

# BANKER & TRADESMAN

WHAT'S OLD IS NEW AGAIN

## Public-Private Partnerships Are Back On The Agenda

### Alternative Project Delivery Picks Up Speed

By [William F. Lyons Jr.](#) | Jun 26, 2016

[Reprints](#) | [Print](#)



**William Lyons**

After a one-year hiatus, the Massachusetts Department of Transportation (MassDOT) and the Public Private Partnership Oversight Commission (also known as the [P3 Commission](#)) have started to convene meetings again. Thanks to the hard work of MassDOT, the P3 Commission, which is charged under state law with reviewing and approving all requests for proposals issued pursuant to the state law enabling P3 projects, will move forward with a more structured approach to its role in MassDOT projects. MassDOT and the P3 Commission have developed a new approach to using P3 mechanisms to improve transportation infrastructure.

The new process laid out by the P3 Commission includes several innovations. First, MassDOT will alter its project development processes to include a screening for suitability as a P3 project. Second, MassDOT has established a P3 Center of Excellence, led by Chief Strategy Officer Scott Bosworth, which will undertake significant capacity

building efforts to improve P3 expertise and develop internal policies and procedures to advance P3 projects. Finally, MassDOT will be developing a value for money analysis methodology to be used in the evaluation of proposed P3 projects.

Perhaps the most interesting innovation is MassDOT's decision to incorporate P3 screening into the project development process. MassDOT's proposed screening for suitability as a P3 project could be a game-changer, allowing for early identification of projects that would benefit from a P3 approach. The advantages of early identification include tailoring the project development phase – which includes development of the project scope, environmental permitting and cost estimating – to address P3 procurement. For instance, cost estimating and budgeting for a P3 project is substantially different from that of a traditional design-bid-build project. If a project advances through project development as a traditional procurement and is later proposed as a P3 project, resources are inefficiently used because the financial aspects of the project are analyzed twice.

### **A Tremendous Opportunity**

The creation of a P3 Center of Excellence by MassDOT demonstrates the Baker administration's commitment to innovation and stewardship of taxpayer dollars. Assembling a team of the most experienced and entrepreneurial professionals in the department to advance P3s in a thoughtful and structured way will provide MassDOT with a solid foundation upon which to build a P3 portfolio. Combined with other initiatives underway at MassDOT, the P3 Center of Excellence is a very positive sign that MassDOT takes seriously the opportunities presented by private investment in public infrastructure.

One of the more complex initiatives unveiled at the reconstituted P3 Commission meeting is a process of analyzing "value for money." While fairly simple in its approach, value for money assumes that a privately funded infrastructure project will be more expensive in procurement dollars, but may have more value to both parties (the state on one hand and a private sector financier on the other hand), due to allocation of retained risk. The basic premise is that a properly developed and documented P3 project will result in less retained risk for MassDOT, and thus create "value" that is not part of the cost of the base bid of the P3 project. Further, the private party will realize value because they will be paid for the new risks they assume as part of the bargain of the P3 project.

The reconstitution of the P3 Commission is a tremendous opportunity for the Baker administration to reimagine our infrastructure funding landscape. There is little appetite in the legislature, and indeed among our citizens across the commonwealth, for tax increases to pay for transportation infrastructure. Unfortunately, our needs are many and growing, not shrinking. Catastrophic failures of our transportation system have serious consequences for our economy, as proven by the winter storms of Gov. Charlie Baker's first few months on the job. We simply cannot allow our systems to deteriorate further.

Even worse than the colossal failures are the little failures that are seldom reported. Train breakdowns, delays and service interruptions due to inadequate maintenance serve as a very real brake on our economy. We need to invest in our systems to arrest these maintenance and operations issues so that our economy can flourish.

Properly executed, P3 initiatives have the potential to provide MassDOT with tools to tackle big transportation projects and solve big transportation challenges, while freeing up precious funds to address the long term underfunding of system maintenance. For that reason alone, the recent steps of the P3 Commission and MassDOT are welcome and should be lauded. I fervently hope that MassDOT and the P3 Commission are successful in their efforts to develop new tools to address our infrastructure funding woes.

*William F. Lyons Jr. is president of Fort Hill Cos. of Boston.*