



**US DOT  
Transportation Infrastructure  
Finance Workshop**

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# The Path to PPP --Not always easy

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- ▶ The US infrastructure market is more challenging
  - ▶ No central legislation or legal framework
  - ▶ No single political body
  - ▶ Alternatives

# Why do it?

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- ▶ Successful PPPs will provide efficiency
  - ▶ Costs
  - ▶ Timing
  - ▶ Operational

# Two Key Steps to a Successful PPP

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- ▶ Know Thy Construction Costs!
  
  
  
  
  
  
  
  
  
  
- ▶ Ensure Competition—more bids!

# Construction costs

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- ▶ Construction costs are soaring in recent years
  - ▶ Important component for bid
  - ▶ Steel and concrete inflation
- ▶ How it can impact the process
  - ▶ Government expectations
  - ▶ Delays due to surprises can compound problem
  - ▶ Loss of bidders

# Construction budget

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- ▶ Need for Strong Understanding of Costs
  - ▶ Really robust analysis of the cost components
  - ▶ Test with the market
  - ▶ Make sure the costs accurately reflect the requirements—different than how the government might do the project itself
  - ▶ Consider other projects in the region
  - ▶ Understand the implications of certain provisions—there might be hidden costs
    - ▶ ‘Buy America’
    - ▶ “Sustainability”

# Construction (cont'd)

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- ▶ Procurement process needs to drive the right behavior
  - ▶ Delays cost money
  - ▶ Affordability ceilings need to take into account scope requirements
  - ▶ Bonding and Performance Guarantees
  - ▶ Solicit feedback on construction from bidders
  - ▶ Revisit the numbers

# Bringing on the competition

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- ▶ The more competition usually the better the terms
  - ▶ Price is not the only benchmark
- ▶ Governance Issues
  - ▶ The number of stakeholders
  - ▶ A coordinated inter-government approval process
- ▶ Be wary of delays
  - ▶ Delays reduce # of bidders
  - ▶ Opportunity costs
  - ▶ Other obligations
  - ▶ Uncertainty

# Competition

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- ▶ Be wary of restrictive requirements
  - ▶ Do not be so specific that the private sector cannot be innovative
  - ▶ Buy America may not be too limiting in some situations
  - ▶ Construction bonding and guarantees
  
- ▶ Transparency
  - ▶ Need to balance to allow for proprietary ideas
  - ▶ Clearly defined bid and award process
  - ▶ More certainty in public sector execution

# Final words of wisdom

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- ▶ Have a champion for PPP
- ▶ Pick a few easy wins—avoid overly political projects
- ▶ Seek feedback with stakeholders, constituents and bidders
- ▶ Good advisors make a difference