

Public-Private Partnerships and Public Procurement – A Policy Enhancements for More Business Opportunities

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by

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My Approach

**Not tell you what must be done, but instead
offer examples the may be adapted to your
situation**



A Word of Caution

There can be a lack of trust in the private sector

Overcome this through transparency,
competitive and credible process that is
credible with the public (both government
and the general public)



Proper use of terms

- PPPs **are NOT**
 - Privatization (difference = level of public sector control)
 - Philanthropy (more than just a source of money for the public sector)
- PPPs **are**
 - a contractual business arrangement



Public-Private Partnerships (PPPs)

May be an answer, but what are they?

A Public-Private Partnership is a **contractual agreement** between a **public agency** (federal, state or local) and a **private sector entity**. Through this agreement, the **skills and assets** of each sector (public and private) **are shared** in delivering a service or facility for the use of the general public. In addition to the sharing of resources, **each party shares in the risks and rewards** potential in the delivery of the service and/or facility.

source: www.ncppp.org



Advantages of PPPs

- Maximizes the use of each sector's strength
- Reduces development risk
- Reduces public capital investment
- Mobilizes excess or underutilized assets
- Improves efficiencies/quicker completion
- Better environmental compliance
- Improves service to the community
- Improves cost effectiveness
- Shares resources
- Shares/allocates risks
- Mutual rewards



Sectors Where PPPs Have Been Used

THE EXPERIENCE IS TRANSFERABLE

“Lessons learned from one . . .”

- Transportation
- Water/Wastewater
- Urban Development
- Energy
- Communications and Information Technologies
- Financial Management



Seven Keys to Successful PPPs

- Project Champion
- Statutory Environment
- Organized Structure
- Detailed Business Plan
- Clearly Defined Revenue Stream
- Stakeholder Support
- Pick Your Partner Carefully

A quick overview of all, with focus on two



Managing for Success – Seven Keys

Component One:

Public Sector Champion

- Political leadership must be in place
 - Leading Political Figure
 - Serves as the advocate for the PPP



Managing for Success – Seven Keys

Component Two:

Statutory Environment

- Statutory authority and regulations
 - Necessary for enforcement of the contract
- Rapid evolution underway in all levels of government
- **Several illustrating an expansion**
 - Experience with transportation agencies
 - Now includes social infrastructure and community services
 - **Expands options to the local level**



Managing for Success – Seven Keys

Component Two:

Statutory Environment

- Critical to attract the private sector
 - Need assurances that the contract is legal and enforceable
- Provides the framework for the bidding and negotiation process for both the private and public sectors



Managing for Success – Seven Keys

Component Three:

Organized Structure

- A public sector “Dedicated Unit” (tied to the purpose of the partnership)
 - From concept to final management / oversight of the partnership
- Dedicated and TRAINED personnel to monitor implementation
 - **To begin, retain consultants to build skill sets with public employees**
- Examples: State Dept. of Transportation,
Partnerships BC (Canada), Partnerships UK,
South African Ministry



Managing for Success – Seven Keys

- Per RFP process
 - Market evaluations of underutilized assets
 - Public sector comparator and Value for Money
- Best Value vs. Lowest Price
 - Full life cycle cost analysis
 - Difficult to Administer but...
- Need for Good Governance
 - To assure an open and fair procurement process
 - Consolidate staff = easier to monitor
 - Independent authority (domestic/internal or international)
- **This builds public confidence in the process**



Managing for Success – Seven Keys

Component Three:

Organized Structure (continued)

Understanding the Value for Money Process

NCPPP White Paper

**“Testing Tradition: Assessing the Added Value of
Public-Private Partnerships”**

at www.ncppp.org



Managing for Success – Seven Keys

Component Four: **Detailed Business Plan** **a.k.a. Enforceable Contract**

- The tool for enforcement of the contract
- Performance goal oriented - Allow for innovative plans
- Best Value vs. Lowest Price
- Plan/Contract should include:
 - Specific milestones and goals
 - Reporting of metrics and frequency
- Risk Allocation
 - Too much shift to the private sector can raise costs
 - Identify best ones to retain, which to shift
- Dispute Resolution Methodology



Managing for Success – Seven Keys

Component Five:

Clearly Defined Revenue Stream

- Funds to Cover the Long-Term Financing
 - Tolls/Fees (real or shadow) or TIF or other form of a Tax District
 - Long-Term Maintenance Contracts / Availability Payments
- Underutilized assets
 - Allow commercial activity on publicly owned assets (land, building, etc.)
- Availability Payments
- Creative Approaches



Managing for Success – Seven Keys

Component Six:

Stakeholder Support

- All impacted parties
- End Users
- Competing Interests
- Requires:
 - Open and frank discussion between sectors
 - Knowing the FACTS (not myths)
 - Translating each other's language



Managing for Success – Seven Keys

Component Seven:

Pick Your Partner Carefully

- This is a long-term relationship
 - Verify experience (technical capability)
 - Verify financial capability
 - Best Value vs. Lowest Price
- Remember each sector's motivation
 - Genuine need (market value to the project)
 - Political / statutory environment
 - Reasonable return on investment and manageable risks
 - Timely and effective execution vs. development costs



THE PROCESS – what everyone needs to know about the process (why it can take so long to execute)

How do you attract the interest of the private sector?

Private Sector concerns

- The need to make a return on the investment
- Up-front costs at risk
- Private pre-Proposal costs can be significant, but projects have a higher probability of success (because of the pre-RFP process)

Public sector steps before the RFP

- Performance goals, but not design specific
- Evaluation of the value of publicly held assets
- Evaluation of market potential, including tax revenues to be generated
- RFQ to select a design and construction team
- RFP to the selected group developed by the RFQ



U.S. Examples of Partnerships

The James Oyster School

- Lack of public funds led to condemnation and closing of the school
- Citizens proposed a PPP – 1/3rd of the land sold to a private company for full-market rate apartment (200+ units)
- Payment in Lieu of Taxes (PILOT) → private sector pays for the bonds to build a \$11 million new school (owned and operated by the city)



U.S. Examples of Partnerships

Union Station

- Built in 1907 as the largest train station in the world (as a political statement about the emerging world position of the United States)
- By 1980, a decision to condemn or rebuild, but no funding for such a massive effort
- \$160 million restoration project paid for by:
 - \$70 million by AMTRAK for new offices, ticketing, and passenger facilities
 - \$50 million by Private company with funds generated by expanded commercial space in the station
 - \$40 million by city for a new parking facility (funded by parking fees)



Examples of Partnerships

The Fayetteville Wastewater

- Operation and maintenance contract by a private firm – “availability payment” by the city
- Company also responsible for all capital improvements
- Rates maintained through
 - savings in operations (about a 35% reduction)
 - Processed solids as agricultural and consumer fertilizers



Match the PPP to the Public's Needs

- Open a dialogue with the appropriate people
- Clearly understand what the needs are – what are the long term plans?
 - Can lead to an “unsolicited proposal”
- Be prepared to provide resources:
 - Money or in-kind services
- Understand that this is a long-term process

