



ENVIRONMENTAL DEFENSE

finding the ways that work

Transportation public-private partnership (P3) agreements hold promise for ensuring funding for infrastructure while reducing negative transportation system impacts to communities and the environment. If properly designed, P3s can help improve mobility and access, at the same time as they help reduce greenhouse gas emissions, criteria pollution emissions, and natural resource impacts created by the transportation system. But these dual benefits—improved mobility and a healthier environment--will only occur if certain guiding principles are part of the policy framework directing the design of transportation P3 agreements. Here we present those principles.

I. Transportation P3s should only be used to *simultaneously* deliver high performance for mobility, the environment, and public health. They should not be used simply to deal with cash-flow problems or build more roads faster in a way that facilitates sprawl and generates public backlash against P3s and toll roads. They should focus on simultaneously reducing congestion, greenhouse gas emissions, air pollution hot spots, natural resource encroachment, and community impacts. The public will support neither increased privatization of public transportation infrastructure nor the toll strategies needed to manage congestion and to attract private partners into transportation system finance unless public-private partnerships are focused on maximizing public benefits.¹

II. Outcome-based standards to measure performance, including environmental performance, should be included in concession agreements. Outcome-based performance standards focus on measurable objectives and allow flexibility in determining how best to achieve those objectives.

III. P3s are not just for building new capacity and should be considered for improving operation of existing transportation corridors and assets. P3s that focus on improving the operation of existing transportation corridors using shorter-term operating and management concessions before any design-build investment in new capacity may be a better way to ensure wise and cost-effective decisions about new corridor capacity.

IV. Environmental performance goals should be incorporated early in the design of the concession bidding process. Any state legislation on P3s should require environmental performance goals and contract incentives in P3 deals.

¹ Public skepticism of PPPs for transportation financing runs high, even within the business community. For example, *BusinessWeek*, in its May 7, 2007 edition, carried a cover story entitled: “*Hey Buddy, You Wanna Buy a Bridge?*” *Why Investors are Clamoring to take over America’s roads, bridges, and airports, --and why the public should be nervous.*”

V. Compensation and penalty structures of the concession should be aligned to clearly reward superior environmental performance and penalize for failure to meet environmental performance standards. There should be incentives for timely compliance and for timely remediation of contracting failures.

VI. P3 toll road revenues should be dedicated in part or in whole to subsidize public transit. Transportation P3s have an important role to play in improving public transportation performance. Dedicating P3 toll road revenues to public transit up front will help optimize mobility and increases the likelihood that the toll road will benefit a greater share of the potential travelers in the corridor, not just those who can afford to pay the tolls.

VII. Toll revenue diversions out of the corridor in which they are collected should be allowed for other transportation purposes only if a toll project operator is meeting its financial obligations and satisfying the performance goals established for the project. This includes meeting environmental, equity, and system performance objectives established at the initiation of the project.

VIII. Transportation P3 agreements must be developed with transparency, including ample opportunities for public oversight and comment. Experience shows that P3 agreements completed without public oversight fall short of meeting the full potential for P3s to garner public benefit. They also sour public opinion about P3s. Independent auditing of transportation and revenue forecasts before final project approvals will help reduce problems associated with overly optimistic proposals from P3 partners.