



Presentation on Potential Public
Private Financial Opportunities
for Ports and Harbors

2010 Alaska Regional Ports Conference

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Four Choices for Funding Infrastructure

Who Pays?	Our Money	Other's Money
When? Now	Direct appropriation from GF (Example state or local capital budget)	Appropriation from Another Government (Example: Earmarks)
Future (Borrowing)	Our Children (Example: GO Bonds)	Other Children (Example: Stimulus) <u>Future Users</u> <u>(Example: PPP)</u>

Public – Private Partnerships



- ▶ Increasingly common means to achieve public goods infrastructure
- ▶ General characteristics:
 - ▶ Contract between public-sector and private party for a public service or good
 - ▶ Substantial private sector role; typically design, finance, build and operations involved
 - ▶ Costs of endeavor borne by users (not taxpayers); some exceptions too
 - ▶ Requires robust economics to cover risk, ensure profit
 - ▶ Private entity often a new special purpose company
 - ▶ Ownership duration and terms variable; transfer of asset to government is common after time period

Why the Trend to PPP's?

- Someone else's money involved
- Off books of government spending or debt
- Brings private sector expertise and management skills
- Possible tax advantages to private investors
- Aligns risk and reward to single entity
- What's old is new again
 - ▶ Early American toll roads, continental railroad were PPPs too
 - ▶ More recent examples too

Some Concerns Too

- ▶ Who is getting better end of deal?
 - Generally rates of return far higher than just using tax exempt bonding
- ▶ Weaker B-C ratio projects likely need government subsidy or inputs
- ▶ Failures have been too common
- ▶ No free lunch: project must be economic and user fees must achieve repayment of costs
- ▶ Unions, environmental groups may object
 - Loss of jobs, less likely to respond to green concerns

Alaska's Economics An Issue

- ▶ PPP's generally require a robust business case
 - Strong demand
 - Reliable future revenue stream
 - Manageable and known costs
- ▶ Alaska setting:
 - Sparse population; long distances
 - High costs, difficult environment
 - Boom-bust commodity price also an issue

PPP's-How Widely Used?

- ▶ Very common in Europe, Asia, Canada, Australia and New Zealand.
 - 1,400 projects in Europe in 2 decades
 - Spain: 40% of transportation infrastructure in private hands (ports, airports, highways, rail)
 - Many different kinds of “public goods”
 - ▶ Hospitals, highways, power supplies, medicines and vaccines
 - Many recent examples in United States
 - ▶ Tacoma Narrows Bridge

PPP Concept Expanding

- ▶ Early PPP's were big scale projects
- ▶ Concept now adapted to other opportunities
 - CA, WA & OR all have PPP coordinators in their state DOT agencies
 - Much state DOT effort focused on much smaller business partnerships
 - ▶ Solar in highway ROW, alternative fueling stations at rest stops, food businesses at rest stops
 - ▶ Oregon modified the statutory authority for their DOT

Fitting PPP's to Alaska

- ▶ Most Alaska projects require government help
 - Thin economics due to low user base
 - High costs due to environment, geography
 - Other ways to tap into private expertise
- ▶ AIDEA has long been in business to assist beneficial quasi-public projects
 - Skagway ore terminal
 - ▶ Major P-P expansion in progress today
 - Red Dog road and terminal
 - Ketchikan Shipyard and Drydock

Some Alaska Examples to Consider

- ▶ Highways: Skagway-Klondike Highway Industrial Use Highway (1988)
 - Private \$\$ upgraded pavement to handle bigger loads
- ▶ Airports: control access and adjacent land
 - Users pay in multiple ways (landing fees, fuel taxes, boarding fees, gate leases, lot leases)
 - Aviation is Alaska's least underfunded transport mode
- ▶ Hoonah Maritime Repair Center
 - Establishing 5 lease lots near new 220-ton travel lift
 - Hope to entice several marine businesses

Hoonah Marine Industrial Park



Task Force Proposal on Port/Harbor PPPs

- ▶ US COE and Alaska DOT have committed to participating in a new “Port and Harbor Exploratory Task Force on Public-Private Finance”
- ▶ Potential participants:
 - Corps of Engineers
 - AIDEA?
 - AML?
 - Denali Commission, USDA, DNR, Others?

Take Aways

- ▶ PPP approach not really new, but deserves renewed consideration
- ▶ Important to consider PPP's useful at multiple scales:
 - Red Dog vs. Hoonah
- ▶ Role of government – could it be enhanced with new tools?
- ▶ Today's push for minerals and fuels could expand opportunities