

InfrastructureUSA

Guest on THE INFRA BLOG

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Why Public Private Partnerships?

We're in an environment of scarce resources; there's only so much money. We can't rely on the deep pocketbooks of the federal government to come and rescue states and their infrastructure needs. The good old days are gone, and so every state needs to stretch the money that it has for infrastructure delivery. No more are cost overruns OK, or can you just say, "Oh, that's part of doing business. That's part of delivering infrastructure." It doesn't have to be that way. And so public private partnerships, or performance-based infrastructure, is really a means of ensuring that taxpayers get value for money and that projects are delivered on time and on budget and perform over the length of a project agreement, which can run from 25 to 35 years or in some cases more.

U.S. Lagging in PPP Projects, While Others Already Seeing Benefits

There are a lot in other countries: Canada has reached financial close on fifty PPP projects just in the last three years alone. In the U.S. it's been much slower. Part of the reason is attributed to Congress's failure to incentivize cities and states to utilize a PPP approach. There have been really successful programs like TIFIA and Private Activity Bonds, which Congress to its credit did create, and which have made a huge impact in moving the market for PPPs forward, but Congress could do more. I believe that so often we don't look at the connection between what's going on at a federal level and our ability to move these projects forward. We've seen really successful projects like the Port of Miami Tunnel, I-595 in Florida, the Denver Light Rail Project, the Long Beach Courthouse Project. Those are just a few to name. Presidio Parkway is another in California. So the projects are moving forward. We are tracking billions of dollars of PPP projects that will move forward into procurement in 2014, but it's a market that is coming around, and especially on the transportation side. For water and for what we call "social infrastructure," like public buildings, those sectors are much slower to generate projects because the federal government has not yet done anything to create financing tools, which incentivize cities and states to use a PPP approach.

PPPs Bring Results and Accountability

Look around the country. Look at the projects that have moved forward. Look really in Canada, at a number of projects that are actually operational and where you see the private sector maintaining the schools in a much better fashion than they were maintained before. You're not handing over assets to the private sector, you're entering into a long-term performance contract, and all this work that you're contracting for with the private sector is work that the private sector would be doing anyway. If you build a new school you're not going to have the teachers and the administrators that run the

school build the new schools, you're going to have contractors and designers work to build the school. And the operation of the school, the maintenance of it, typically that's all contracted out, but it's contracted out in a very ad-hoc manner. There are no efficiencies or economies of scale that you get from it. So in a PPP you're really bundling this all together, and by bundling all this infrastructure work together you're creating significant efficiencies and accountability, major accountability, accountability that you don't have at all through a traditional delivery approach.

Infra Needs Innovation

I think there's a real sense of urgency that Congress needs to act, and needs to recognize that we have \$3.6 trillion of infrastructure needs by 2020 and we have a funding gap of about \$1.6 trillion. So in order to meet these needs, not only do we need funding but we also need innovation in how we finance and deliver our projects. We need more tools in the toolbox right now. This is a time in the country where we need to figure out how we can harness all the creativity that is out there and best practices, because other countries have demonstrated an ability to improve their infrastructure at a much faster rate, and much better than we have been able to do in the U.S. We need to look around, harness those best practices and put more tools in the toolbox for cities and states to get the infrastructure advanced quicker.

As Our Infra Crumbles, the Conversation Changes

There are always issues that come forward. There are issues of national significance, of world crises, terrorism; there's constantly the issue of the day that tends to trump infrastructure, and when we have natural disasters like Sandy and Katrina that bring to a forefront the need of a strong and resilient infrastructure, that's when the national discourse changes. Unfortunately, I think, given the state of infrastructure in our country, those conversations are going to really start happening more frequently because we've allowed our bridges to fall into a state of complete disrepair. There are just thousands and thousands of bridges around the country that are absolutely deficient, and you have kids that are learning in schools that are not fit for human existence. So we're sort of reaching a "tipping point," as Malcolm Gladwell likes to say. I think that the tipping point is coming soon, to a point where I believe that the conversation will be changing.

AECOM and Infrastructure

AECOM is an \$8 billion per year firm. We have offices all throughout the world, in virtually every major city in the U.S., and are involved in some of the biggest infrastructure projects that are undertaken from transportation, water, buildings and facilities to oil and gas, and everything that you could imagine on the energy front. AECOM was formed in the '90s, basically from Ashland Oil, and came together through acquiring a number of other companies: major engineering firms like DMJM Harris and big firms like Earth Tech and Metcalf & Eddy that have now become the publicly traded, massive firm that AECOM is today. AECOM has been on the forefront of infrastructure for years, and has been a real thought leader. Our CEO, John Dionisio, testified recently before the Senate Democratic Leadership Committee on the pressing infrastructure

needs, so we continue to be active on all fronts in Washington and trying to push this message forward. I've started a coalition with the infrastructure industry and with numerous leaders. AECOM has been a big leader in it; it's called the Performance Based Building Coalition, and we are working to try to get legislation passed in Congress to open the doors for public-private partnerships. It's fundamental: having people come together and raise their voice and speak up is the only way to get something done in Washington. I would urge any advocates of infrastructure to speak up and to send letters to their congressmen, and to join coalitions and never underestimate the impact you can have to get something done.

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