

Regional ^{NJ CT}^{NY}Plan Association

RPA: Proceed with Caution on Public-Private Partnerships

*Report Identifies Steps to Protect Public Interest
Before Deals are Pursued on Turnpike, other Transportation Assets*

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TRENTON – A report released today by Regional Plan Association (RPA) calls for caution as state officials begin to examine opportunities for public-private partnerships (PPPs) on the New Jersey Turnpike or other key transportation assets. The report, entitled “Ground Rules for a Public-Private Partnership in New Jersey,” identifies a number of risks associated with PPPs and sets two ground rules for pursuing potential agreements.

The report concludes that a PPP around a highway asset is not necessarily a good or bad proposition. There is the opportunity for windfall revenues, incentives for increased transit options and improved traffic management, but also a wide range of risks, depending on how a partnership is structured and the way that revenues are spent.

“It is easy to be tempted by the idea of a multibillion-dollar windfall, but public-private partnerships are not a panacea and come with many risks. The State should proceed with caution,” said Thomas G. Dallessio, Vice President and NJ Director at RPA. “The first step in any proposal must be a robust public process with town hall forums and thorough legislative review.”

“Good PPP deals could save motorists time, boost transit choices, curb fuel use and emissions, and reduce the harms highways cause to communities, but bad deals could spur pollution, congestion, and sprawl for decades to come, long after the quick money’s gone,” said Michael Replogle, Transportation Director of Environmental Defense and a former consultant for U.S. Federal Highway Administration who contributed to the report. “That’s why it is critical that legislation is crafted to ensure better performance with incentives for smart transportation and traffic management.”

Risks

Risks associated with PPPs include the potential for:

- Toll increases that are inefficient or inequitable
- A lower level of service, due to private operators that are unresponsive to future public concerns
- Tying the state’s hands, preventing transit or highway expansion, or alternative uses of rights-of-way
- Revenue squandered on short-sighted expenditures such as unsustainable tax cuts

To safeguard the public against these risks and capitalize on the opportunity presented by PPPs, the report suggests two ground rules: full disclosure and fair expenditures.

Ground Rule 1: Full Disclosure

A new level of private investment in public assets and will require a new level of accountability. Legislative hearings and town hall meetings should be held on the subject, and sufficient time allowed for meaningful public input and legislative review.

Any PPP should require full disclosure of the agreement to ensure that the following information is available:

- Extent and allocation of lost annual revenue.
- Current performance, operation, maintenance, environmental and labor standards on the asset in question, and standards that the private sector will be expected to meet, along with methods of ensuring these standards are met.
- Future allowable toll schedule, including starting toll rates and possibility for variable tolling.
- Any non-compete agreements or other contract language potentially impacting the expansion of other transportation infrastructure.
- Transactions costs, including fees to investment banks, financial advisors, lawyers and other professionals retained by the public sector to analyze and craft the PPP.

Ground Rule 2: Fair Expenditures

The State should spend any revenue from a PPP according to three goals:

- Use revenue generated from transportation users primarily to fund transportation;
- Ensure the future of the State's transportation capital program; and
- Improve long-term fiscal stability.

The lump sum from a PPP represents future toll payments that now fund highways and mass transit in the state. The State should first use any windfall and ongoing revenue from a PPP to restore fiscal health to its under-funded transportation system, including funding for the cash-starved Transportation Trust Fund and support for NJ DOT and NJ Transit capital programs that are critical to long-term growth in New Jersey's economy. If the revenue realized by the State is more than sufficient to address these needs, then any remaining revenue should be dedicated to improving its long-term fiscal health, such as by retiring some of the state's general obligation debt.

Regional Plan Association (RPA) is an independent regional planning organization that improves the quality of life and the economic competitiveness of the 31-county New York-New Jersey-Connecticut region through research, planning, and advocacy. For more information about RPA, please visit our website, www.rpa.org.

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