

### **Biographical Note**



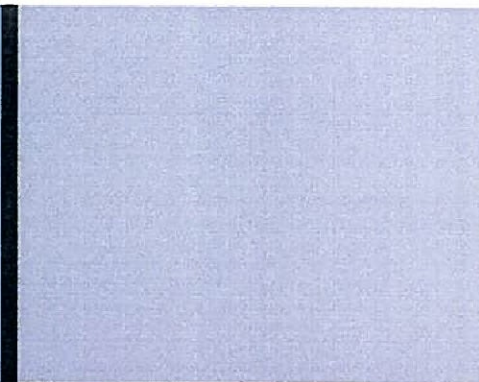
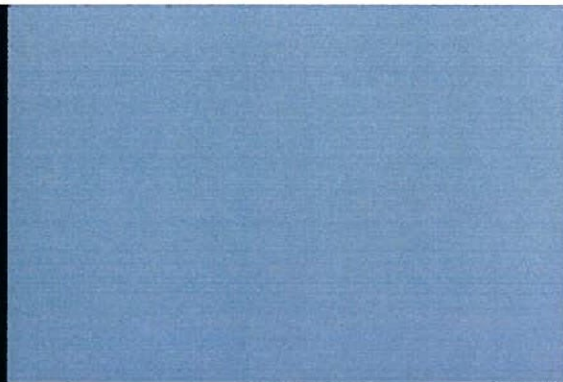
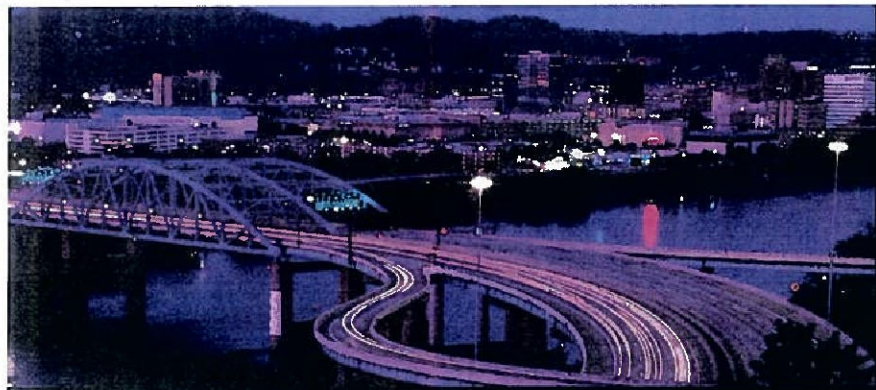
**Art Smith**  
Chairman, National  
Council for Public-  
Private Partnerships

Art Smith has more than 30 years of experience in analyzing and implementing Public-Private Partnerships. He is Chairman of the U.S. National Council for Public-Private Partnerships, and U.S. representative to the United Nations Economic Commission for Europe (UNECE)'s Team of Specialists on Public-Private Partnerships, where the member countries elected him Vice-Chair in February 2008.

Mr. Smith serves as a consultant and lecturer on PPPs for organizations such as the United Nations Development Programme (UNDP), UNECE, Asian Development Bank, International Law Institute and national governments, and as an expert witness in PPP-related litigation. Mr. Smith was a primary author of the UNECE's publication, "Governance in Public-Private Partnerships for Infrastructure," and has performed reviews of national PPP legislation for the U.S. Agency for International Development and the United Nations. In 2008, Mr. Smith participated in an American Association of State Highway and Transportation Officials (AASHTO) and U.S. Department of Transportation scanning visit to European governments to identify best practices in road and highway PPPs.

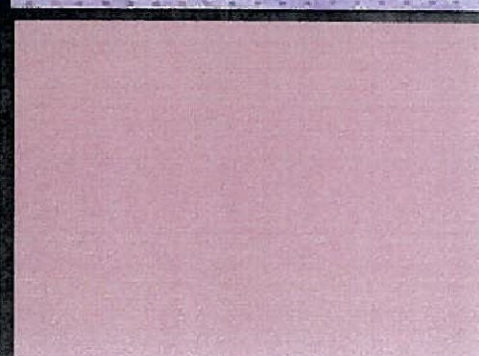
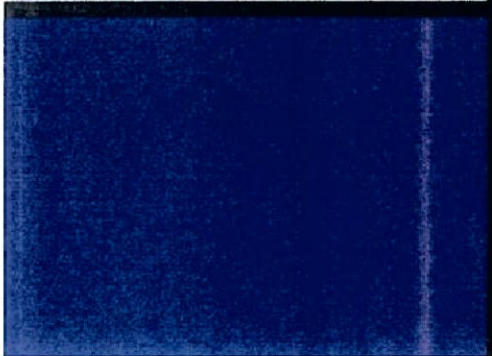
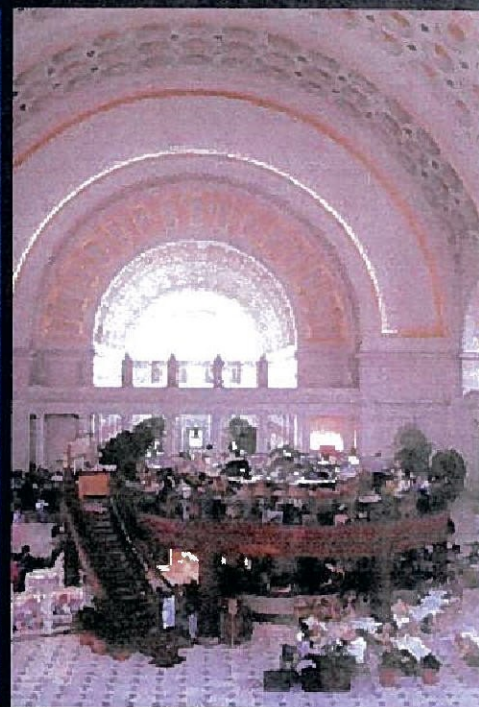
Mr. Smith has PPP experience on five continents and is the author of more than 30 articles on Public-Private Partnerships, published in six languages. Since 1977, he has served with the consulting firm of Management Analysis, Incorporated, where he has been President since 1995. Mr. Smith holds a B.A. and an M.S. in Technology Management from the University of Maryland.





# Commonwealth of Pennsylvania House of Representatives Transportation Committee Hearing

September 8, 2008





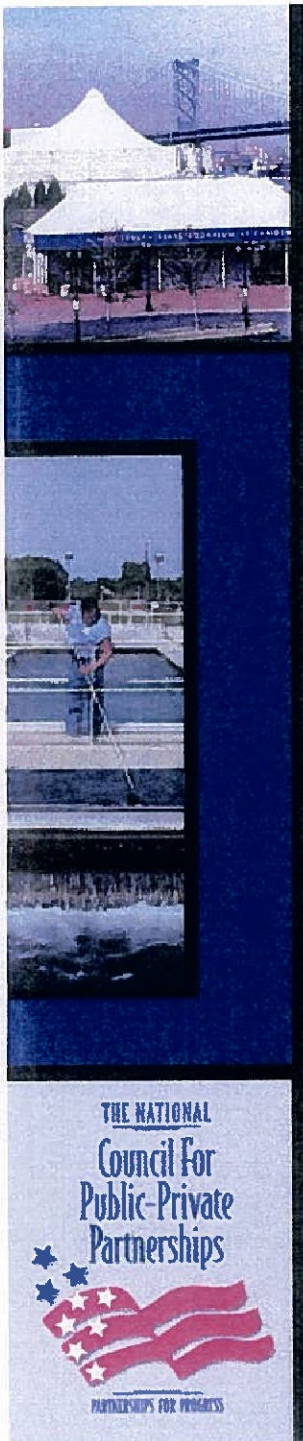
# Public Hearing Testimony by

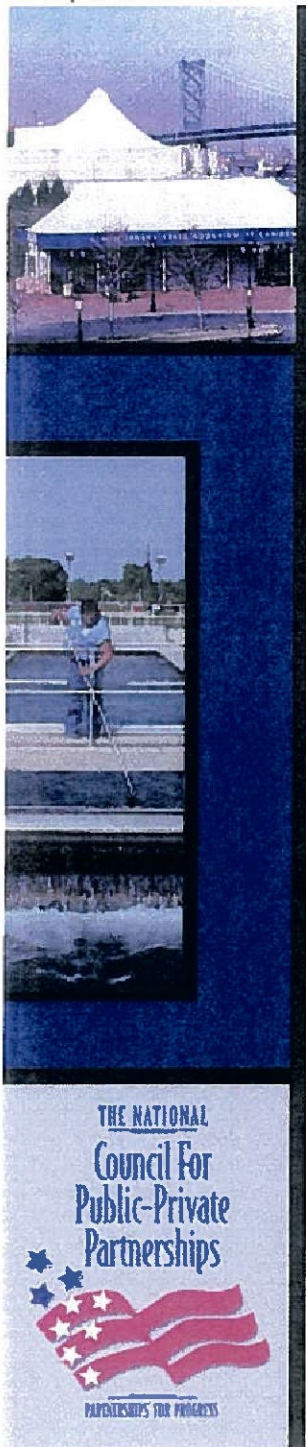
**Arthur L. Smith**

Chairman

National Council for Public-Private Partnerships

[asmith@mainet.com](mailto:asmith@mainet.com)

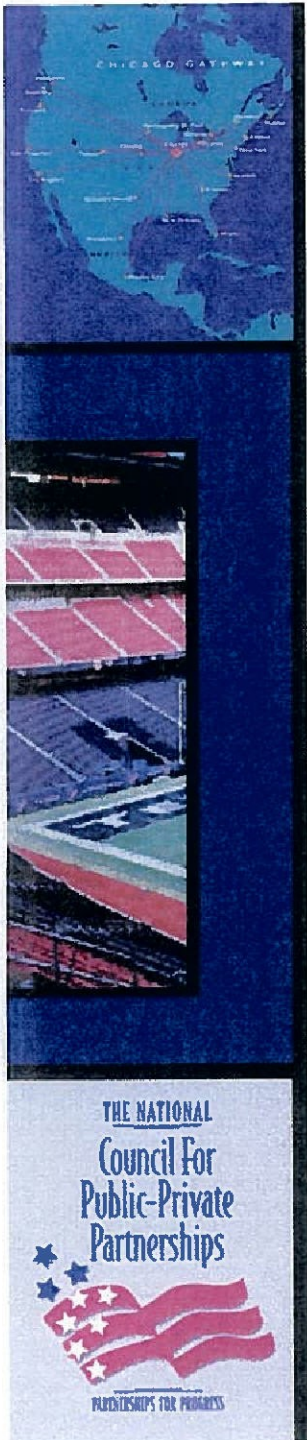




# What is NCPPP?

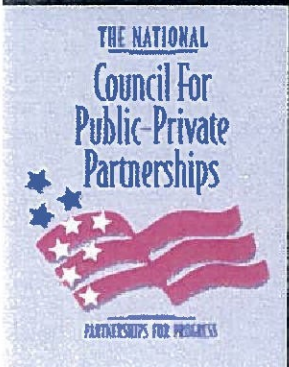
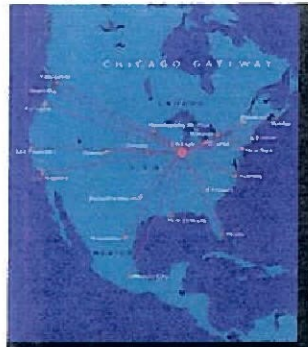
- Founded in 1985
- Non-profit Organization 501 (c) (3)
- Nationally and internationally recognized
  - Contracts with FHWA, FTA, EPA, United Nations, etc.
- Membership
  - Public, Private and Academic
- Mission
  - Build public awareness of public-private partnerships
  - Exchange and promote best practices





## Sectors Where PPPs Have Been Used

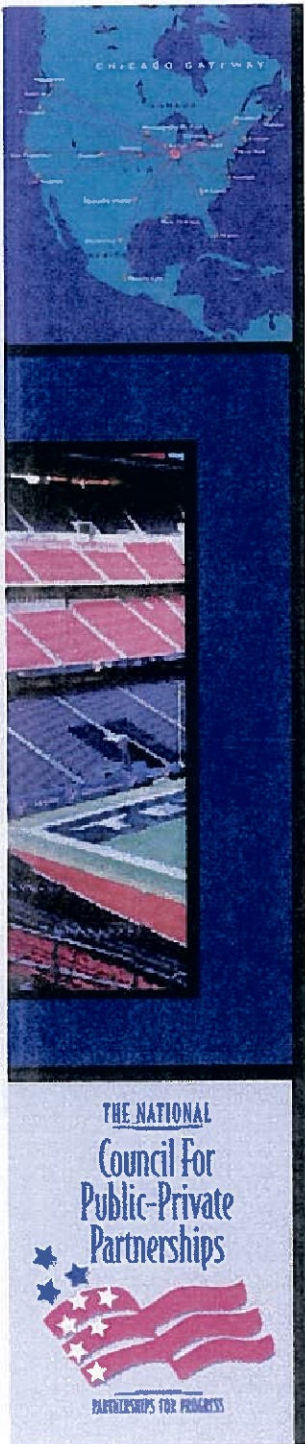
- Transportation
- Water/Wastewater
- Urban Development
- Utilities, e.g., Power, Solid Waste
- Financial Management
- Schools



## Transportation PPPs

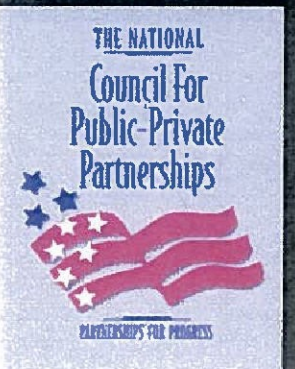
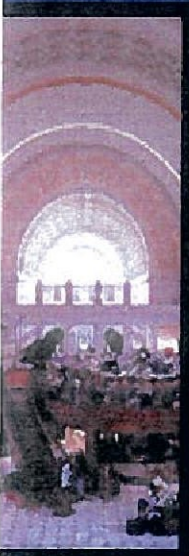
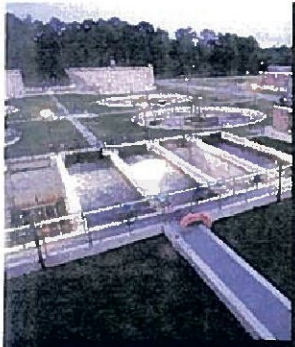
- Roads and Highways
- Bridges/Tunnels
- Rail/Mass Transit
- Airports
- Ports





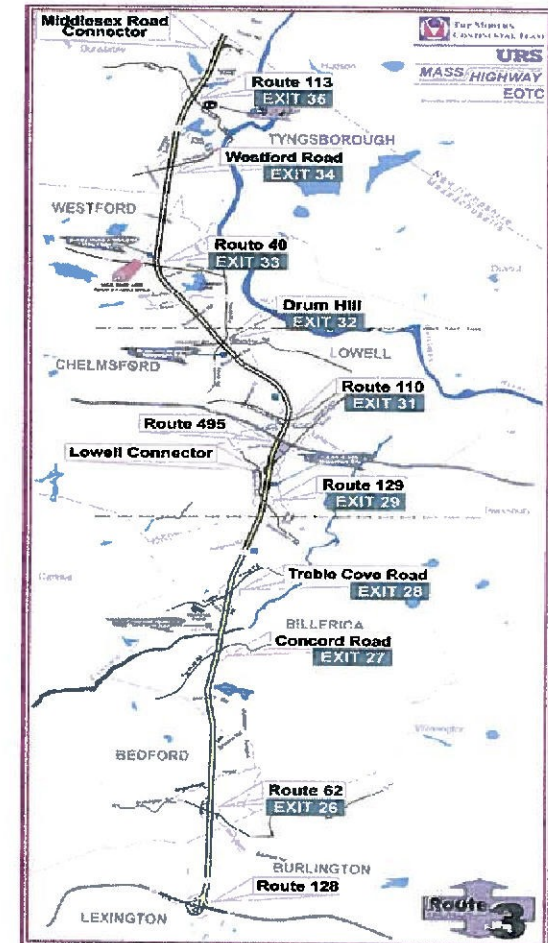
## Road and Highway PPPs

- PPPs are increasingly being used to help provide the roads and highways required in both developed and developing countries.
- In Portugal, 94 percent of the national highway system is provided through PPP contracts.
- In the U.S., Virginia, Texas, Massachusetts, and Indiana are among the states to have used PPP methodologies for road and highway development, operation, and maintenance.

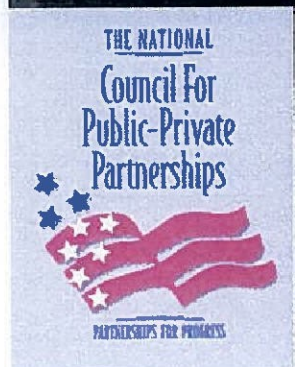
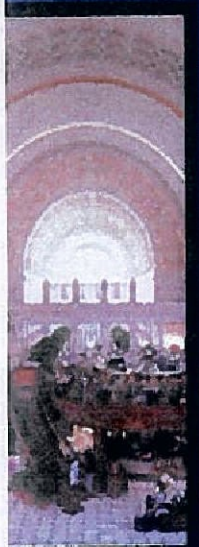
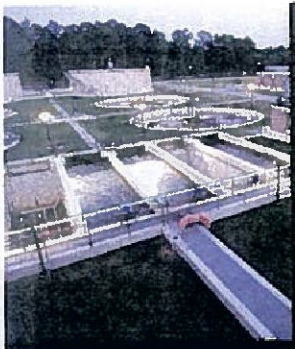


# Massachusetts Route 3 North

- Existing, highly-congested 33.6 kilometer, four-lane highway
- The Commonwealth identified a requirement to:
  - Add a third lane in each direction
  - Replace 40 bridges
  - Improve 13 interchanges
  - Create median shoulder and 30-foot clear zone
  - Estimated cost of nearly \$400 million



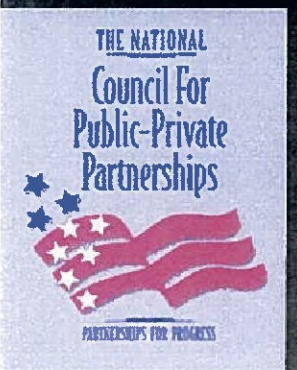
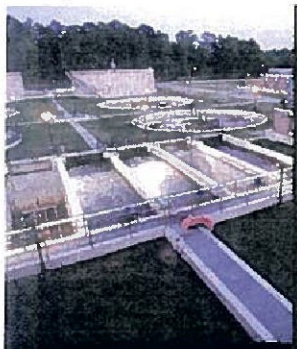




## Massachusetts Route 3 North

- Authority to enter into PPP approved by Massachusetts Legislature by special legislation in 1999.
- DBFO, with 63-20 public benefit corporation financing.
- Financing: \$394.5 million in tax-exempt lease revenue bonds sold by 63-20 corporation.
- State will make lease payments for 30 years to pay off bonds, through annual appropriation by the State legislature.
- Developer may pursue surface, subsurface, and air rights development to generate non-project revenues.
- Developer shares in sale of fiber-optic rights and sublease of a service plaza.



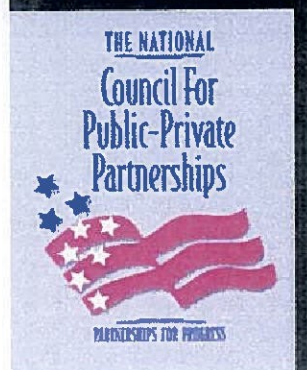
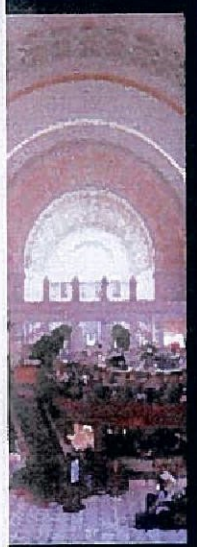
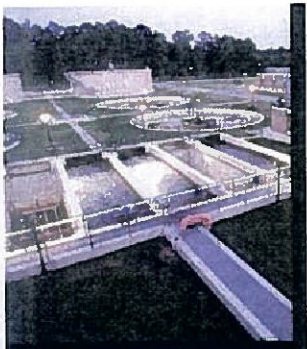


## Massachusetts Route 3 North

- Construction began in October 2000
- Extra lanes completed in 2004
- All construction now complete





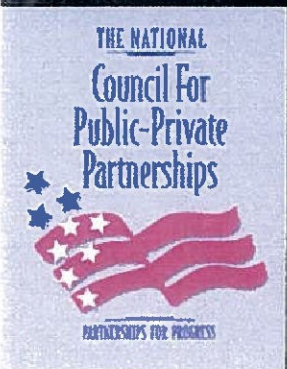
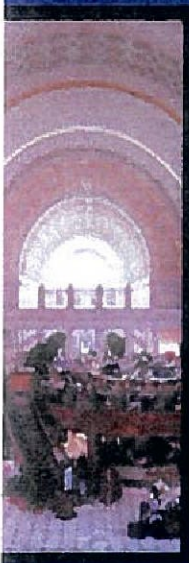
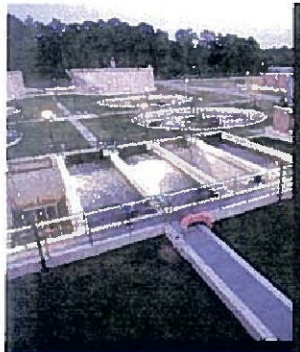


## Chicago Skyway

- Existing 7.8-mile elevated toll road, connecting I-94 in Chicago to I-90 (the Indiana Toll Road) at the Indiana border.
- Built in 1958, by 2004, the Skyway carried 50,000 vehicles per day
- Annual toll revenues were \$44 million, and the Skyway had operated at a profit for nearly a decade.

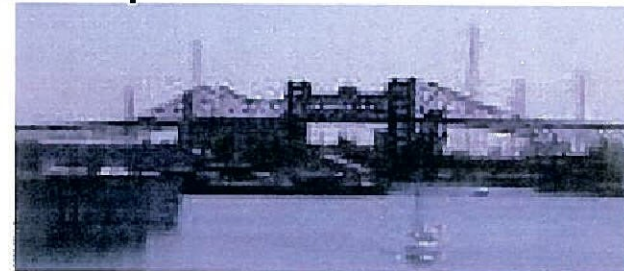




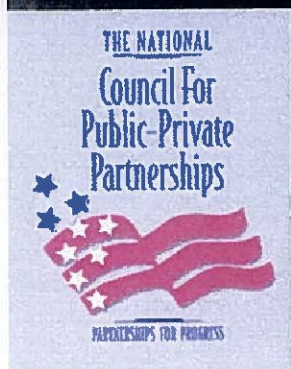
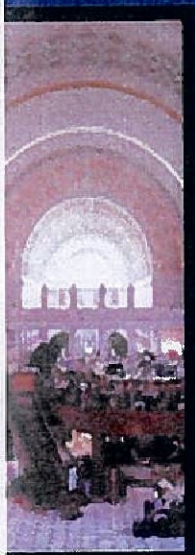
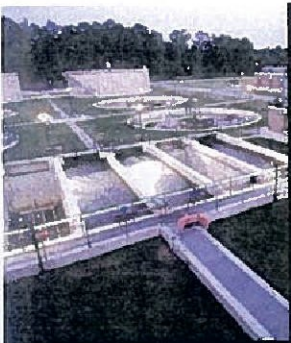


## Chicago Skyway

- On March 1, 2004, the City of Chicago announced that it would seek to create a public-private partnership under which a private entity would pay the City for the right to levy tolls on the Skyway for at least 50 years, and would maintain, develop and operate it for this period.
- 10 responses were received, and the City identified five firms as qualified bidders. Proposals were submitted in October 2004, and on October 27, the City signed a contract with the selected bidder.
- The private partner assumed operations on January 24, 2005.



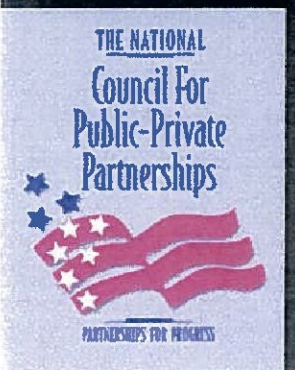
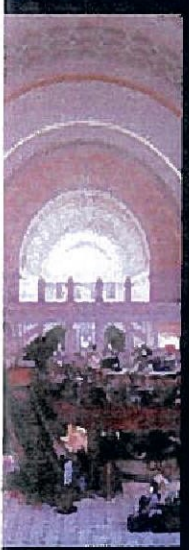
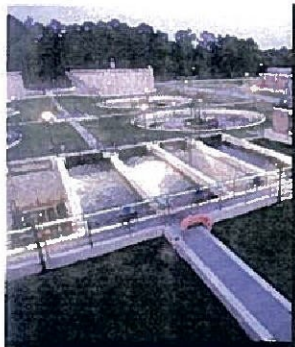




## Chicago Skyway

- Under the agreement, the private partner paid \$1.83 billion to maintain, develop and operate the Skyway for 99 years.
- The lease payment funded a \$500 million long-term and \$375 million medium-term reserves for the City, and \$100 million in neighborhood, human services, and infrastructure funds.
- The City now receives more in annual interest than its annual revenue from operating the Skyway itself.

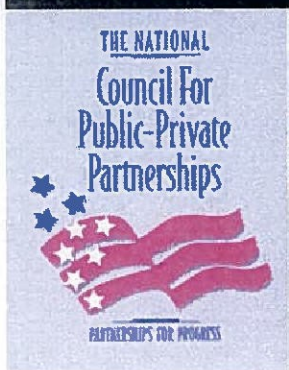
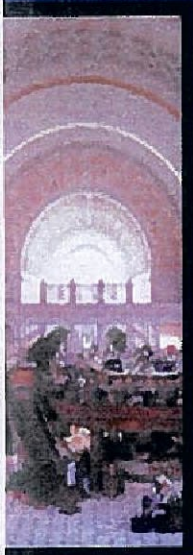
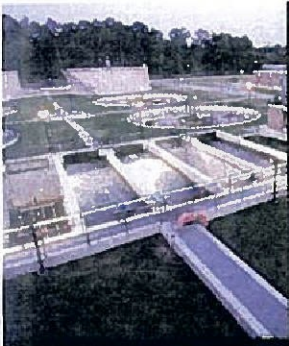




## Potential Advantages of PPPs

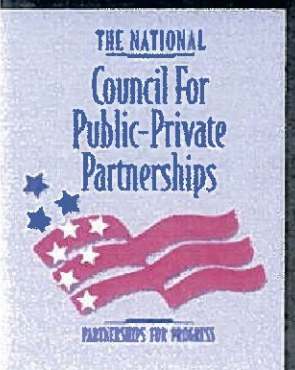
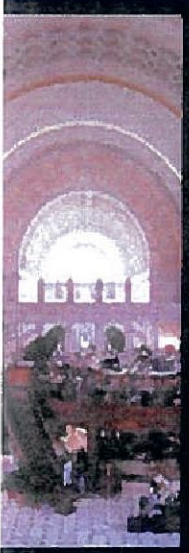
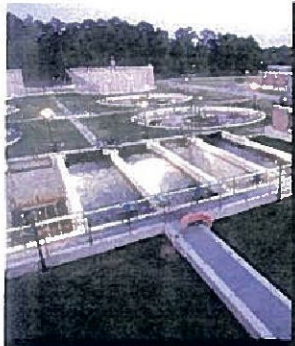
- Provide project financing
- Reduce public capital investment
- Accelerate project delivery
- Mobilize underperforming assets to generate public funds
- Risk transfer to the private sector





## Deriving Maximum Benefits of PPPs

- To maximize the potential of PPPs, consider multiple PPP models.
- The PPP structure should reflect the Commonwealth's specific objective and project characteristics.
- Both the House and Senate Bills appear to provide a sound basis for implementing PPPs. However, the House Bill appears more flexible, in that it includes provisions that would enable long-term leasing.



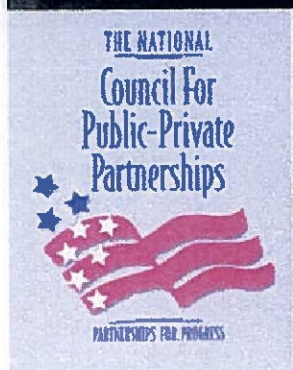
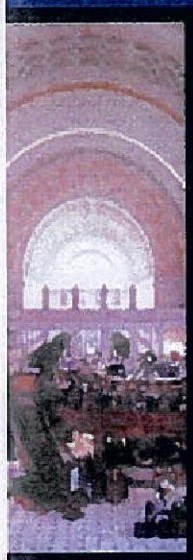
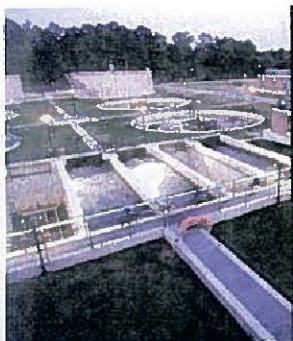
## Pennsylvania: Pioneer in Highway PPPs

*"I am aware, Gentleman, that the want of a good, permanent road is, at present, the principal defect in the communication between the middle counties and the metropolis."*

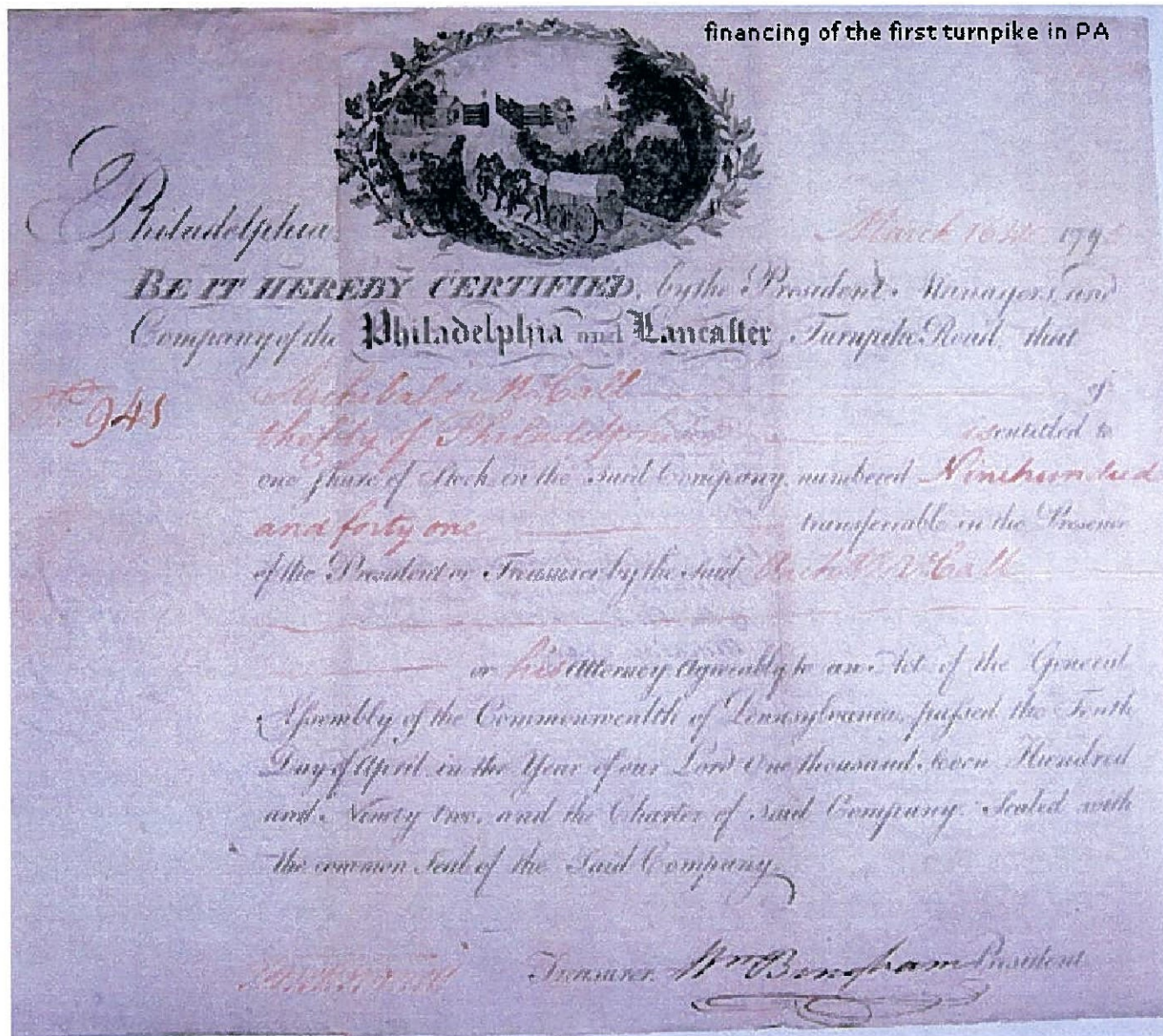
-Pennsylvania Governor Thomas Mifflin, 1791

- April 13, 1792: Pennsylvania approves "An Act to enable the Governor of this Commonwealth to incorporate a company for making an artificial road from the City of Philadelphia to the Borough of Lancaster."
- The Turnpike, completed in 1795 by the Philadelphia and Lancaster Toll Road Company, stimulated economic development in Pennsylvania by providing a reliable and affordable transportation link. Its success led to further Pennsylvania PPPs, such as the Lewisburg and Mifflinburg Turnpike Company, and the Centre Turnpike Company.



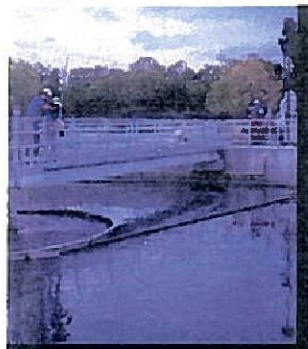


financing of the first turnpike in PA



Source: <http://www.tollroadsnews.com>





**For more information, please visit the  
NCPPP web site at**

**[www.ncppp.org](http://www.ncppp.org)**

