

## P3 Delivery Model: a Superior Solution for Rhode Island's Transportation Infrastructure Project?

To deliver a more cost- and time-efficient upgrade project for Rhode Island's decrepit transportation infrastructure, the RI Center for Freedom & Prosperity looked to alternative and successful implementation models deployed in other states for similar projects. One such model, a P3, or a *true* Public-Private-Partnership, is currently being utilized to deliver Pennsylvania's *Rapid Bridge Replacement Project*, an \$899 million public works project.



**What is a P3?** A P3 is a long-term contractual agreement between a public entity and a private sector partner, in which the private partner, in exchange for compensation, invests its own assets and delivers a public service or facility. In such agreements, the public entity grants the exclusive rights ("concession") to the private partner ("concessionaire") to engage in an activity that would otherwise be a public responsibility and compensates the private partner. *Note: the term "public private partnership" is often used to describe government subsidies arbitrarily handed-out to private ventures, such as 38 Studios. The P3 described in this paper is very different; where delivery of a vital public works project is farmed out to a private sector partner in order to achieve market-based efficiencies.*

If deployed in Rhode Island, the **primary goals** of a P3 model, funded by a PayGo funding approach, would be to provide undeniable benefits in three critical areas:

- First, it would remove the burden of likely project cost overruns from RI taxpayers and drivers by transferring 100% of such risk to the private sector partner
- Second, it would obviate the need and related costs to impose tolls on truckers or any other RI driver
- Third, it would deliver the necessary repairs and upgrades in a more timely and safer (high quality) manner

As a **secondary goal**, a P3 PayGo strategy could also save hundreds of millions of dollars on overall project costs. In contrast, the Governor's plan, despite a report from an insider government vendor, would place yet another tax on Rhode Islanders – *in the guise of highway tolls* – putting unnecessary downward pressure on an already depressed state economy; and would place taxpayers and/or drivers at further risk for inevitable cost-over-runs.

Another critical argument for consideration of a P3 delivery model would be to divert from the status quo process of handing this project over to the troubled RI Department of Transportation, and its inherent massive wasteful spending practices. Instead, a private sector partner would be contracted to conduct the exact same work, obtain its own financing, and would be in a position to take advantage of market-based efficiencies to deliver the project at a lower cost, at a higher quality, and in a timelier manner ... with the private partner bearing all risks of any potential cost overruns.

**This P3 PayGo delivery model** incorporates the Governor's priorities and up-front bond element, with the Republicans Policy Group's (RPG) pay-as-you-go funding approach, along with a new twist - a private sector general contractor. By utilizing every means available to legislators and contractors, the reduced fiscal cost of the project for Rhode Islanders could include potential savings of:

- Up to \$165 million, or a 33% savings in base program costs, derived from private sector efficiencies in innovation, execution, and procurement
- Up to \$67 million, or a 20% savings in program costs, via exemptions from costly state laws mandating Project Labor Agreements and prevailing wages, etc ...
- \$43 million in gantry substructure costs
- \$277 million in financing costs (vs \$563 million) due to significantly lower bond face-value from lower program costs

**Annual Payment Savings:** The Governor is calling for about \$58 million per year in new toll revenues, with \$38.5 million per year for 30 years to directly pay off the bond, and with the remainder to be held in reserve for potential cost-overruns and/or other uses. Under a P3 PayGo approach, making maximum savings assumptions, and with no need for a reserve fund, the same work could be completed for as little as \$41 million over the first three years, then \$19 million per year for 25 years.

**In conclusion**, a P3 model with a PayGo approach would deliver the desired goals expressed by the Governor and the RPG, in a significantly more efficient manner. While admittedly an out-of-the-box model for a public works project, the P3 delivery model discussed in the full report has saved taxpayers hundreds of millions of dollars in other states, might save similar amounts in the Ocean State, and should be fully and openly vetted this winter by lawmakers, economists, and financiers more expertly versed in such partnerships.

For the full P3 PayGo report and for all citations, go to [RIFreedom.org/P3](http://RIFreedom.org/P3)