Rising Tide of US P3s – and how to sustain it

PRESENTED TO:

NBER Economics of Infrastructure Meeting

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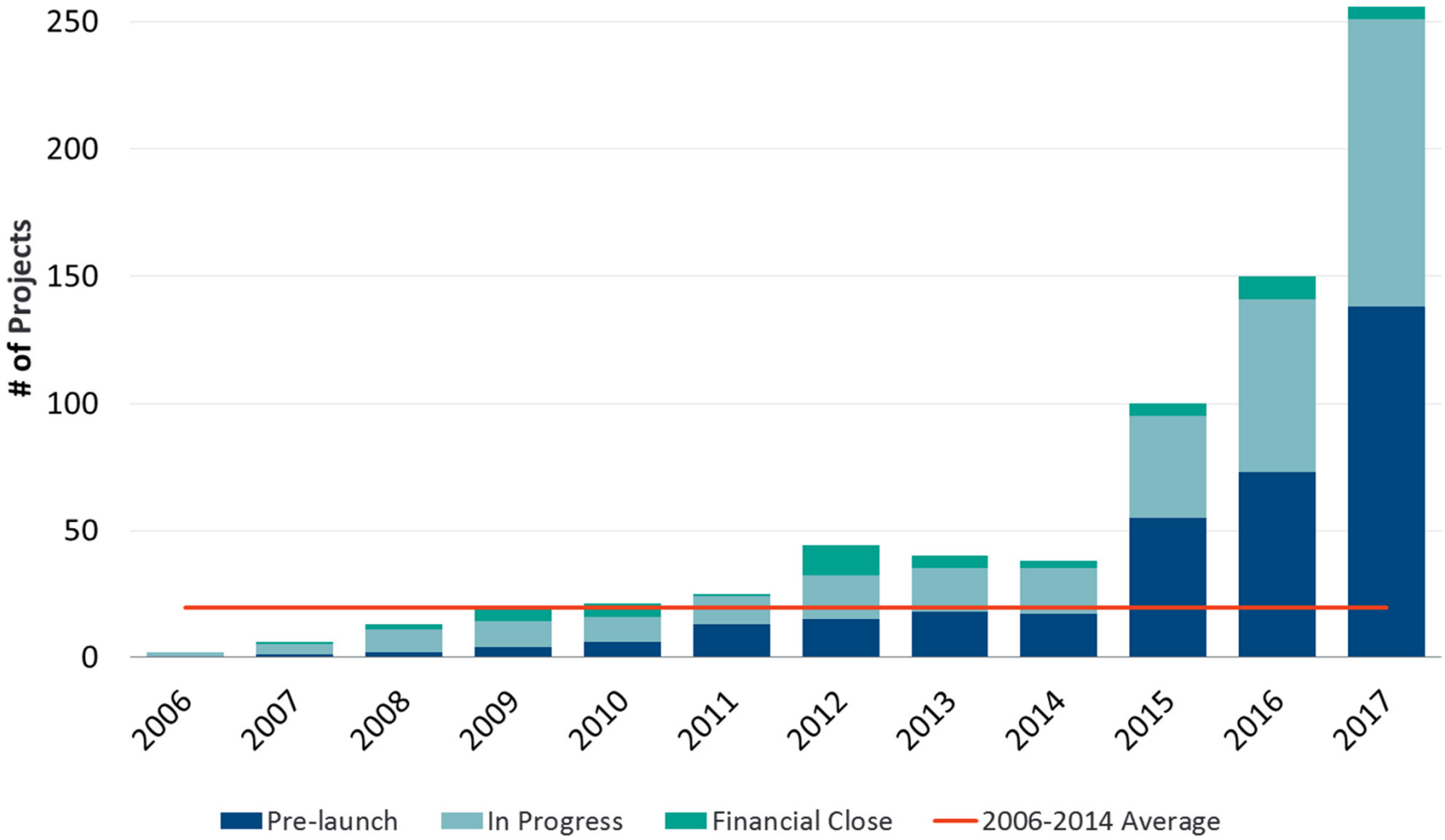
Elaine Buckberg

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THE Brattle GROUP

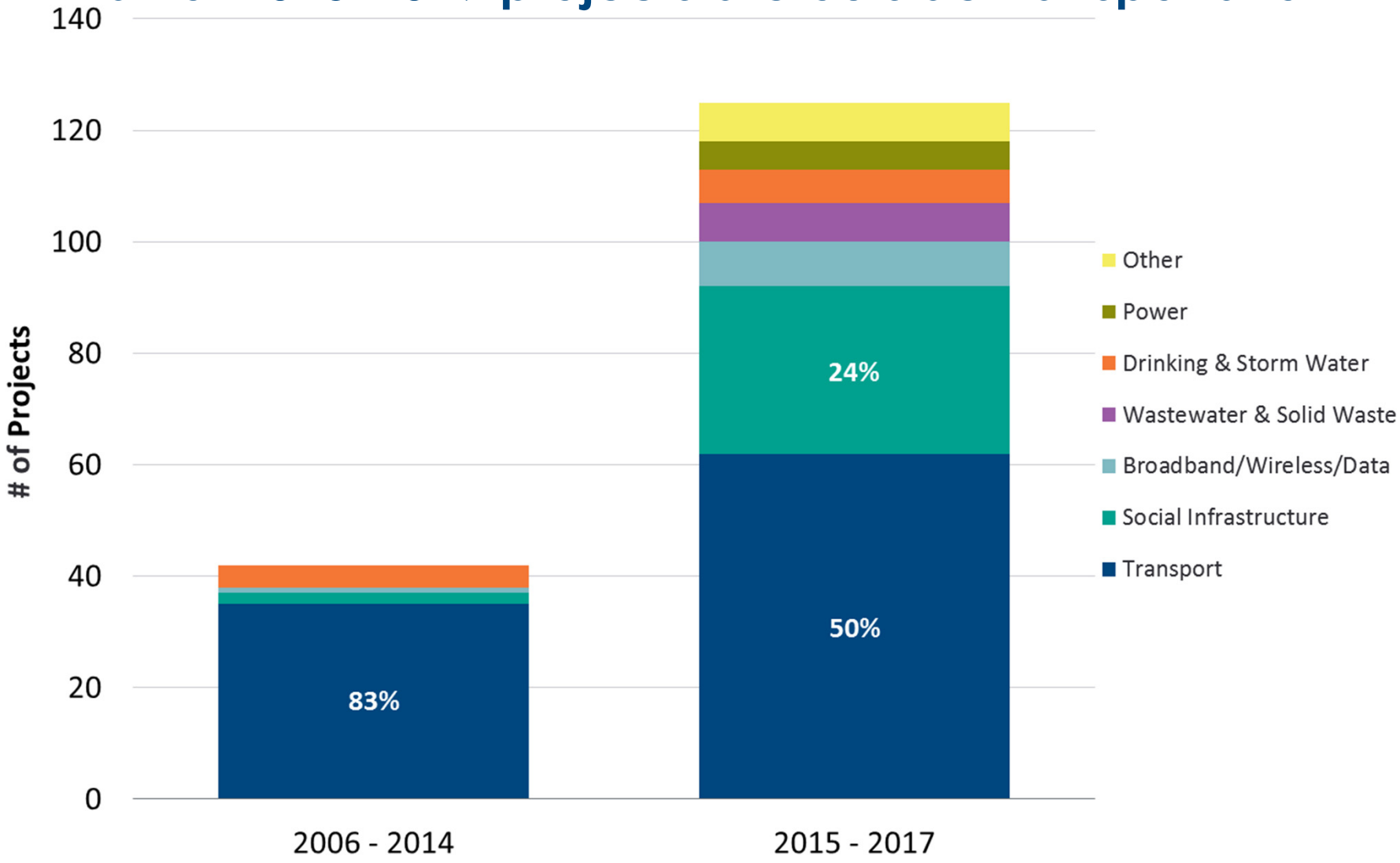
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The number of US P3s in the pipeline skyrocketed in 2015



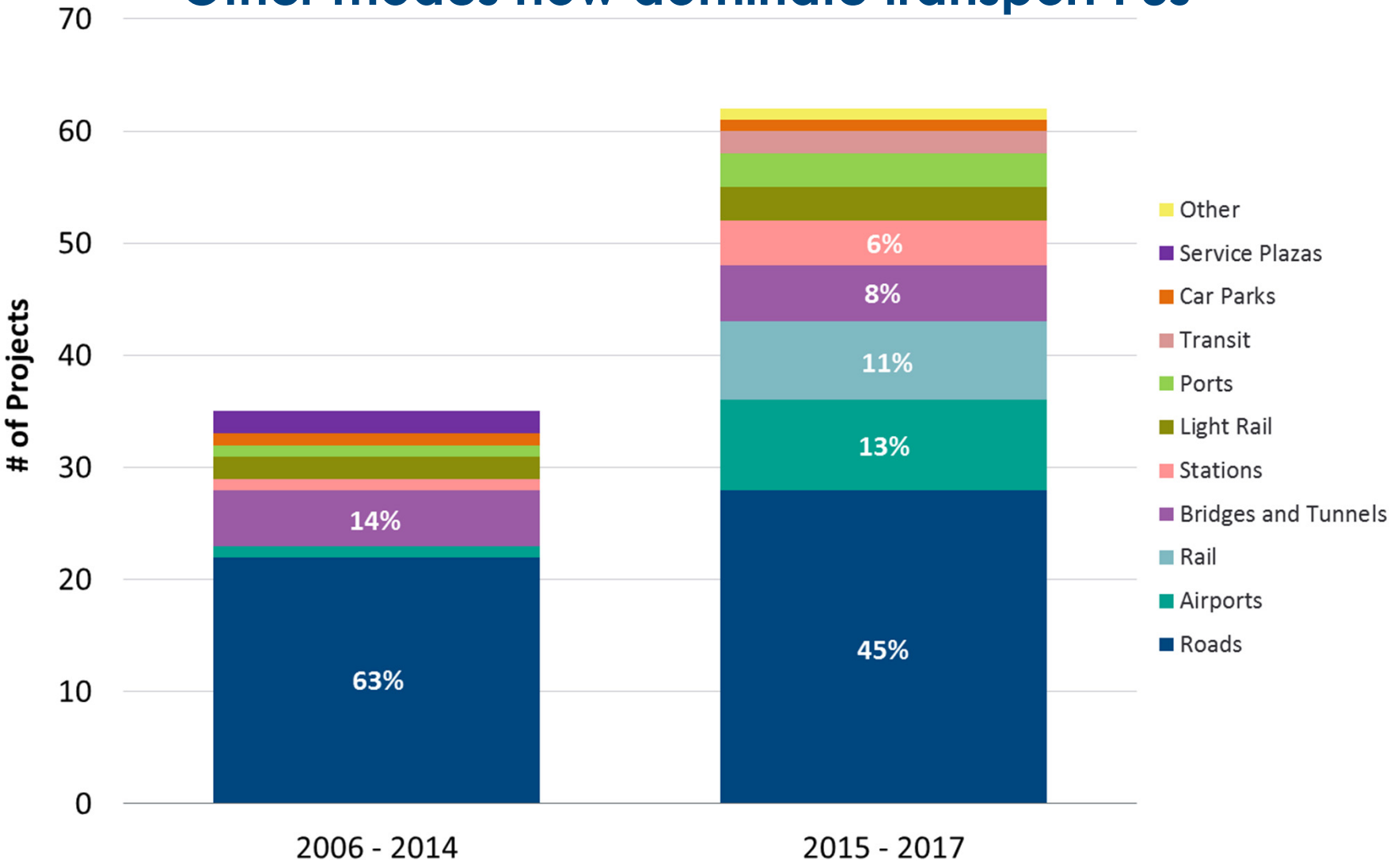
Notes: Project counts reflect the year-end project status. This excludes projects that were classified as cancelled, on hold, moved forward without private financing, were a stake sale, or were refinancing. The 2006-2014 average line represents the average number of projects that were in pre-launch or in progress during those years

Projects cover more diverse infrastructure assets: Half of 2015-2017 projects are outside transportation



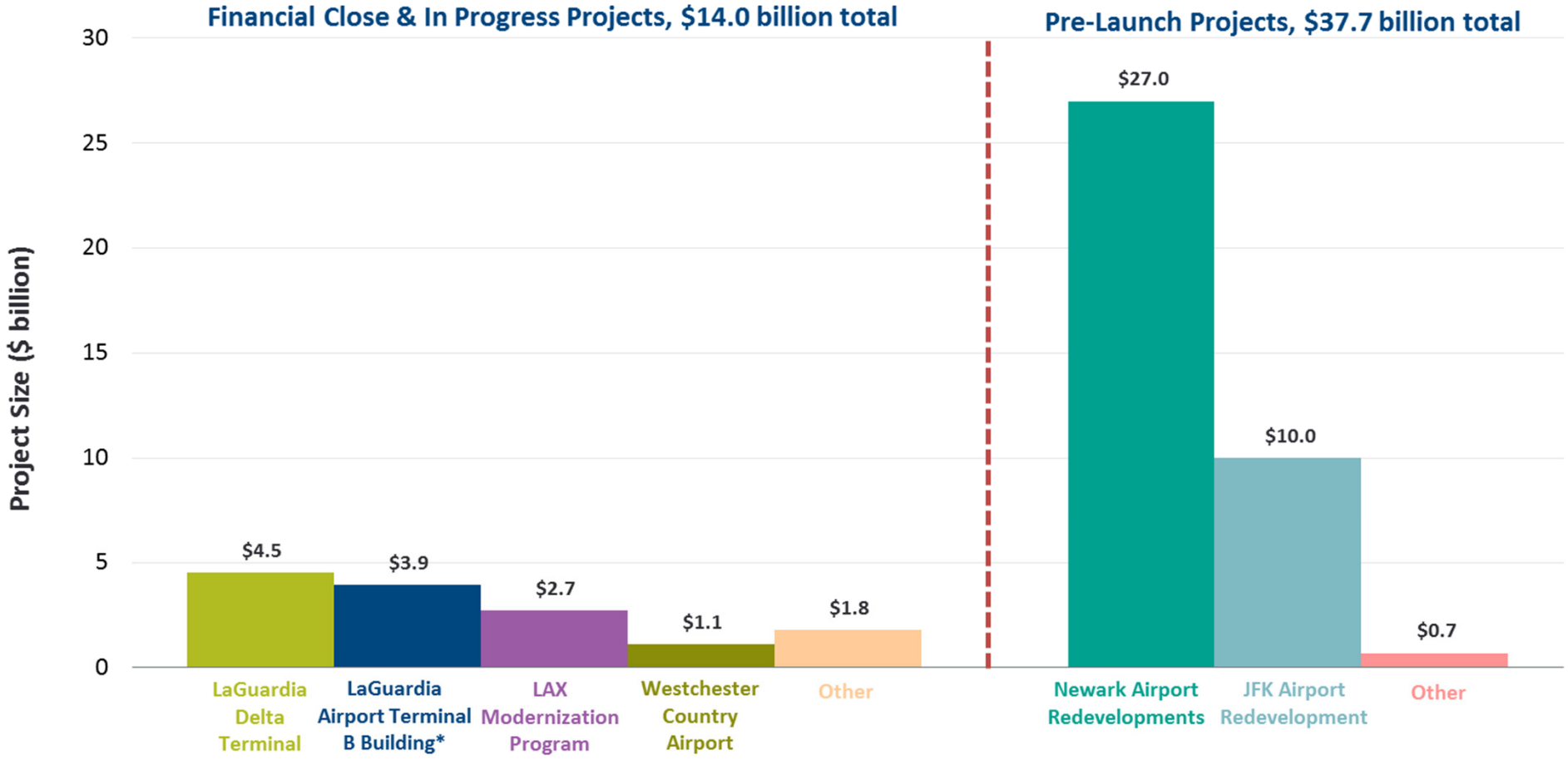
Notes: Includes projects that are pre-launch, in progress, or have reached financial close.

Not all toll roads:
Other modes now dominate transport P3s



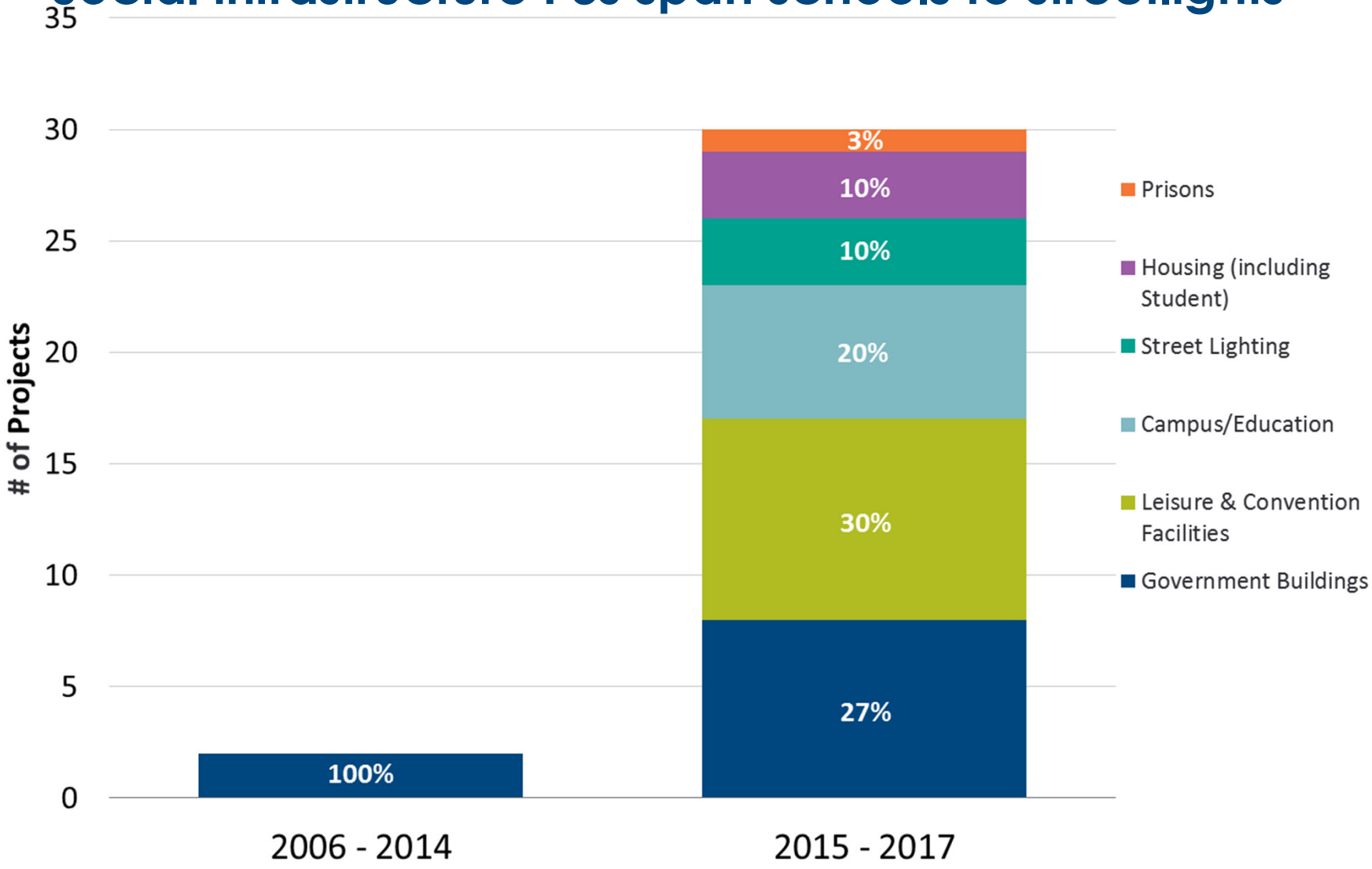
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Airport P3s exceed $51.7 billion, including pre-launch



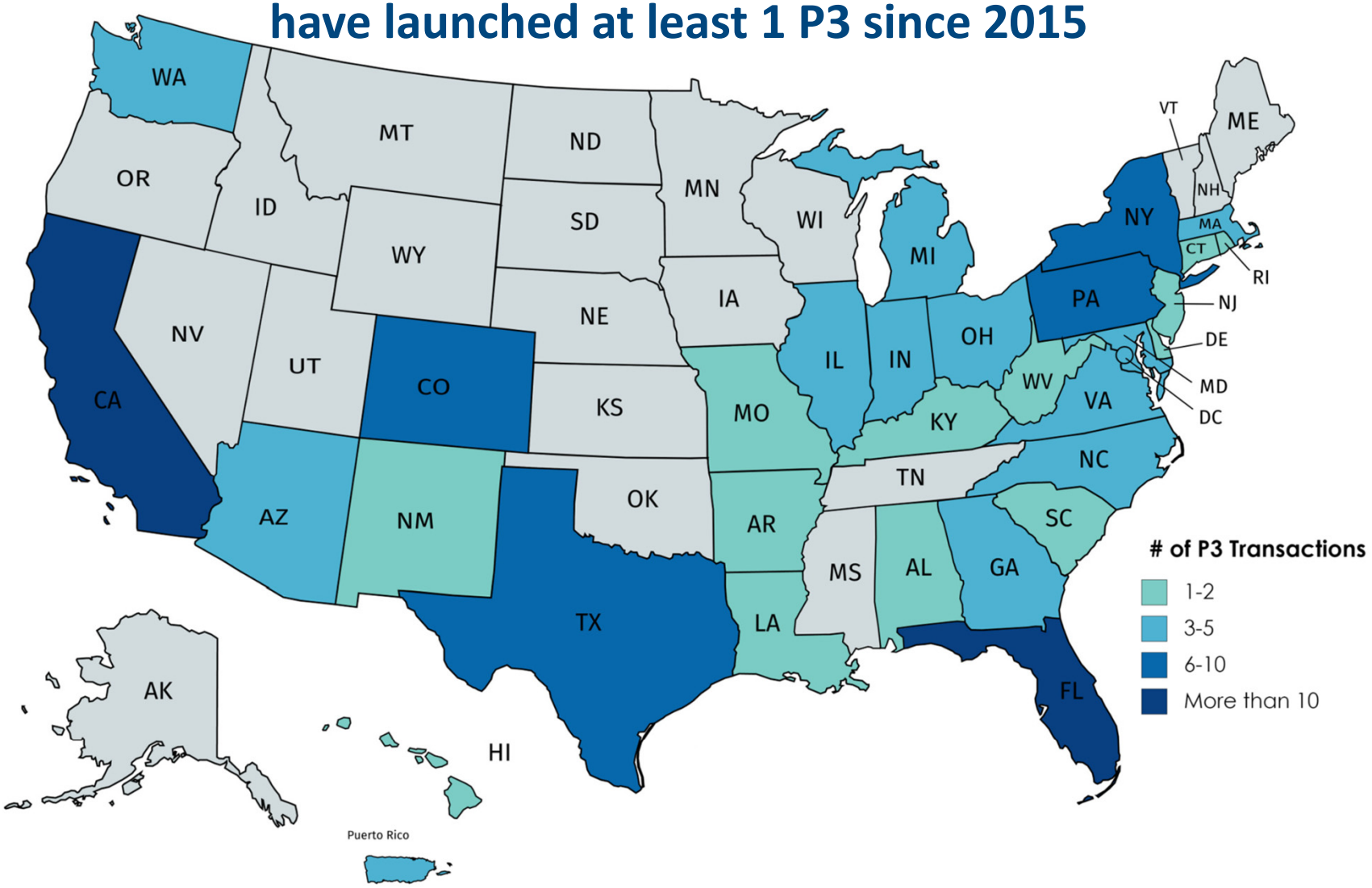
*LaGuardia reached financial close. The LAX Modernization Program is comprised of the Automated People Mover ($1.9B) and the Consolidated Rent-A-Car ($0.9B). Other projects that have reached financial close include Kansas City Airport Terminal A ($1B), Denver Airport Jeppesen Terminal ($0.7B), and San Diego Airport Cargo Facilities ($0.2B). Other in progress projects include Hollywood Burbank Airport ($0.4B) and Des Moines International Airport Terminal ($0.3B).

Fastest growing P3 sector:
Social infrastructure P3s span schools to streetlights



Notes: Includes projects that are pre-launch, in progress, or have reached financial close.

30 states, DC, and Puerto Rico have launched at least 1 P3 since 2015



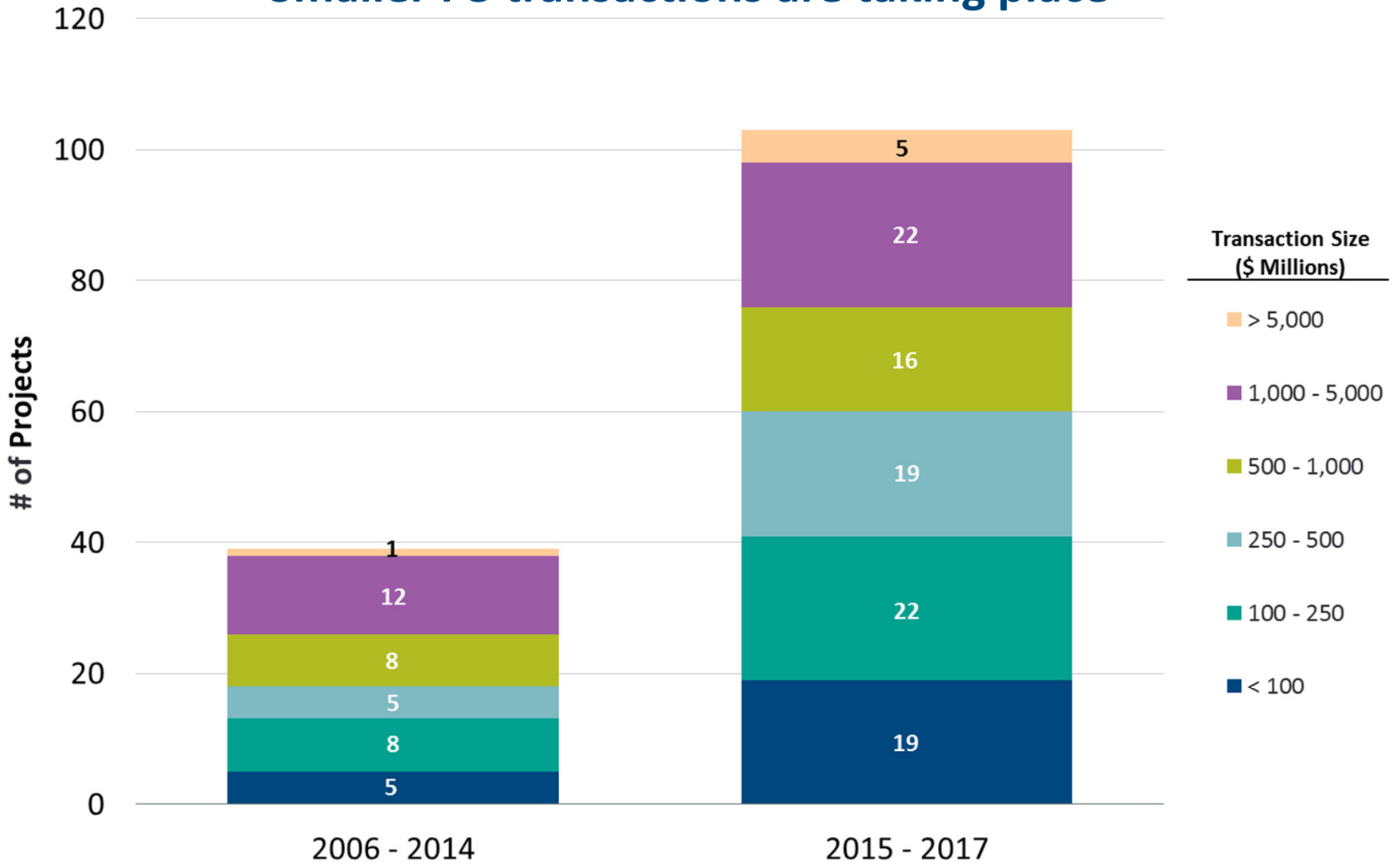
Note: Including projects that have reached financial close or are in progress. Excludes pre-launch projects. Created using mapchart.net.

Most US P3s include operation and maintenance



Notes: 68% and 90% of transactions report delivery model classification for in progress and financial close, respectively.

Smaller P3 transactions are taking place

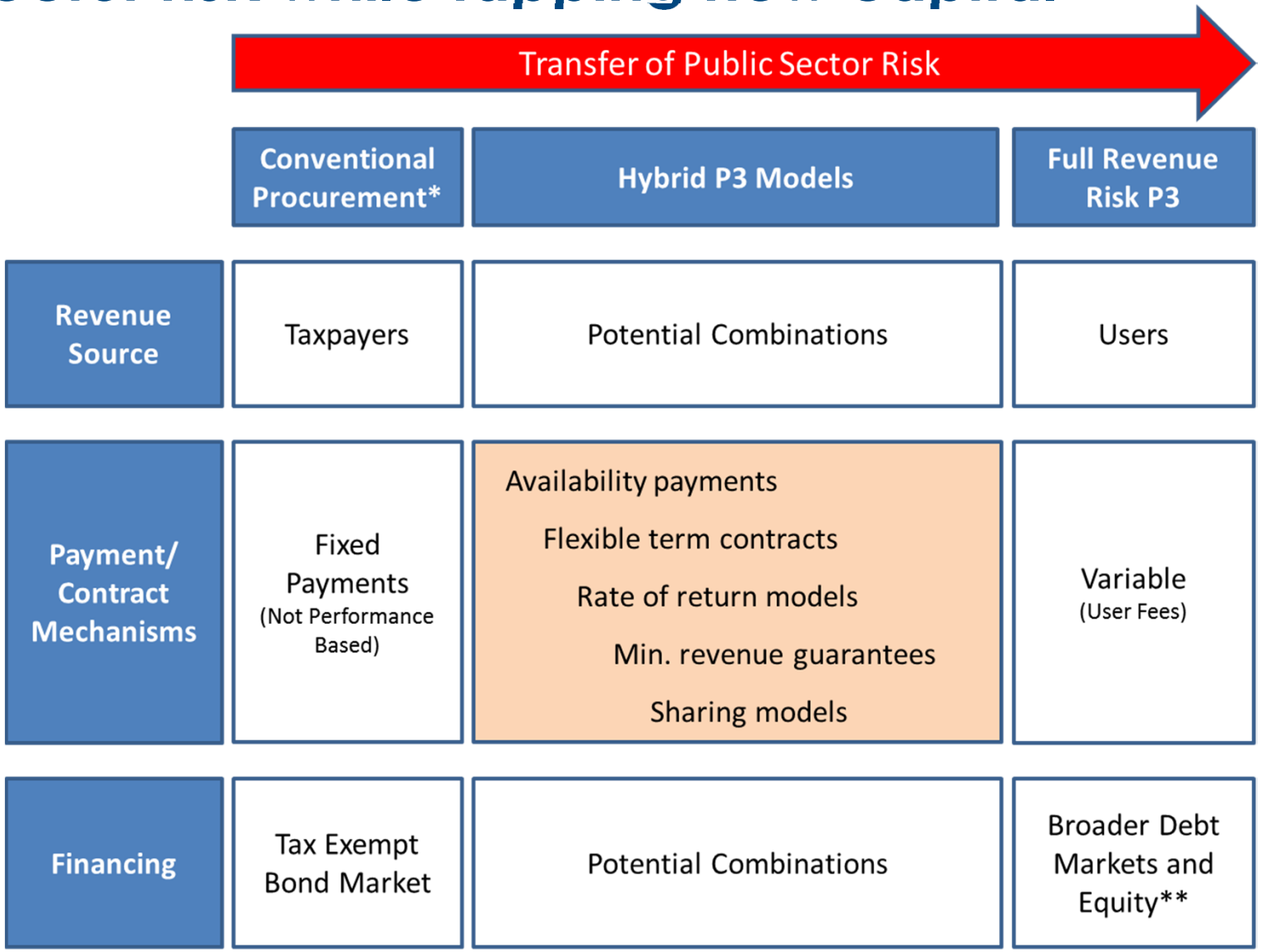


Note: Includes projects at pre-launch, in progress, and financial close stages. 38% of pre-launch projects, 43% of in progress projects, and 98% of financial close projects report transaction size.

What's driving the trend?

- Constrained public revenues and financing sources since the Great Recession and Global Financial Crisis.
- Pent up demand for public infrastructure from past underinvestment and deferred maintenance.
- Increasing federal, state, and local government recognition of the merits of P3s for the right projects.
- Growing interest among private sector investors and other potential private partners.

Alternative procurements transfers public sector risk while tapping new capital



*No User Fees
**May include Private Activity Bonds (PABs)

Hybrid P3 structuring options

Hybrid P3 examples in approximate order of public risk transfer:

Availability payments: Pre-determined stream of payments from government

Flexible term contracts: Contract length adjusts based on actual demand and lasts until investors are compensated

Rate of return models: Regulators and investors select amounts of capital investments that will be accumulated on a regulatory asset base

Minimum revenue guarantees: Government provides guaranteed compensation if revenue falls below agreed upon threshold

Sharing models: Government and investor agree to share revenue or profit, could be using straight line or vary with level of revenue/profit

Ensuring viable P3s

Identifying Suitable Projects

- Risk transfer potential
- Dedicated revenue streams
- Scale economies

Assessing Risk Allocation

- Parties positioned to manage risk
- Risk and reward
- Value-for-money analysis

Implementation Challenges

- Target structure
- Competitive bidding
- Marshaling resources

Contact Information



ELAINE BUCKBERG

Principal | Washington, DC

Elaine.Buckberg@brattle.com

+1.202.419.3354



ROBERT MUDGE

Principal | Washington, DC

Robert.Mudge@brattle.com

+1.202.955.5050

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