The Future of U.S. Highway DBFOM P3s

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What we’ve learned since Dulles Greenway and SR 91

- Public-private partnerships, not “private toll roads”.
- Importance of asset stewardship (long-term equity interest (vs. no-equity 63-20).
- Revenue-sharing rather than traditional public utility regulation.
- Express toll lanes really do work—and can be toll-financed.
**Bumps in the road, of course**

- Right-wing populist attacks on tolling (“toll-tax”) and P3s (“crony capitalism”)
- Left-wing attacks on profits, Lexus Lanes, highway expansion.
- Construction company risk aversion to significant equity investment.
- Several project bankruptcy filings.
- Fewer bidders for revenue-risk P3s.
Three best opportunities for DBFOM highway P3s going forward

- Adding express toll lanes to congested freeways.
- Replacing major bridges.
- Rebuilding and modernizing aging long-distance Interstate highways.
Five reasons the revenue-risk model will predominate

1. We need per-mile tolling to replace fuel taxes.
2. We need long-term stewardship of the asset, including ability to expand.
3. We need customer-focused highway business model as with Europe’s toll-motorways.
4. Infrastructure funds invest significant equity, not token equity (as in AP model).
5. AP obligations count toward state debt limit.
Outlook for P3s in divided Congress

- Nothing like $1 trillion in new federal money
- Maybe a modest fuel tax increase
- Maybe a national MBUF pilot
- Possible P3-friendly reforms, such as:
  - 50-state toll-financed Interstates option
  - Expand PABs to brownfields
  - Expand TIFIA to broader infrastructure
Longer-term outlook for tolls and P3s:

Three reasons status-quo cannot continue:

• Federal government becoming insolvent: big increase in transportation outlays very unlikely.
• States can’t pick up the slack, due to huge unfunded pension liabilities.
• Fuel tax revenue will decline steadily, and need replacing with per-mile charging.
Longer-term outlook, continued

Three positive factors:

- Growing track record of DBFOM P3 model
- Infrastructure investment funds eager to invest equity in P3 infrastructure
- Public employee pension funds’ similar desire to invest equity (may broaden political support)
Questions?

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