

HY

Testimony of Samara Barend

AECOM Vice President & Strategic Development Director of Public-Private Partnerships Economic Development Committee Hearing on Senate Bills 410 & 411

June 16, 2011

It's a real pleasure to be here with all of you today. I want to thank Chairman Kowall and members of the Senate Economic Development Committee for inviting me to be here.

My name is Sam Barend and I am the Strategic Development Director of Public-Private Partnerships for AECOM, a global provider of construction, architectural and engineering services and a leader in the PPP market. AECOM has participated in about 90% of the PPP projects delivered in North America and more than 600 PPP projects globally. We were also recently part of the winning consortium on the Long Beach Courthouse project, the first true social infrastructure PPP ever undertaken in the US. Further, AECOM played an instrumental role in creating Meridiam, one of the most successful infrastructure funds in North America.

Today I come before you with a dual PPP perspective, representing my experience from the public and private sector. From 2008-2010, I served as Executive Director of the State Asset Maximization Commission, which was charged with developing a unique approach for how New York can deliver public-private partnerships, taking into mind diverse stakeholder concerns. From my experience in New York I understand that there are tremendous lessons learned from PPPs that must be utilized to ensure value for money, but the public policy issues in each State are unique and must be taken into account.

Last year, AECOM responded to the Michigan Department of Transportation's request for expressions of interest to the NITC project. We highlighted not only our support behind this project as a PPP, but also our ideas for how to structure the procurement to engender greater private sector participation, guaranteeing the best deal for taxpayers.

From my work in New York State I recognize that there are many definitions of PPP. In my discussion with you today, I am speaking of a PPP as a performance based infrastructure delivery approach that achieves efficient allocation of risk and reward between the public and private sectors to deliver and finance a service or asset for the benefit of citizens.

The key benefits of a PPP come through the ability to spur competition in the market which drives technical innovation, reduces total costs, and achieves long-term performance of the asset. Unlike traditional delivery, a PPP requires the private sector to take on considerable risks, such as schedule and price certainty. So in order for a private consortium to bid on a PPP project they must undertake an incredible amount of due diligence, usually costing upwards of 3% of project costs, because the bids they put forward are fixed and cannot be changed. Consequently, the private sector is looking for greater certainty that projects will reach the finish line, will not be hijacked at the end, and that the process will be fair.

Michigan is uniquely positioned to attract the strongest group of investors to compete for the NITC project due to the State's PPP office in the Treasury. The existence of this office, which was been established to develop a transparent process for PPPs, has been a positive signal to the private sector that Michigan is serious about delivering a successful process. Globally, the governments that have proven the most

successful at implementing these projects have done so by creating a governing entity with oversight for PPP efforts. As these entities mature they are able to become better counterparties to the private sector with an understanding of what works and what does not as their expertise grows with each project.

Admittedly, public-private partnerships are not suitable for all infrastructure projects. But, I believe a PPP is suitable for the NITC project for many reasons. First, the project has garnered significant private sector interest from around the world due to its size, complexity, ability to attract federal and Canadian funding, and potential for a stable rate of return. Secondly, the project has finished its environmental clearance on both the Canadian and US sides.

And finally, from a public policy perspective, a PPP is a better deal for taxpayers than a privatization approach. In a privatization, the State loses all control of the asset and therefore has little if any input on how the bridge should be maintained and operated in terms of safety, reliability, and quality of life issues. In addition, unlike a privatization, a PPP would enjoy the benefits of free market competition so there would be an incentive for innovation to drive down construction and operation and maintenance costs, thereby lowering tolls for taxpayers.

Basically, in a PPP, the public can have their cake and eat it too. They can get a bridge that is beautiful, that performs up to State standards, and that provides value for money, and that they own. And, the State won't have to take care of any of the actual work in constructing, financing, operating, or maintain the bridge.

In closing, AECOM would like the opportunity to compete alongside other private sector teams for the chance to design-build-finance-operate-and maintain the new bridge and potentially the customs plazas. With your support behind Senate bills 410 and 411, I have high hopes that the NITC will serve as Michigan's unique economic stimulus plan – one that doesn't rely on tax increases or more spending, but that uses an efficient allocation of risk to stretch tax dollars, create jobs, and do more with less.

Thank you very much for this opportunity to testify.