



# Policy Issues in U.S. Transportation Public-Private Partnerships: Lessons from Australia

David Czerwinski, PhD and R. Richard Geddes, PhD

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SJSU Research Center  
210 N. Fourth St., 4th Fl.  
San José, CA 95112

Tel // 408.924.7560  
Fax // 408.924.7565

www.transweb.sjsu.edu

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This research brief summarizes the results of a study of Australia's experience with transportation public-private partnerships (PPPs) and what lessons that experience holds for the use of PPPs in the United

States. Australia is an important country from which to learn because it has decades of experience in PPP use, it has used the approach to deliver billions of dollars of critical transportation projects, and it shares a similar legal system with the United States. The study focused on a variety of questions surrounding policy toward public-private partnerships.

*Learning from Australia's experience in transportation PPPs.*

## Study Method

We addressed key policy questions by surveying the relevant literature on PPP use internationally, and by interviewing numerous Australian PPP experts from the public and private sectors, as well as from academia.

## Findings

This study yields a number of important findings regarding policy toward PPPs. First, Australian experts stress the importance of maintaining a long-term working relationship with private partners. They recognize that contract closing is not the end of the relationship, but the beginning of a partnership that will include both large and small contract renegotiations. Second, experts emphasize that public sponsors need to appreciate the complexity and importance of PPP contracts, and realize that they will be negotiating with experienced private partners. Public sponsors should therefore consult with outside experts as needed, and vigorously enhance their own expertise in this area. Third, PPPs can be used to enhance performance in project delivery, maintenance and operation. New facilities should be built with customers (i.e. motorists) in mind. High-quality maintenance and operation should be assured through the use of multiple key performance indicators (KPIs) that carry financial penalties and rewards. Fourth, experts stressed that concession length should be used strategically. Australian experts indicate that they are comfortable with concession lengths of between 30 and 45 years but stress that concession length should not be fixed but rather should be viewed as a useful policy tool. It can be a bid variable or can be used in renegotiations. Finally, experts stressed that public "special purpose entities" should be created to deal with initial contractual negotiations. Consistent with this point, Australian states often have successfully used government-created special purpose entities to conduct the complex bidding and contract negotiation process. After contract closing, ongoing administration is then turned over to the relevant government authority.

## Policy Recommendations

### 1. Plan for a long-term partnership.

The importance of maintaining a long-term perspective was a critical element of all successful Australian public-private partnerships. This assisted with the process of adjusting the contract to address changed conditions.

**Recognize that PPPs are important and complex commitments requiring substantial public sector experience.**

### 2. Invest in significant public-sector expertise.

Public-private partnerships are complex, major commitments, requiring in-depth public sector knowledge. Investment in public sector expertise yields significant benefits over time.

### 3. Focus on performance-based contracts.

The critical role played by transparent, enforceable, key performance indicators was stressed by numerous Australian experts.

## About the Principal Investigators

David Czerwinski is Assistant Professor in the Department of Marketing and Decision Sciences at San Jose State University. Richard Geddes is Associate Professor in the Department of Policy Analysis and Management at Cornell University.

## To Learn More

For more details about the study, download the full report at [transweb.sjsu.edu/project/2807.html](http://transweb.sjsu.edu/project/2807.html)



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