

Presentation on Potential Public Private Financial Opportunities for Ports and Harbors

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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>
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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 <u>new</u> 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 <u>PPP coordinators</u> 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

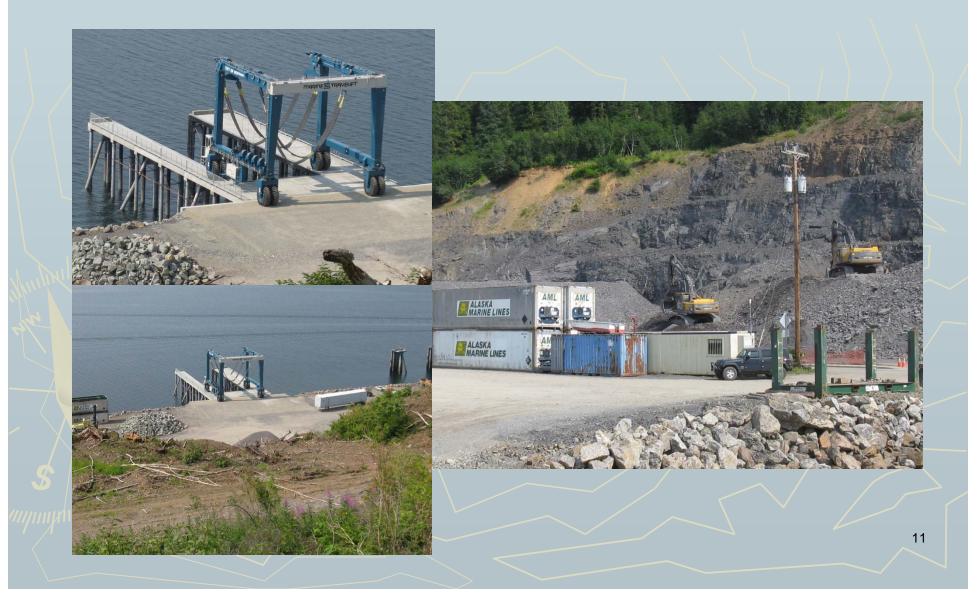
Most Alaska projects require government help

- 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 <u>least</u> 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 <u>new tools</u>?

Today's push for minerals and fuels could expand opportunities