article below).

In discussions to launch this contract, DOT decided to support the Union Station event and expand what was a half-day program to a full day. This was not only an "add on" to the meeting, but to the contract as well. As a result, the Council and DOT are promoting the

"...but this is equally an important opportunity for NCPPP and its members - it establishes us clearly as a major player in the transportation arena."

afternoon session as means of evaluating the meeting format for application to the originally contracted three workshops.

"This is a major effort on the part of the members and staff of the Council" said Executive Director Rick Norment. "The concentration of effort over the next three months will be substantial and a real challenge, but this is equally an important opportunity for NCPPP and its members – it establishes us clearly as a major player in the transportation arena."

TRANSPORTATION INSTITUTE FORMED

Following over a year of discussions with a number of NCPPP members, a critical mass was reached this month for the formation of a new Transportation Institute within NCPPP. On September 16, a petition for creation of the institute was presented to the Executive Committee, as proscribed by the NCPPP bylaws. While the requirement was for only three members to sign the petition, a total of eight members were signatories. The petition was accepted unanimously, thereby creating the institute.

What sparked the formation of the Institute was the confluence of several opportunities. First of these was the Union Station event of September 24 – the members working on development of this event saw the formation of an institute as a logical progression from these efforts. Equally influential was the contract with the U.S. Department of Transportation and the need for development of the workshops of that contract (see article above). Finally, critical legislation (such as the reauthorization of TEA-21, in which NCPPP has already

been active) was an additional impetus for formation of the Transportation Institute.

Ken Butler (CAPITAL PARTNERSHIPS), a member of the Council's Executive Committee and Vice President for Membership, has spearheaded this effort and will serve as its initial chairman. Butler will announce the formation of the Institute at the Union Station meeting, and holding its first formal meeting within the next few weeks.

NCPPP members interested in participating should contact **Rick Norment** at the NCPPP Offices – membership is open to all NCPPP members at no additional cost to them.

Transportation now joins institutes that have already been formed for Water and Real Estate. These three institutes will serve as one of the principle drivers of the Council's programs and activities.

NCPMP FORMS ACADEMIC ADVISORY COMMITTEE

The Academic Advisory Committee (AAC) was formed by NCPMP to serve as a resource to NCPMP members and the general public and to assist in the development of informational resources on public-private partnerships.

NCPMP interviewed over 20 candidates for the AAC, and selected only four to serve as Committee members. The Universities will be acknowledged as general public members and will serve a two-year term, ending in September 2005.

This committee holds several responsibilities including advising on white papers, development of a white/issue paper, and to write article for Council Insights and placement on NCPMP's Web site.

The AAC committee members include:

1- **E.S. Savas**, Baruch College

Savas was a previous member of NCPMP and will serve the chairman of the AAC. He is a professor of Public Affairs where he teaches courses in public management and his principal research interest is in privatization. Prior to his teaching career he served many years in the public sector. He also directs the Privatization Research Organization in the School of Public Affairs.

2- **David Schulz**, Northwestern University

Schulz, a transportation engineer and planner, came to Northwestern in 1992 after a quarter-century career in the public sector. He currently is the director of the Infrastructure Technology Institute and an adjunct professor of Civil Engineering. His professional interests include public infrastructure management, land use and infrastructure, and infrastructure project implementation.

3- **James Smith**, Texas A&M

Smith is a professor and department head of the Department of Construction Science. He enjoys researching the following fields of study: project acquisition, alternate delivery systems, design-build, and public-privatepartnerships.

4- **John Sommer**, University of North Carolina at Charlotte

Sommer is a professor in the Department of Geography and Earth Sciences where he teaches classes titled "Privatization" and "Municipal Privatization Policy." His research interests are in science and technology policy and municipal privatization policy.

These members have already started with the first assignment of reviewing the 2003 White Paper and Schulz submitted an article for this issue of Council Insights (see article on page 4). The AAC will be a valuable asset to NCPMP and its members.

NCPMP's 2003 WHITE PAPER RELEASED

The much-awaited 2003 White Paper, "Critical Choices: The Debate Over Public-Private Partnerships and What it Means for America's Future" has been released.

This paper addresses the issues surrounding PPPs head-on, features successful partnerships and background information on PPPs. This is a great tool for the education of PPPs.

You may download copies or purchase hard copies on NCPMP's Web site .

GOOD PROJECT MANAGEMENT IS THE KEY TO THE PRIVATIZATION DECISION

By: David F. Schulz, Northwestern University

Ever notice how people on both sides of the privatization debate tend to talk in code about whether or not to privatize? Proponents talk about privatization as an opportunity for improved “efficiency” and “lower costs,” by which they mean public employees currently performing a particular service are a bunch of stupid, lazy, overpaid, and not-very-well-managed “shovel-leaners.” Opponents talk about “public control,” “accountability,” and “quality,” by which they mean private contractors are a bunch of thieving pirates who will seize any and all opportunities to provide the lowest possible level of service at the cheapest cost. How can we decode, and perhaps more importantly defuse, the conversation?

Most governments privatize because of the perceived potential for maintaining or possibly improving services while reducing costs. But we teach our students at Northwestern that, even if the cost-saving case for privatization is compelling, the decision to privatize should depend on a public agency's self-assessment of its ability to do two things. The first is to frame a set of specifications and contract documents which describe the services it wants to purchase completely and unambiguously. The goal: a shared understanding between public agency and contractor of the services to be provided, the conditions and constraints under which they are to be carried out, and the details of compensation arrangements by which they are to be paid for, including any possible penalties or incentive bonuses. The second is to firmly and fairly manage the service contract over its life to ensure the work is carried out as described in the specifications and contract, while dealing equitably with the contractor when unanticipated situations arise during the life of the contract, respecting his/her need to make a profit and stay in business.

We also teach our students it is delusional for contractors to desire either vague or incomplete specifications of their work during procurement, or lax management and oversight of it by the public agency during execution. Either is a recipe verging on a guarantee for disaster.

If the specs and contract don't describe the work clearly, then the expectations of both contractor and public agency regarding the work to be performed will quickly and inevitably diverge. Disagreements will grow and what should be a mutually-beneficial partnership between contractor and customer will be poisoned. Those who opposed privatization in the first place, who invariably will

be closely monitoring the results, will jump at any chance to say, “I told you so,” as disputes mount, tempers shorten, and the relationship deteriorates. It is likely in such cases a judge will eventually be forced to do what the contracting agency should have done in the first place, define the nature of the work to be performed and fair compensation for it.

The same outcome can be expected with lax contract management. Agencies most likely to manage contracts poorly are usually those with little experience in the privatization arena, and contractors who welcome such incompetence are themselves likely to be relative novices. While at first contractors may secretly rejoice over an

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uninformed or disinterested public agency project manager, they will soon discover the truth in the saying, “Be careful what you ask for; you just might get it.” Less-than-thorough project management allows small departures from customer expectations, which could readily be settled if they were surfaced early in the project life, to fester and escalate. Contractors who would benefit greatly in fine-tuning their services from the day-to-day guidance and direction a good project manager provides, instead have to guess at what the contracting agency really wants, whether they are actually providing it, and perhaps most importantly, whether the agency thinks they're providing it.

Sound project management is a two-way street. A project manager who is on top of the game can experience right alongside the contractor the unanticipated conditions and outright problems which inevitably occur in every privatized service contract during its life. He/she is the conduit back to the agency with the news the contract may need to be changed to reflect such conditions and problems, and serves as the line-of-first-defense judge in recommending if and how such changes should be accomplished. Again, if the project manager is not qualified to or interested in rendering such judgments, then a different kind of judge, this one in a black robe, is likely to have to make the call.

The reason it is critically important to understand

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Schulz continued from page 4

and appreciate the essential role of complete and unambiguous project specifications and fair and firm project management is often the same reason governments are anxious to look at privatization in the first place: the fiscal problems plaguing virtually every state and local government in the country. Two of the most popular tools to deal with budget crises, in addition to possible privatization of services, are hiring freezes and early retirement incentive programs. Thus at the very moment when governments find themselves in most need of seasoned and capable managers to write and manage innovative privatization contracts, they find their longest-serving employees, who often but not always are the best positioned to oversee the privatization, opting for early retirement, taking their decades of valuable experience to the fishing hole. And hiring freezes make it difficult to replace them, especially to justify hiring experienced project managers at salaries well above the entry level.

So here's a message that requires no decoding whether you favor or oppose privatization: Your interests are best served by complete and well thought out contract documents and thorough and competent project management. Only then can you determine whether the decision by a particular government to privatize a particular service is a wise one or not.

David Schulz is Director of the Infrastructure Technology Institute of Northwestern University, where he also serves as an Adjunct Professor of Civil and Environmental Engineering. He came to Northwestern from a quarter century in the public sector including positions as Deputy Public Works Commissioner for the City of Chicago, Budget Director in Chicago and Milwaukee County, and elected Milwaukee County Executive.

NCPMP 2003 ANNUAL MEETING

This year's Annual Meeting will be held November 12 – 14 at the Hilton Crystal City in Arlington, VA. Program planning is already underway, but already well established as a tradition will be the Annual Awards Dinner, to be held on Thursday evening, November 13. **Don Levine** (USFilter), current President-elect and soon to be President of NCPMP, is heading the program committee for the event.

A new, condensed format will be used this year, with a stronger focus on providing an overview of trends in PPPs. Tentatively, the program includes speakers on the communications challenges between the public and private sectors, innovations in PPP contracts, and authorities on the future impact of budget crises at the state level. Summary reports from each of the institutes will provide members with a clear understanding of the opportunities for participation in the key components of the Council.

The NCPMP Board of Directors will meet on Wednesday afternoon, followed by a welcoming reception for all Annual Meeting registrants. Thursday will be a full day of programs, and Friday morning will offer time (and hotel space) for institute and/or committee meetings.

Mark your calendar now and watch the NCPMP Web site for additional details on this event.

NEW MEMBERS

AECOM Consult, Inc. became a general private member in late July. The official representative is Daniel Dornan, Vice President. AECOM Consult, Inc. is a leader in providing planning, finance, economics and development, management consulting, information technology, freight and intermodal, and Federal Program Support services to transportation organizations.

Association of American Railroads became a sponsor public member in mid-August. The official representative is Edward Hamberger, President and CEO. AAR members include the major freight railroads in the United States, Canada and Mexico, as well as Amtrak. Based in Washington, DC, the AAR is committed to keeping the railroads of North America safe, fast, efficient, clean, and technologically advanced, and is a proponent of PPPs.

Koch Industries became a general private member in mid-August. The official representative is Thomas Pyle, Director, Federal Affairs. Koch Industries, through its subsidiary Koch Performance Roads, Inc., is committed to delivering transportation projects in the fastest, most efficient means possible by lowering long-term costs for roads while ensuring higher performance through fiscal obligation to maintain the pavement, respecting the environment and contributing to the betterment of the communities.

Neighborhood America became a general private member in mid-August. The official representative is Daniel Bevarly, Director of Market Relations. Neighborhood America provides communication and information management systems for diverse planning and public involvement projects. The company's Public Communications System™ simultaneously provides electronic support to government agencies and public-private partnerships.

MEMBER NOTES

September 9—CH2M Hill was awarded a 50-year contract for the operations and management of the water and wastewater systems at Fort Campbell, Kentucky. The contract is valued in excess of \$500 million and transfers ownership and all responsibilities of ownership to Ch2m Hill.

September 8—A public-private partnership between the Honolulu Board of Water Supply and USFilter were presented with the “Outstanding Contribution to Sustainable Water Use” award by the WaterReuse Association. The award recognizes programs that advance water recycling and preservation, sustain the environment, and increase public education of water reuse.

September 2—SSR Engineers, Inc., a consulting engineering firm specializing in services to the electrical power industry, has joined HDR. The financial terms were not disclosed, but SSR will conduct business as HDR/SSR Engineers Inc.

August 27—The City of Phoenix awarded American Water Services a \$336 million contract to design, build and operate the new Lake Pleasant Water Treatment Plant in Arizona, which will serve the rapidly developing northern areas of Phoenix. The Phoenix City Council approved the contract ward, marking the city’s first venture into municipal water production through a public-private partnership.

August 19—Maryland Transit Administration (MTA) awarded Clark Construction a \$16 million contract to build sections seven and eight of the Light Rail Double Track Project. This project will add a second track to a heavily traveled section of the Baltimore Light Rail System.

August 15—Kirkpatrick & Lockhart was selected to receive the prestigious CIO 100 award by IDG’s CIO magazine, marking the second straight year that K&L has been acknowledged by the magazine for its IT practices. The 2003 CIO 100 ward recognizes organizations around the world that demonstrate the resourceful use of technology and related assets in a tough economic climate.

August 21—Neighborhood America and Public Affairs Management (PAM) have jointly announced an agreement to expand their business partnership to better address the growing market demand for Public Communications Management products and services. PAM has developed new products and service offerings designed to analyze large volumes of public comment and to train and guide corporations and agencies in how to structure Public Communications Management programs.

August 1—Stainback Public/Private Real Estate is under contract to Booz Allen Hamilton to structure the public-private finance, design, development, construction, and operation of the proposed International Trade Processing Center (ITPC) and support commercial development, which will be located near the interchange of I-35 and I-40 in Oklahoma.

Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

CALENDAR OF EVENTS Sept. - Nov. 2003

- Sept. 24** **Partnerships for Transportation and Real Estate: A Union Station Anniversary Workshop**
8:00 a.m. - 2:00 p.m.
Union Station
Washington, D.C.
- Nov. 13-14** **NCPPP’s Annual Meeting and Awards Dinner**
Hilton Crystal City at National Airport
Arlington, VA

For more information, visit Calendars section at www.ncppp.org

Brady, Sandlin Introduce Clean Air and Water Investment Act

"U.S. Congressman Kevin Brady (R-The Woodlands) together with U.S. Representative Max Sandlin today introduced the *Clean Air and Water Investment Act of 2003*. This bill would help ease the financial burden of looming Clean Air Act standards and the increasing cost of clean water in states like Texas and regions such as Houston-Galveston, Dallas-Fort Worth, Beaumont, and San Antonio."

"*The Clean Air and Water Investment Act of 2003* reestablishes federal tax-exempt bond financing for environmental improvements to air and water quality that existed in the tax code prior to 1986."

September 12, 2003, Sarah Tunstall, Office of Congressman Kevin Brady (TX-08) press release

Report: States Must Use New Funding Models

"States must make greater use of nontraditional funding models to keep pace with technology changes during the fiscal crisis, according to a report released on Tuesday."

The Corporate Leadership Council of the National Association of State Chief Information Officers bases the draft report, "Trends and New Approaches in Funding Technology," on a survey of the states.

Because of ongoing budget crisis, states continue to cast around for alternate funding sources, such as public-private partnerships and bonds, the report stated."

September 10, 2003, William Welsh, Washington Technology

Facelift for Downtown Building

"One of downtown Morgan Hill's (Calif.) original buildings is being given a facelift, thanks to building owner Rafael Garcia and city Redevelopment Agency funding."

"Garcia said the façade improvement, which is mostly a fresh coat of paint and a new awning, plus some patch work, will cost \$10,250. Redevelopment Agency (RDA) funds will pay half."

"'The new paint and awning on the Votaw building is an excellent example of public-private partnerships that are essential to transforming downtowns,' said Dan Craig, Morgan Hill Downtown Association (MHDA) executive director."

"The MHDA worked with the City of Morgan Hill to create a plan for the growth and development of the downtown. Façade improvement was a part of that plan."

September 9, 2003, Marilyn Dubil, Morgan Hill Times

Three Alabama Communities Partner with USFilter for Water and Wastewater Services

"Three Alabama communities – Perry County and the cities of Camden and Marion – have each awarded USFilter long-term contracts for the operation, maintenance and management of their complete water and wastewater systems. Combined, the agreements have an approximate \$33 million value, total 60 years of service and are expected to generate more than \$2 million in savings for the communities."

"'Entering into a public-private partnership with USFilter provides us with a viable alternative to fund future capital improvements, and it will enable us to save more than \$1 million over the term of the agreement that can go towards other city services like schools, roads and health services,' said Camden Mayor Henrietta Blackmon. 'We can do more for less, and it is a win-win situation from both a service and administrative standpoint.'"

September 8, 2003, Business Wire