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Partnerships needed to rebuild California

San Francisco Business Times - by [R. Sean Randolph](#)

The governor's recent State of the State address proposed making greater use of public-private partnerships (P3) to build and operate infrastructure. Given the perilous state of the budget and the magnitude of California's needs, we urgently need innovation in public finance, and this initiative -- Performance Based Infrastructure (PBI) -- is a good start.

PBI California would create a "center of excellence" to help state agencies and local governments determine which infrastructure projects would benefit from public-private partnerships, assist them in negotiations, ensure transparency in the process, and help monitor performance. PBI is different from privatization, where state assets are sold to the private sector. Instead, infrastructure would be financed, built and operated by the private sector under contractual terms, and eventually turned back to the government.

If PBI is implemented, California will be taking a page from a well-thumbed book. We think of California as an innovative place where important trends begin, but in this area we're well behind the curve. The United Kingdom has had a well developed P3 strategy for 15 years, sustained by Conservative and Labor governments, that has been used to efficiently build, rehabilitate and operate roads, hospitals, schools and other infrastructure on a large scale. Canadian provinces such as Ontario and British Columbia have achieved similar results.

What are the benefits? The biggest is the opportunity to build infrastructure faster and operate it more efficiently. A recent study by the Bay Area Economic Forum (now the Bay Area Council Economic Institute) found that P3 can save government as much as 30 percent over the life cycle of a project. This conserves limited public funds, which can be redirected to other priorities.

Only a fraction of infrastructure projects -- perhaps 20 percent -- would lend themselves to public-private partnerships. But the impact could be significant.

To be competitive, California needs world-class infrastructure. The \$37 billion in bonds that voters passed in 2006 were a big down payment, but fall short of what's needed to get the job done. As much as a trillion dollars in private capital is available, but is not coming to California because state law limits the use of public-private partnerships, and because California lacks a mechanism that would make negotiations with the State transparent and efficient.

Our state is falling behind the curve in how it builds and finances projects -- something we can't afford. The governor has proposed a creative approach that can help meet the needs of a 21st century economy.

Sean Randolph is President of the Bay Area Council Economic Institute in San Francisco.

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