

H. Infrastructure, Transport and Communications

Public Private Partnerships in Transportation: A Toolkit for Application

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Abstract: The development of critical infrastructure such as transport is increasingly becoming part of the investment portfolio, not only of European public authorities, but also of the private sector. However, since the 27 EU member states differ substantially in their social and economic structure and infrastructure endowment, this should already prepare us for the variety of approaches to infrastructure investment strategy and financing in use (DLA Piper, 2006; EIB, 2004). Within this context we need to keep in mind that member state governments are characterized by very diverse administrative cultures and capabilities and distinct legal and planning traditions. Despite these differences, the objective of this paper is to define a common framework that can be used as a toolkit for the PPP application in transport. We review four main cases of PPP implementation in Europe in order to identify the common elements and the divergent ones. Given this background and the current economic crisis, two policy streams are at the core of our toolkit definition. First, EU countries are confronted with the necessity to improve competitiveness by investing in transport infrastructure. Second, several member states are compelled to contain their public budgets. These two policy streams provide countries with a powerful incentive to explore alternative funding approaches in order to build transport infrastructure and provide service delivery. The proposed approach is based on the concept that a partnership is as a long-term co-operative relationship for which renegotiation of contract terms is acceptable. In this context, the nature of the public sector contribution ranges from conferring assets and providing guarantees to contractual and regulatory measures. Although it is difficult to provide a clear-cut characterisation for the PPP toolkit we propose a shift away from conventional traditional models of transportation service delivery, (characterised by hierarchical decision structures, vertical integration in delivery, and relatively undiversified funding tools), to a more diversified financial landscape where the toolkit represent a platform where different financial resources can be implemented. Therefore, the main potential benefit of the toolkit PPP approach, in transport, is its flexibility in adapting the structure of incentives and risk-sharing to the features of the project and to the economic and institutional environment. However, in practice the public sector agency has to achieve a judgment about the trade-offs between the various, sometimes conflicting, objectives.

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