



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

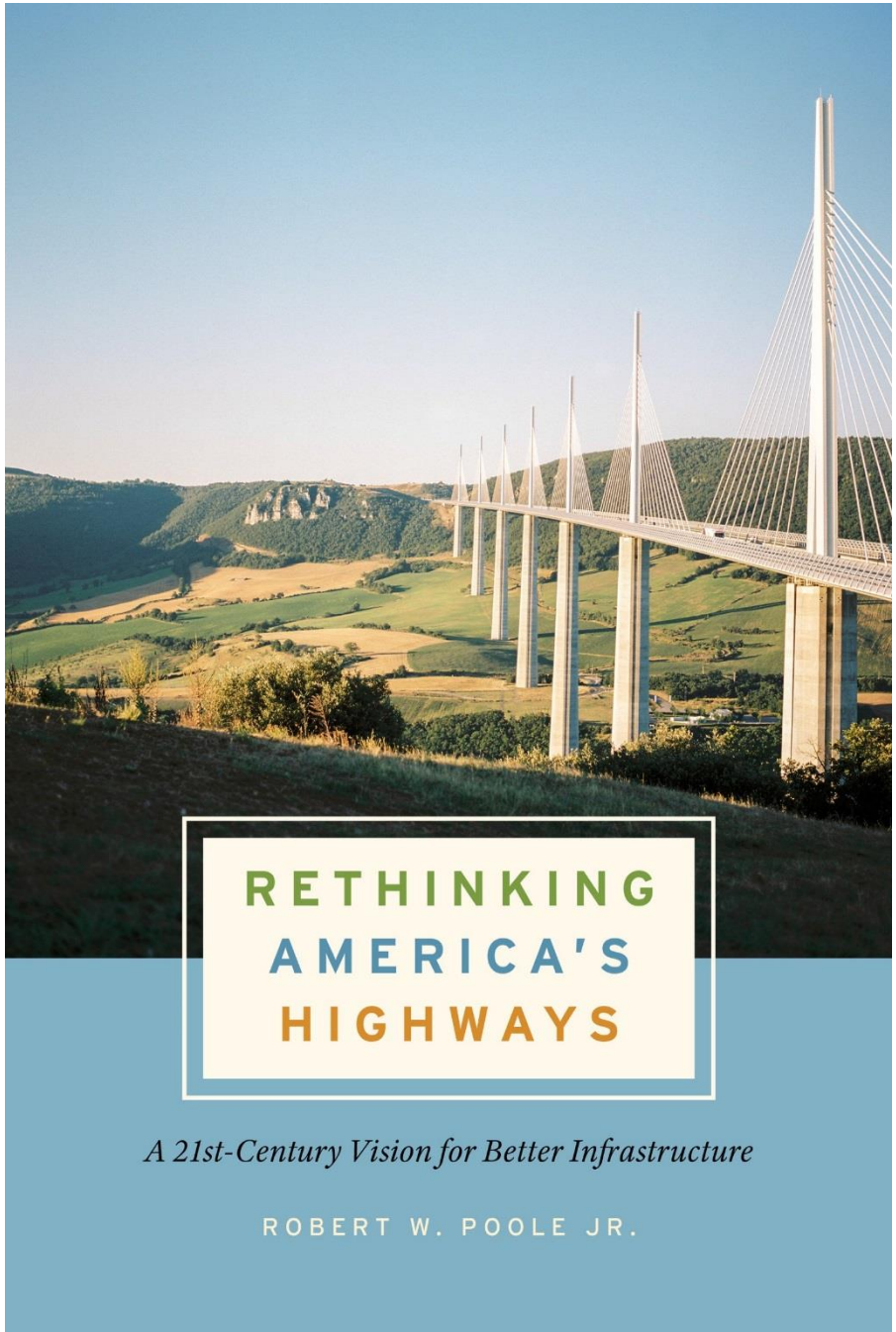
Longer-term outlook, continued

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)



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Questions?



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