

NEWS RELEASES

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Husch Blackwell P3 Report and Survey Document Growing Appeal of Public-Private Partnerships

Husch Blackwell is pleased to announce the release of its second-annual Public-Private Partnership Trends Report and the results of its fifth-annual survey of registrants attending the Public-Private Partnership Conference & Expo (P3C), which took place March 4-6, 2019, in Dallas, Texas.

Husch Blackwell queried conference registrants—including public sector respondents representing city, county, state and educational officials and private organization participants from construction, consulting, design and engineering, financial advisory and lending institutions—on various factors relating to their evaluation and planned use of P3 to support future projects. Among other questions, the survey asked respondents to indicate their current level of involvement with public-private partnership projects, favorability of P3 projects, and expectations for utilizing P3 in the future.

Notable survey results include:

80 percent of private-side and 34 percent of public-side respondents are currently involved in a P3 project

73 percent of public-side respondents said that a “current lack of understanding” regarding P3 is a strong or good reason for not doing a P3 project; only 48 percent of private-side respondents agreed

Notable declines from public and private respondents in their perceptions of public opposition to P3—42 percent of public respondents said public opposition was a strong or good reason for not doing a P3 project (versus 73 percent in 2018); 45 percent of private respondents said public opposition was

a strong or good reason for not doing a P3 project, down from 64 percent in 2018

Government facilities and transportation projects once again earned the top spots from both public and private respondents as the most likely project types respondents' organizations will pursue over the next three years

"The survey results generally do not change a great deal from year to year," said Charles Renner, who served as editor of the report and is the leader of Husch Blackwell's P3 practice group. "So the marked decrease in the respondents' perceptions toward public opposition to P3 is noteworthy. Particularly on the public side, I think decision-makers are gaining more confidence that they can fashion agreements that work to the public's benefit over the long term."

The report analyzed many of the U.S. P3 projects that reached financial close since the beginning of 2017 and underscored some of the survey results, particularly concerning the ever-growing variety of project types and terms coming online in the past two years. Of note, the report stated that "P3s have evolved beyond their initial application on so-called horizontal infrastructure, such as highways and bridges, and into an array of vertical projects spanning everything from courthouses to prisons to university facilities." Five of the 13 P3 projects examined in the report concerned vertical projects.

This expansion in the scope of P3 is powered in part by another trend noted in the report: the decline of the demand-risk concession model whereby private-side concessionaires bear the revenue risks associated with collecting fares, fees, and other revenues generated by infrastructure. Many newer P3 project types are not easily monetized and/or generate no revenue.

"We are definitely seeing a shift to availability payments as the preferred model in the U.S., even for traditional transportation projects," said Renner. "Governments are better equipped to deal with those long-term revenue risks; however, it really places great importance on properly balancing those risks within the agreement with appropriate private-side incentives and payments."