

P3s for PR?

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- **Private Sector Management can mean:**
 - **Faster time to completion**
 - **Fewer cost overruns**
 - **More efficient operations >> lower cost / higher quality service**
- **Cost/Risk Transfer**
 - **Taxpayers and ratepayers may be protected from absorbing costs associated with operational failure or insufficient demand**

P3s are usually monopolies, so, from a customer standpoint, they are not as good as a competitive marketplace

- **In an ideal P3, the private sector is responsible for all of the following:**
 - **Designing the project**
 - **Building the project**
 - **Financing the project**
 - **Operating the completed infrastructure**
 - **Maintaining the completed infrastructure**
- **Also, when operating, the company's revenue ideally should be based on user fees. This is called a "revenue risk" project.**
- **"Availability payments", under which the government pays the private operator simply for making the service available, are less attractive.**
 - **This reduces the company's incentive to provide quality services because it is not concerned with getting and keeping paying customers**

- **Global Ports Holding signed a 30-year concession agreement with the Puerto Rico Ports Authority for San Juan Cruise Port, Puerto Rico, following a competitive procurement process managed by the Puerto Rico Public-Private Partnership Authority**
- **Company paid PRPA an upfront fee and will receive a share of Gross Cruise Port Revenues from operating the port**
- **Company has also committed to make infrastructure upgrades at its own expense**
- **Deal seems to be good for PRPA and for port users who will experience better facilities**



- **Metropistas has been operating PR-22 and PR-5 since 2011**
- **Government has received \$1.2 billion in upfront payments, while the company agreed to make \$350 million of improvements**
- **Tedoro Moscoso Bridge is also managed under a P3.**



- **In August 2022. The Puerto Rico Public-Private Partnerships and the Puerto Rico Highway and Transportation Authority “commenced a selection process for a public-private partnership by which a private entity will be responsible for the rehabilitation, finance, maintenance, and operations of highways PR-20, PR-52, PR-53, and PR-66.” This will add 144 miles of highway to the 74 miles already under private management.**

Tren Urbano (“TU”), the Island’s only passenger train system, has one of the lowest levels of ridership among transit systems in North America, with approximately 5 million annual riders prior to the start of COVID-19, below Cleveland’s RTA (6m), Baltimore’s SubwayLink (7m), Staten island’s Railway (8m), and Philadelphia’s PATCO Speedline (11m).



TU, as a transit system, has the worst performing rail system in North America, currently recovering only 4 cents of every dollar of operational cost, while its peers currently recover approximately 8 cents (and 22 cents prior to COVID) on average.

- Certified Fiscal Plan for the Puerto Rico Highways & Transportation Authority, October 2022

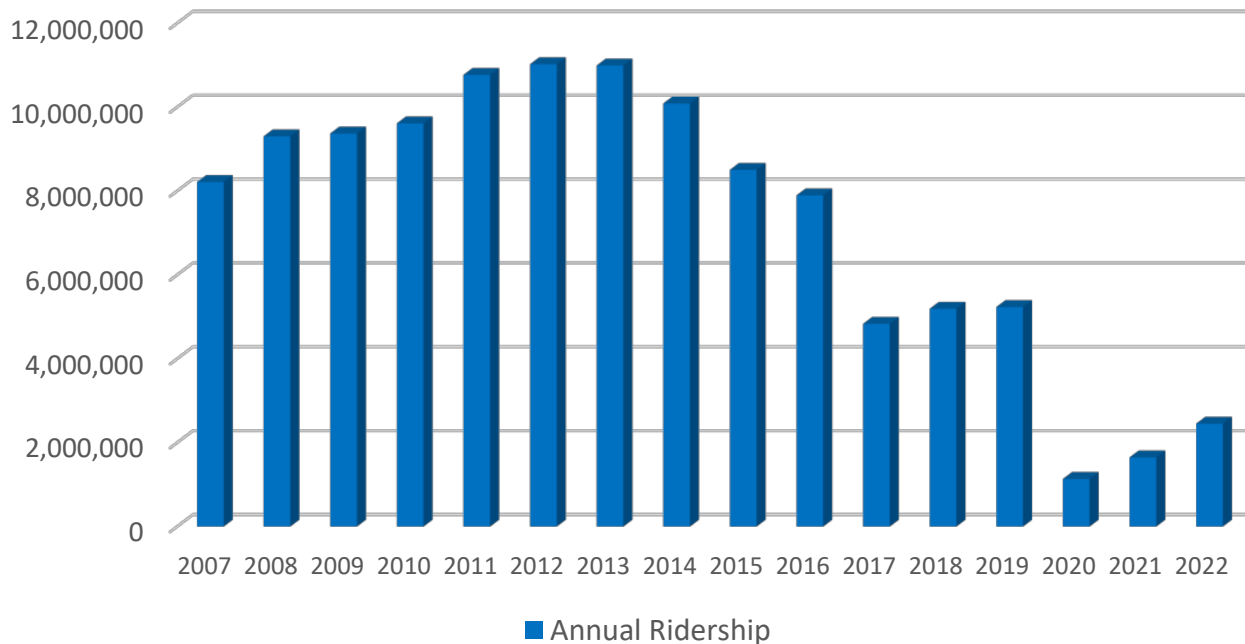
- **Project was built by Siemens**
- **Initially operated by a joint venture of Siemens and Alternative Concepts, Inc.**
- **Current operator is a joint venture of Alternative Concepts, Inc. and Herzog**

- **Construction used build design model**
- **Operator receives a fixed annual fee from HTA**

- **Builder and operator have had little incentive to increase revenues**
- **Project was delivered four years late at almost 2x original budget (\$2.44B v \$1.25B)**
- **Ridership never approached original projections and then declined sharply after 2013**
- **Post-pandemic recovery has been relatively weak**
- **HTA Fiscal Recovery Plan cites problems with broken fare gates and ticket machines, as well as TU's inability to accept credit and debit cards**

Tren Urbano Annual Ridership

Source: National Transit Database



- **Puerto Rico Integrated Transportation Authority (ATI) is studying an extension of Tren Urbano from Sagrado Corazón, in Monteflores, to the Convention Center District – about 3 miles.**
- **According to El Nuevo Dia, the extension would be a light rail line instead of the heavy rail system used by the current Tren Urbano service**
- **This implies that passengers would have to change trains at Sagrado Corazón**
- **So, there would be no advantage in providing a bus rapid transit (BRT) service instead which would cost less**



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