The Fate and Impact of Challenged Public-Private Partnership Projects: An Assessment of U.S. Experience

TollTag stores

North Texas

Toll Road (NTTA)

Tarrant County



BACKGROUND

This research analyzed 36 challenged transortation public-private partnership (P3) projects in the U.S. to examine the fate and impact of P3 projects that have faced challenges through cancellation, deferment, or early termination.

- Four types of challenges impacting transportation P3s were identified: Economic, Political, Environmental, and Bureaucratic Capacity.
- Three case studies of challenged P3 projects were conducted: Texas State Highway 121 (Sam Rayburn Tollway), the Alabama Interstate 10 Mobile River Bridge and Bayway project, and the Denver International Airport Great Hall project.

PURPOSE AND SCOPE

- Were the projects re-procured?
- What type of procurement was used, P3 or traditional, or something else?
- Is it possible to learn how the re-procurement performed in terms of on-time and on-budget completion and asset performance?
- For projects that have not been re-procured, is it possible to determine whether the objectives of project proponents remain unsatisfied, or have other projects satisfied those objectives?

METHODS

Literature Review



Three Case Studies

DATABASE

Database extract of the 36 projects

		Initial Contract	Infrastructure	Status	Current Delivery	Challenges/
State	Project Name	Type -	Type -	2022	Method -	KISKS -
ACTIVE PROJ	JECTS					
			Bridge and	Active /		
Alabama	I-10 Mobile Bridge	DBFOM	Motorway	Procurement	Conventional	Political
	SR 91 Express Lanes -			Active /	O&M	Political
California	Orange County	DBFOM	Motorway	Operating	(Revenue Risk?)	(Noncompete Clause)
				Active /		
Texas	TTC-69 (IH-69)	DBFOM	Motorway	Construction	Conventional	Economic
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INACTIVE PROJECTS						
Alaska	Knik Arm Bridge	DBFOM	Bridge	Inactive	N/A	Economic
Florida	State-Road-54/56, FL54 Xpress	DBFOM	Motorway	Inactive	N/A	Environmental

Each project was categorized

Inactive projects - No update in more than two years.

Active projects - Categorized into one of four subcategories: Operating, In construction, In design, or in procurement

50% of the projects remained inactive

Status		Count	
Active	Operating	12	
	In construction	3	
In design		2	
	In procurement	1	
Inactive		18	
Total		36	







Political opposition to tolls

FATE

- State lacked project funding for 20 years
- 2016 P3 DBFOM identified as feasible solution with a \$6.00 toll • Political opposition exploded; Eastern Shore MPO removed project from TIP/LRTP
- making project ineligible for federal grant funding
- 2018 P3 cancelled and project split into separate design-build projects
- \$2.50 toll with balance of funds from state/federal loans and grants

IMPACT

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3 The Denver Airport (DEN) Great Hall Project - Colorado



CHALLENGE- Bureaucratic Capacity

- Inadequate contract terms
- DEN administrative capacity

FATE

IMPACT

THREE CASE STUDIES

• Regional agency ambition to implement project

- 2007 Cintra/JP Morgan selected as P3 DBFOM Team \$2.8B, 50-year contract • 2007 NTTA secured authority to bid on project - displaces P3 Team and backed by a
- 2007 Global Financial Crisis reduces demand

• Regional toll system users bore project cost rather than private equity and lenders • Public entity balance sheet versus private P3

CHALLENGE - Political and Economic

• Project implementation delayed and proejct cost increase from \$2.1B to \$2.7B (2023) • Revenue risks reverts to the State of Alabama

2016 DEN selects P3 DBFOM team Ferrovial/Saunders/JLC • 2018-2019 DEN and P3 team issues rise during design and early phases of construction 2019 DEN terminates P3 contract 2019 DEN expands scope and splits project into multiple CMAR, DBB, and other • O&M services are seperated from new contracts

 Reversion to traditional contracting methods No explicit linkage between design, construction, and O&M • Current project costs and duration exceed initial P3 terms

Database Analysis af **Cancellation-Deferral-Termination**

- Of the 18 projects that survived 16 projects reprocurred as a different project delivery method - mostly design-build Only 2 projects retained the P3 model
- Economic and political challenges combined impacted 98% of the projects
- Environmental most fatal to survival
- 12 operating projects 7 were cancelled, 4 were terminated, and 1 was renegotiated and remained a P3

FOUR CHALLENGES

Economic

Re-procurement most likely Risk

- Issues with funding and financial viability, revenue unpredictability, and lifetime costs
- Feasibility in rural locations, and economic repercussions

Mitigation

- Strong financial planning and comprehensive cost-benefit analysis, robust traffic estimates
- Long-term maintenance plans and fairness considerations

Environmental

Often fatal Risk

Issues include impact assessment and mitigation, climate

Mitigation

- Robust environmental planning and adherence to regulations
- Proactive measures to minimize ecological impacts

DISCUSSION

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CONCLUSION AND RECOMMENDATIONS

if you've done a P3, you've only done one P3

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Challenge Type	Count	Project Outcome	Survival Rate
Economic Challenges	24	13 Active	54 %
Political Challenges	olitical Challenges 18		44 %
Environmental Challenges	7	0 Active	0 %
Bureaucratic Complexity	Bureaucratic Complexity		67 %
All Projects*	36	18 Active	50 %

*Note: Some projects had multiple challenges

Survival Rate =

Number of surviving project Count of projects facing a particular challenge

Politcal

Tolling volatile

Risk

- Public opposition, regulatory complexities and political will
- Risk allocation and transparency concerns

Mitigation

 Proactive engagement with the public and effective coordination among government entities & Clear legal frameworks

Bureaucratic Capacity

Least observed

Risk

 Inadequate contract terms with ambiguous or incomplete scope of work

Mitigation

- Negotiate clear contract terms
- Ensure transparency and accountability
- Maintain public support

change resilience, and biodiversity conservation

• Each P3 project is unique in scope & evolution - requires tailored approaches • Once a P3 is cancelled or terminated early, it is unlikely for the project to resurface as a P3 • Public value creation depends on the successful completion of the procurement process

