



Construction Industry Round Table

Business News

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1/13/12 – CBO Report on Highway PPPs a Roadmap for Policymakers

A new report from the Congressional Budget Office, "Using Public-Private Partnerships to Carry-Out Highway Projects" attempts to provide policymakers with a better understanding of the elements or benefits from use of a PPP approach. Despite some shortcomings, "the CBO has done the best job thus far of any federal report at explaining to Congress the real value of PPPs for highway infrastructure," according to Bob Poole of the Reason Foundation and transportation expert. The report can be found at: www.cbo.gov/doc.cfm?index=12647.

Poole notes that a far worse assessment of PPPs can be found in a July 2011 report by the DOT Office of Inspector General (OIG), which used as its main criterion for judging whether a PPP is better than conventional procurement their relative cost of capital. See: www.oig.dot.gov/library-item/5599 for a copy of the OIG report. The essential difference in the CBO Report: it uses in its cost comparison the value of risk transfers involved in a PPP, especially long-term PPPs [i.e., the risk of construction cost over-runs, late completion, and (if it's a toll project) the risk of insufficient traffic and revenue—all of which are typically transferred to the concession company in a long-term toll PPP]. As such, the CBO report *may* be the most insightful assessment yet from a federal agency, and is well worth reading.