

Political Challenges to Long-Term Maintenance Concepts

2014 Infrastructure Maintenance Symposium

Orlando, FL

Christopher D. Lloyd

August 27, 2014

Policy Background

- Uncertain federal funding
- Decreasing state funding (on a real dollar basis)
- Gas tax revenues not keeping up with vehicle miles driven
- Strained local budgets (higher education and social services costs)
- Reduced driving by certain demographic groups
- Environmental/civic activism
- Deferred maintenance policies lead drive need for major rehabilitation
- Eroding public confidence in public institutions
- Distrust of private business motives

Public Perceptions – July 2014 AP Poll

Overall, would you say the quality of the roads and bridges where you live is:

Getting much better	4%
Getting somewhat better	21%
Staying about the same	38%
Getting somewhat worse	24%
Getting much worse	11%
Refused/Not answered	2%

July 2014 AP Poll

TRNS1. Here are some ways to pay for transportation projects, such as highway construction, improvements to roads and bridges, and maintenance of public roads. For each, please indicate if you support, oppose or neither support nor oppose it as a way to fund such projects.

	Support	Neither support nor oppose	Oppose	Refused/Not answered
Raise federal gasoline taxes from their current levels of 18.4 cents per gallon of gasoline and 24.4 cents per gallon of diesel fuel	14	26	58	2
Have private companies pay for construction of new roads and bridges in exchange for the right to charge tolls	17	35	46	2
Turn the responsibility for paying for such projects over to state and local governments	30	46	22	3
Replace federal gas and diesel taxes with taxes based on how many miles a vehicle is driven	20	37	40	3

N=1,044

Why the LEFT dislikes P3/Asset Management

- Privatization/outsourcing of government jobs
- Shift of project responsibility from public to private sector
- Reduces the size of government
- Reduces need for tax increases
- Bad for the environment
- More power for the 1%

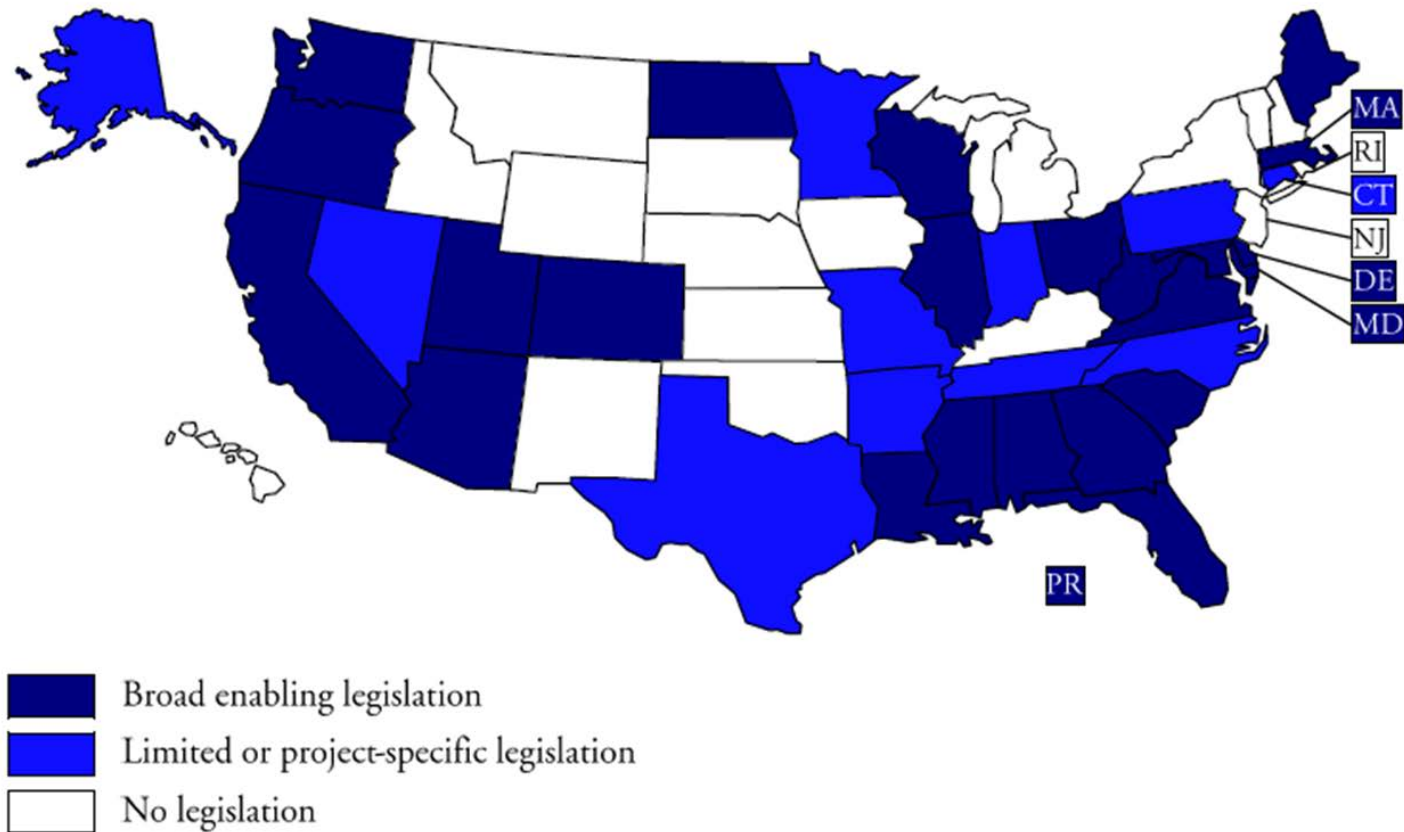


Why the RIGHT dislikes P3/Asset Management

- Picking winners and losers
- Crony capitalism
- Bailing out bad government decisions
- Government by a different name
- Foreigners taking over US assets

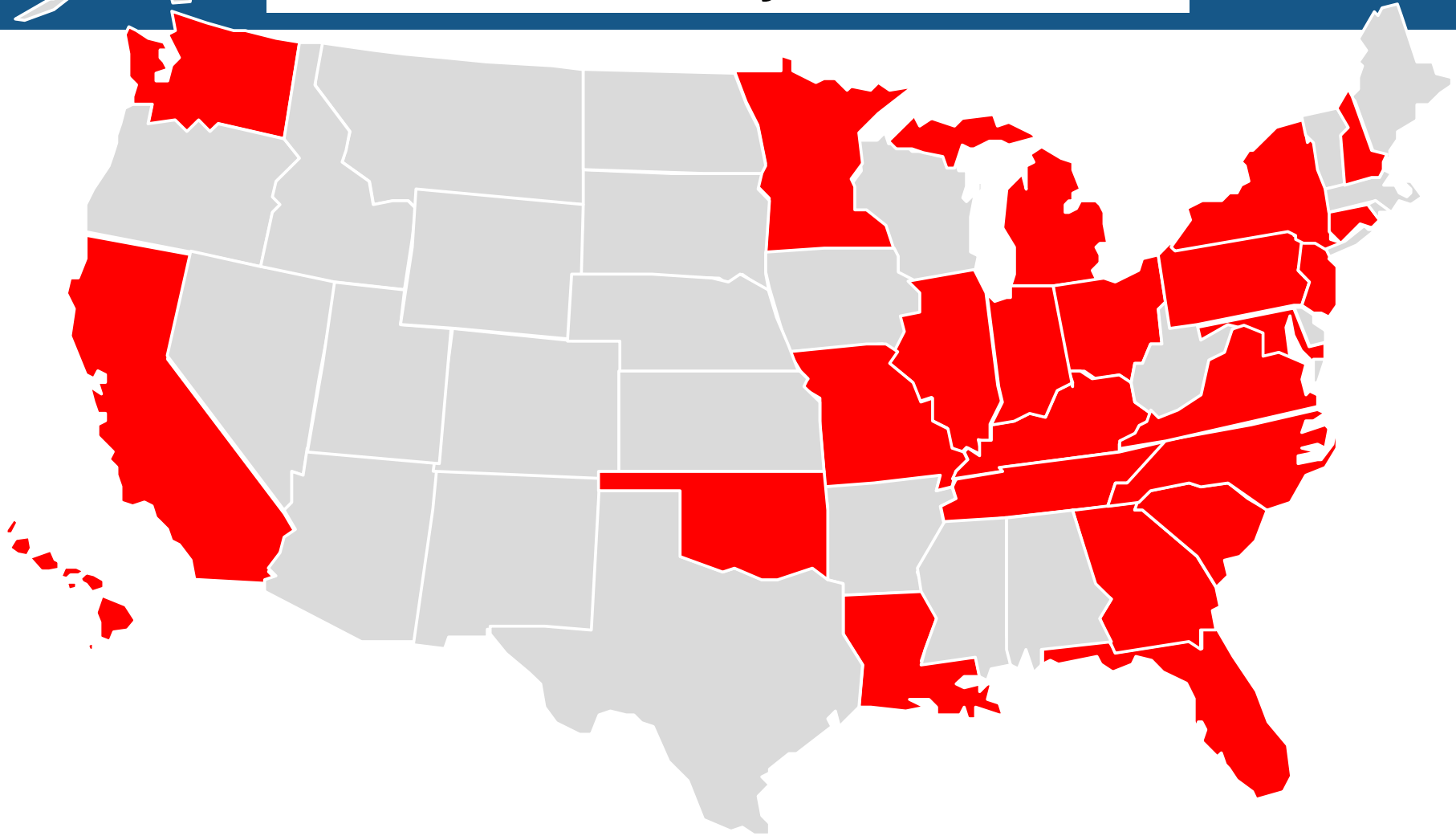


Policy Framework – State P3 Enabling Legislation





P3 Legislative Activity As of July 2014



 P3 Legislative Activity in 2014 State Legislative Sessions

2014 Policy Outcomes

- Colorado – required gubernatorial veto to overcome anti-US 36 concerns
- Kentucky – gubernatorial veto blocks expansion of P3
- North Carolina – P3 project list reduced from 9 to 3 projects, requires legislative approval
- Virginia – lingering concerns about Route 460/Midtown Tunnel
- California and New Jersey – union led efforts to limit outsourcing
- DC – legislation pending mayoral election

The Evolution of the P3/Asset Management Model

- Early projects were just large design-build jobs
- Florida and Virginia emerge as early adopters
- Growing recognition by DOTs and private sector that real value comes over long-term
- Risk allocation models improving
- Value for Money (VfM) analysis as part of P3 deals forces consideration of long-term costs
- Continuing government pension solvency problems is mandating public sector workforces

Public Concerns about P3/Asset Management

- Private ventures must make a profit and pay taxes, so they cut corners
- Lack of understanding of long-term contract terms
- Opposition to routine toll/funding increases
- New construction captures the public imagination but maintenance does not
- Maintenance = commuting delays
- Public places low value on wasted time
- Project costs with O&M included can create political challenges

How The P3/Asset Management Industry Hurts Itself

- Making the deals seem overly complex
- Too many comparisons to UK, Europe, Australia, Canada
- Failure to explain importance of routine maintenance in terms people understand
- No public outreach strategy
- Failure to understand local/state politics
- Lack of political engagement

So How Do We Immunize Ourselves?

- Standardized legislation, policies, and contracts
- Public outreach
- Political engagement
- K.I.S.S. strategy
- Missionary work
- Humanize P3/asset management
- Embrace transparency

Bottom Line – We Need to Do More of This...



And Less of This...



Questions or Comments?

www.mcguirewoodsconsulting.com

 /McGuireWoodsConsulting

 @MWConsulting

 @chrislloyd_mwc