Proceed With Caution:

Ground Rules for a Public Private Partnership in New Jersey

A Regional Plan Association White Paper

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Overview

Governor Corzine and the New Jersey legislature are currently determining whether to pursue private investment in the State's transportation assets. These proposals, collectively known as public-private partnerships (PPPs), can have the effect of transferring control of public infrastructure systems – such as highways – to private entities. PPPs offer the potential to gain significant immediate financial gain, but usually rely on investors recouping their payment over time through toll collection and other revenue sources. Perhaps the most important aspect of these proposals is that they entail long-term fiscal consequences. The public must be well informed of the potential implications of any proposed asset sale or lease.

A PPP around a highway is not necessarily a good or bad proposition. The details of the agreement, contract or lease that establishes the partnership determine its value to the State, private investors, motorists, and New Jersey residents. PPP agreements are long and complex, requiring hundreds of hours of highly-skilled professional input and resulting from high level negotiations. PPPs also require enabling legislation at the State level. These agreements and legislation can contain the answers to some important questions, including:

- **How much will tolls increase, and when?**
- **How will toll revenue be used, compared to the status quo?**
- **Will toll strategies be designed to help cut congestion and pollution?**
- **What happens if the road does not raise enough revenue, or the deal defaults? Are taxpayers at risk?**
- **How will windfall revenues be spent by the State?**
- **Will the new facility operator deliver superior transportation system performance?**
- **If corridor performance degrades over time, what remedies does the contract allow?**
- **How will important labor, environmental and related concerns be addressed?**
- **What are the land use impacts?**

New Jersey residents, especially motorists, need to know the answers to these questions. The two largest and most recent PPPs in the U.S., for the Chicago Skyway and Indiana Toll Road, will be in effect for 99 and 75 years, respectively. The public should not assume that the private sector will act in the public interest in its development of a contract with the government or in its management of toll roads. A PPP's structure should ensure that public and private interests align.[1]

PPPs on toll roads work because future toll revenue is often worth more to private firms than it is to public entities, and private firms are willing to pay upfront for the opportunity to collect tolls in the future. Toll roads can be worth more to private firms primarily because they can potentially raise tolls more easily, and, in some cases, because they can reap substantial tax benefits. Private firms are insulated from a political climate that discourages raising tolls, and the ability to schedule and rely on future toll increases, even if such increases are modest, attracts investment into privately-operated toll roads. The key thing preventing the government from similarly capitalizing on future tolls is its political unwillingness to raise tolls or schedule regular toll increases. The second element that can increase the value of toll roads for private firms is tax ownership. Some private operators can account for depreciation of the asset, and such tax ownership keeps private firms' taxes low. Public authorities historically do not account for depreciation. A third factor that is occasionally mentioned is that the private sector can more efficiently operate toll roads. This factor is often overstated: the value of efficiency savings depends mostly on labor agreements, which may not change under private management. Regardless, efficiency savings are dwarfed by the enormous value of future toll increases.[2]

At present, the Turnpike and Garden State Parkway are operated by the New Jersey Turnpike Authority, a public authority headed by government appointees. This agency is responsible for the maintenance and operation of the roads, including toll collection. The Authority has a budget of approximately $829 million.[3] Most of its revenue is collected from tolls (approximately $716 million), while the rest is collected from concession fees and miscellaneous sources. About half is spent on operating the roads ($427 million), while the rest is spent on debt service ($234 million) and 'interfund transfers' to various funds ($168 million). Approximately $22 to $50 million of this supports State capital projects, including the Transportation Trust Fund. [4] This funding source will need to be replenished if the Turnpike Authority can no longer make these payments to the State.

The most important policy for addressing these and other complex issues raised by PPPs is full transparency. Only by fully disclosing details of the PPP and allowing sufficient time for analysis and public debate can New Jersey residents be assured that their best interests are being met, both now and well into the future. An additional, and equally important, recommendation of this paper is for revenue from a PPP to be spent responsibly. Expenditures should be structured to improve long-term fiscal stability, to prioritize the "user pay" principle that underlies transportation finance, and to restore the fiscal integrity of the Transportation Trust Fund and advance future transportation capital projects. A PPP, properly structured to protect the public interest, can greatly benefit the State's overall fiscal condition and economy by helping to fund NJ DOT's and NJ Transit's now-under-funded capital programs.

Magnitude and Potential

Since the Chicago Skyway was leased to a private consortium in January 2005, transportation professionals, pundits and others around the country have observed that private investment in toll roads is a growing trend.[5] Goldman Sachs recently raised $6.5 billion for its new infrastructure fund.[6] The Indiana Toll Road was leased to a private consortium in 2006, and there are numerous other transportation projects involving increasing private sector participation throughout the U.S. Twenty-one states have now passed legislation enabling privatization of transportation assets.[7]

The State of New Jersey is now actively investigating the possibility of entering a PPP. The State has retained UBS Investment Bank to produce a series of reports evaluating State assets toward this end, and the initial report was released on November 15, 2006. The report does not explicitly recommend privatizing any specific asset, rather it inventories major State assets, describes different types of PPPs, and discusses how windfall revenue should be spent. The next phase of the UBS evaluation will discuss in depth how some of those options could be structured. UBS recommends the State choose a "Pathfinder Project" to get a large PPP underway quickly.

UBS examined 16 assets that could be subject to a PPP. Their potential for a PPP was ranked against a set of criteria such as the opportunity to increase net revenue production, improve operating performance and lower operating costs, and create additional business through alternative uses. Project size, security and safety management issues, non-commercial risk, and social impact were also considered. The 'best' assets for a PPP were the State Lottery and Atlantic City Expressway, followed by the Turnpike, Garden State Parkway, and others. In terms of 'market readiness,' the three highways again surfaced as the highest ranked assets. For the Turnpike and Parkway, UBS recommends forecasting traffic and revenue over a "minimum 50 year investment horizon."[8] It does not estimate dollar values of assets but ranks them by value; as expected, the Turnpike is the most valuable asset examined.

There are several types of PPPs that could be used for the highways. PPPs are almost never outright sales of assets, conveying ownership entirely to a private party as has been the case with privatization of water and other utilities in the U.S. PPPs for transportation infrastructure are more likely to fall within a range of private participation, from an operating lease or management contract, to a long-term concession lease such as the ones used in Chicago and Indiana, to an initial public offering or trade sale where the asset is sold but the State may continue to participate by owning shares. As of the writing of this white paper in late December 2006, the structure of a PPP under consideration in New Jersey is unknown. The long-term concession has a track record in the U.S.[9], however New Jersey's transportation assets are at an unprecedented scale for a concession in the U.S., and a new, unique PPP structure may be devised for this case.

The revenue that could be raised through a highway PPP could vary considerably depending on the structure of the deal and its terms for toll increases, labor agreements, competing facilities and other issues. One news report stated that a Turnpike PPP can raise at least $10 billion.[10] Since the structure of the PPP is not known, it is impossible to determine whether that is a reasonable number. A long-term concession lease would probably bring in much more from the private sector: in Indiana and Chicago, the government signed leases with a private consortium of firms (Macquarie Infrastructure Group and Cintra Concesiones de Infrastructuras de Transporte, known as Cintra-Macquarie) giving it the right to collect tolls for 75 and 99 years, respectively, in exchange for a lump sum fee. In the case of Chicago, the fee was $1.83 billion, and in Indiana it was $3.85 billion. Given that the Turnpike alone raises 5.3 times more toll revenue than the Indiana Toll Road, a long-term concession PPP for the Turnpike is potentially enormous. In fact, the New Jersey Turnpike has the highest revenue flow of any tolled facility in the U.S.[11] An alternative PPP structure, such as a shared ownership arrangement, could also potentially raise a significant sum, although probably less than a long-term concession.

	Toll Revenue, 2004	Lease Term	Amount Paid for Lease
Chicago Skyway	$40 million (approx)	99 years	$1.83 billion
Indiana Toll Road	$95 million (approx)	75 years	$3.85 billion
New Jersey Turnpike	$507 million	n/a	n/a
Garden State Parkway	$209 million	n/a	n/a
Atlantic City Expressway	$57 million	n/a	n/a

Many of the policy concerns associated with PPPs are the same regardless of PPP structure.

Transparency

A PPP is a partnership, not a wholesale transfer of ownership. Both public and private sector entities need to be involved at all stages, and that includes New Jersey residents. The government's main responsibility in the partnership is to ensure the public interest is heeded. Even under private control, new challenges – for example, around new tolling technology – may require the public sector to again act as a partner.

In Indiana, public opinion against the PPP was often articulated as a distrust of foreign companies and a fear that tolls would become very expensive. There were also equity concerns that residents near the privately-operated toll road would have to pay more while the money was spent on roads in other parts of the state. A lawsuit was filed claiming the lease was unconstitutional, but was defeated in the Indiana Supreme Court. Legislators had less than one month to vote on the Major Moves bill, and the vote was held 10 days after the $3.85 billion bid was announced.[12] Governor Mitch Daniels boasted that the bid process only took 117 days[13], while opponent legislators claimed more time was needed to fully understand the implications of the lease, which was for 75 years.

New Jersey will need to pass enabling legislation prior to adopting a PPP, and there should be substantial public input and debate on this legislation.[14] Enabling legislation can establish what information must be publicly disclosed. The State should not rush a decision, nor should it boast about speediness in making the deal. The public should have sufficient time to analyze and understand the details of the PPP, and to ensure its best interests are being met by its government signing the contract. Legislative hearings and town hall meetings could be an important part of this process.

The State must embrace a policy of procedural and substantive transparency as it pursues a PPP. The public should be privy to the implementation process and the details of the agreement before a PPP is adopted. Full transparency will also require public knowledge of how toll road revenue is being spent today, so that the public can assess what changes might occur under a PPP. The Governor should, as a first step toward transparency, make public recent financial statements for the New Jersey Turnpike Authority specifically detailing how much the Turnpike has supported the

State General Fund and Transportation Trust Fund in recent years, and other uses of interfund transfers.

This cartoon by Brian Garvey illustrates the perception that those in favor of the 'Major Moves' campaign to privatize the Indiana Toll Road did not adequately listen to public concerns.

Specific elements of a PPP that the public should know about early – affecting tolls, land use, asset maintenance, risk and expenditure – are detailed below.

Tolls

Toll Increases

Depending on the PPP structure, the amount of future toll increases can be specified or left to the private sector's discretion. Both the Chicago Skyway and the Indiana Toll Road have specified toll schedules that limit the average or maximum toll collected. In the case of the Skyway, a static schedule lasts until 2017; in Indiana, it lasts until 2010. After those dates, with a few variations in each lease, the agreements call for increasing tolls each year based upon the greatest of three calculations:

- A given percent minimum,
- The rate of inflation, or
- The rate of increase in the per capita nominal gross domestic product.

This methodology can present risks under certain economic conditions. If high rates of economic growth are not matched by increasing wage rates among middle and lower income groups, then those groups may be subject to higher toll rates while their disposable income is static or shrinking.

For example, in 2004 the U.S. economy added 2.2 million jobs and produced strong growth in corporate profits, yet wages for the average worker actually fell.[15] Under similar conditions, and with a toll schedule determined as it was in Chicago and Indiana, toll rates would grow faster than incomes. New Jersey may or may not follow this precedent when it establishes its future toll schedules. Regardless of the specific toll schedule proposed, there should be public discussion of this important element of the PPP.

The ability of, and any incentives for, private road operators to use variable tolls is another key element, and should be part of the public debate. The Chicago Skyway allows the operator to raise tolls above the toll rate caps for vehicles with three or more axles at times of congestion. The SR-125 PPP toll road in California provides flexibility for toll rates to vary by various classes of vehicles, vehicle occupancy levels, times of use and section of roadway, but sets a limit on the overall rate of return by the private partner. A PPP may or may not have contract incentives built in that impact whether these emerging high performance traffic management strategies are implemented in New Jersey.

It is in the public interest to disclose any proposed future toll rate increase schedules and maximum rate frameworks prior to finalizing the PPP. The public should have sufficient time to analyze and comment on the details of the toll provisions, contract incentives, and performance objectives before they become fact.

Electronic Tolling

As electronic tolling technology progresses, it is increasingly possible to manipulate toll levels to control levels of congestion and traffic. In less than 20 years, it is likely that a large proportion of private vehicles will have built-in devices that allow for fully-automated road pricing, data collection and information sharing among drivers.[16] If a New Jersey highway is under a long-term PPP agreement, these new technologies will emerge while some roads are controlled by private entities. It is difficult to predict what challenges road operators may face in light of new road pricing technology. On the one hand, PPPs are often made inflexible regarding road operation and maintenance to ensure performance standards are met, while on the other hand, increased flexibility may be necessary to best respond to new challenges posed by changing road pricing technology. This is a trade-off the public should be aware of, and a discussion that needs to be part of the debate around PPPs. There may be ways to write more effective long-term performance objectives into contracts that will better respond to the opportunities and challenges posed by changing road pricing technology and emerging high performance transportation corridor operation strategies.

It is important that private partners are held to the same or higher standards of traffic management and privacy that the public would demand from its government.

Future Transportation and Land Uses

PPPs can restrict use of the highway right-of-way for any purpose other than how it is used now, as a toll road. While this may not seem like a problem today, it is difficult to predict how the corridors now served by highways may be best used in 20, 50 or 99 years. Perhaps a lane devoted to bus rapid transit will be necessary, along with stations and related infrastructure. Along the highway, expanded multimodal options might benefit the public most, such as park-and-ride facilities, or new car sharing facilities. If a PPP agreement prevents these new facilities from being built, it will have a lasting, and potentially negative impact on land use in a state already suffering from the effects of sprawl. There are also opportunities currently open to the public sector that may be lost under a PPP. For example, the Turnpike Authority may have the ability to install cell towers, wind or solar energy production facilities along the highway. A PPP may change who controls these assets and what uses are allowed, potentially producing a sizable opportunity cost for the State.

A PPP may also determine how and when the highways are widened. There are currently plans to widen the Turnpike and Parkway. A PPP agreement could put the private sector in control of decision-making about this. A PPP might include terms that ensure road widening will only be pursued if it is shown to be more cost-effective than contracting for improved public transportation, ridesharing, and taxi services in the corridor and investing in other travel demand management strategies, including time-of-day tolls. Or the public might lose its ability to influence the proposed widening because of a PPP.

A PPP may also restrict certain land uses in other parts of the state. This was the case when the private sector invested in Route 91 in Orange County, California. Route 91 was an existing highway in a congested section of southern California. In 1995, a private firm won a contract to build a 10-mile High Occupancy Toll lane (HOT lane) on the existing highway. It agreed to operate the HOT lane and collect tolls on it. The firm paid $126 million for the right to collect tolls. The contract included a non-compete clause precluding the State DOT from building or expanding competing freeway lanes. Public pressure forced the State to make improvements on other SR 91 lanes. To do so, the State had to buy back the HOT lane for $208 million in 2003. (The HOT lane itself is a success, with traffic volume and revenue steadily increasing.)[17] Since the SR 91 buyout, few public agencies have been willing to agree to the type of rigid non-compete clause included in the original SR-91 contract. On certain types of projects, the 2005 federal SAFETEA-LU transportation law Section 1604(c) would bar such non-compete agreements. Nonetheless, this remains an issue of which the public should be aware.

In addition, a private firm operating a single highway may not consider the network effects of its road pricing: its toll schedule may be set up to increase its profits while moving some traffic on to local roads, costing the State and localities more in the long run due to increased local congestion and damage done by trucks to local roads.

To avoid tying the hands of government with respect to investing in roads or transit facilities, a PPP should permit future alternative uses for the right-of-way and avoid any overly-restrictive non-compete agreements. It should specify whether the private entity gains any development rights along the highway. These features may result in less windfall revenue for the State in the short term, however it is in the best public interest in the long term.

Asset Operations, Maintenance and End Condition

Level of Service

Operations and maintenance should either remain at status quo or improve as the result of a PPP. This includes making sure New Jersey's highways have a high level of service for traffic flow, snow removal, accident clearance, service station operations and all other functions of the highway system that the public relies on, as well as sufficient funds available for bridge maintenance, resurfacing, and other capital expenditures.[18] A private firm may not necessarily operate the road with the goal of maximizing mobility or easing congestion, unless specific performance standards are established. As electronic toll collection grows more advanced, this issue will become more important.

The first step toward ensuring that operations and maintenance are upheld or improved is to evaluate the current state of maintenance and operations of the asset. The November 2006 UBS asset evaluation report calls for the State to establish the operating standards and safety requirement of the roads and a monitoring organization if it is to proceed with a PPP for any of the highways.[19] The rating agency Standard & Poor's also holds that PPPs should require independent engineers and technical advisors to evaluate asset quality.[20] Standard & Poor's promotes life cycle costing, which requires that sufficient cash be available for capital expenditure throughout the life of the contract. UBS also notes the level of capital expenditure necessary as an issue for consideration. The State's progress toward these goals should be known to the public.

Once the current levels of service have been documented, the State can help ensure its mobility goals are met by using carefully-drafted performance standards in a PPP. Such stringent operating and maintenance standards can also lead to a lower windfall for the State; lengthier, more complex contracts can also take longer to draft leading to higher transactions costs for the State. Nonetheless, the State should approach this aspect of the PPP with the long-term public interest in mind. Performance standards should be written in to the contract, and public oversight should be allowed and provided to ensure that the private partner is operating the road in a manner that will optimize statewide mobility, protect the environment and sufficiently maintain the road.

Environment
A PPP can potentially raise, and must not be permitted to lower, environmental standards for highway operation. In late December 2006, the Sierra Club and other groups spoke out against a potential PPP in New Jersey, noting that environmental standards might not be sufficiently met by the private sector. They gave the example of salting the roads in the winter: seeking to maximize profits over time, a private operator may choose to use less expensive products that damage the environment.

To avoid this, a PPP agreement can employ various means to ensure environmental performance standards are met through the duration of the contract, including making environmental standards enforceable as part of environmental approvals, developing incentive-based performance contracting agreements, and considering such instruments as performance bonds, funding set-asides, and enforceable contingency measures.[21] The expansion of Los Angeles International Airport is proceeding under a Community Benefit Agreement that provides one example of how such frameworks can be designed and negotiated.[22]

Labor
Public authorities in this region are usually restricted to hiring relatively higher wage, union labor. If private operators are permitted to lower the number of staff or hire non-union employees, the windfall revenue to the State may be increased. However, this may conflict with State labor policies, lead to public disapproval, and potential litigation. Again, a State policy of full disclosure early on can help lead to an optimal result. Explicit labor policies should be built into the PPP, which will, in turn, be reflected in the amount the State receives from the transaction.

End Condition
The condition of the road if and when it is returned to the public should also be protected. The Chicago Skyway contract has a provision to ensure the road is maintained toward the end of the 99-year contract. The provision requires that 10 years prior to the end of the contract term the firm must provide a letter of credit equal to the highest gross revenues of the prior 10 years.[23] Similarly, a PPP in New Jersey should protect the end condition of the highways in question.

Performance, operation, maintenance, environmental and labor standards on the asset in question should be publicly monitored and disclosed prior to finalizing a PPP. A PPP should require status quo or higher standards. A PPP should include language to ensure the highway is returned to the public in top condition when the PPP ends.

Risk of Default

PPPs are based on long-term traffic and economic forecasts. Over-estimations are possible, and private firms could find themselves with insufficient revenue to repay investors. This could lead to the government buying back roads, or higher tolls and poorer management if permissible. The structure of the PPP will determine which party bears the risk of default.[24]

It should be clear to the public, prior to finalizing the PPP agreement, what would happen in the event of default.

Ground Rules

To protect the public interest, the State should abide by two overarching ground rules as it pursues a PPP in the coming weeks and months. These rules can assure the public that a PPP benefits the State's fiscal condition and safeguards the future mobility of its residents. The rules are **Full Disclosure** and **Fair Expenditures.**

Ground Rule #1: Full Disclosure

A PPP for the Turnpike, Parkway, and/or Atlantic City Expressway could easily represent a new level of private investment in public assets and will require a new level of accountability. A PPP would not be business as usual for the State, and the State should use the opportunity to raise the bar for transparency. An appropriate level of transparency will entail full disclosure. To achieve it, the State should accomplish the following:

- Disclose what will be lost that might need to be replaced with other government funding if revenue from the asset is no longer collected by a public agency.
- Disclose the current performance, operation, maintenance, environmental and labor standards on the asset in question.
- Disclose the full text of any contract used to establish the PPP.
- Early on, disclose the future allowable toll schedule, including starting toll rates, and the degree to which variable tolls may be used in the future to help manage congestion and performance.

- Disclose any non-compete agreements or other contract language potentially impacting the expansion of other transportation infrastructure.
- Disclose the performance, operation, maintenance, environmental and labor standards that the private sector will be held to, and how the contracts will ensure high performance operation and management of the affected corridors.
- Hold legislative hearings and town hall meetings on the subject, and allow sufficient time for meaningful public input and legislative review.
- Disclose transactions costs, including fees to investment banks, financial advisors, lawyers and other professionals retained by the public sector to analyze and craft the PPP.

Ground Rule #2: Fair Expenditures

The State should spend any revenue from a PPP according to three principles:

- Prioritize the "user pay" principle that underlies transportation finance,
- Ensure the future of State's transportation capital program, and
- Improve long-term fiscal stability.

Depending on how the PPP is structured and when it is adopted, there is a strong chance that most or all of the revenue to be reaped from a PPP could be spent by the current governor and State legislature. This presents an opportunity and also a risk. There could potentially be a temptation to use windfall revenue for short-term purposes – for example, for unsustainable tax cuts, or to cover recurring expenditures for only a few years. Instead, all expenditures that result from a PPP should be devoted to long-term improvements in the State's transportation network and the long-term fiscal condition of the State. This approach precludes short-sighted expenditures such as temporary tax relief.[25]

First and foremost, the State should use any windfall and ongoing revenue from a PPP to restore fiscal health to New Jersey's underfunded transportation system. This reflects the "user pay" principle that underlies transportation finance: transit fares and tolls are used for transportation infrastructure upkeep and capacity expansion. Cross-subsidies between auto fees and public transit are used to reduce congestion, optimize efficiency in the transportation system and reduce air pollution. The lump sum from a PPP represents future toll payments made by motorists in the State. Spending the windfall on anything other than transportation would amount to redirecting toll money toward other purposes.

The transportation system should not receive any less revenue as a result of a PPP than it would under current policies, and additional revenue should be used first to restore the fiscal integrity of the Transportation Trust Fund and support NJ Transit and NJ DOT capital programs. The NJ DOT and NJ Transit capital plans cost $3.2 billion per year to support. They include a plethora of congestion-fighting, smart growth projects vital to the economic growth of the region. Half of this is funded by the New Jersey Transportation Trust Fund, which is caught in a spiral of unsustainable levels of debt issuance. The Trust Fund has tied up future motor fuel and other transportation-related tax revenues to such an extent that there are no resources for capital programs after the current 5-year plan is expended. After 2012, the State will have no choice but to raise new revenues for transportation, even though gas taxes and other taxes and fees will still be collected from residents.[26] The first priority for any revenue realized from a PPP should be to restore integrity to Trust Fund and advance needed transportation capital projects.

If the revenue realized by the State is more than sufficient to address these needs, then any remaining revenue should be dedicated to improving the State's long-term fiscal health, such as by retiring some of the State's general obligation debt. This will enhance the State's ability to address a range of future needs, from infrastructure investments to competitive tax rates.

Governor Corzine has described the State of New Jersey as on a "new path toward fiscal responsibility."[27] A PPP can help move the State further along that path, if revenues are used fairly and if it is structured to protect a broad range of public interests.

Endnotes

[1] Gordon, Cameron "Legislation Authorizing Partnerships Across the United States," briefing paper for the **Partnerships for New York** conference entitled Innovative Transportation Financing and Contracting Strategies: Opportunities for New York State, and held March 8, 2006 in Albany, New York.
[2] The relative value of future toll revenue, tax ownership, and efficiency depends on the structure of the PPP, the particular asset in question, and the private partner itself. At the "Partnerships for New York" conference in Albany in March 2006, representatives of private investment and finance firms indicated that efficiency savings, especially considering labor constraints, would be nominal compared with the value of tax ownership and future toll revenue.
[3] New Jersey Turnpike Authority Annual Report, 2004. <http://www.state.nj.us/turnpike/2004-NJTA-Annual-Report.pdf>
[4] "Financial Statements and Supplementary Information, New Jersey Turnpike Authority, December 31, 2001, and 2000, with Report of Independent Auditors." <http://www.state.nj.us/turnpike/2001fs.pdf>
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[7] Federal Highway Administration web site, Public Private Partnerships page, accessed December 2006 <http://www.fhwa.dot.gov/PPP/legislation.htm>
[8] UBS Investment Bank. State of New Jersey Asset Evaluation Program Phase 1 Report. November 15, 2006. Page 67.
[9] A long-term concession lease has also been used in Texas, Virginia and California. The Chicago and Indiana cases are more comparable to the New Jersey and simpler, so those are the examples referred to here.
[10] Dopp, Terrence "New Jersey Lawmaker Says Road Lease May Raise $10 Bln" Bloomberg.com 21 December 2006.
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[16] Olsen, Stefanie "New directions in car safety and navigation." msn.com. <http://tech.msn.com/products/article.aspx?cp-documentid=1880374>
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[18]DeAgostino, Martin and Guinane, Patrick "Northern Indiana wary of toll lease details." The South Bend Tribune and The Times of Northwest Indiana 22 January 2006. <http://www.tollroadforsale.com/day1details.php>
[19] UBS Investment Bank. State of New Jersey Asset Evaluation Program Phase 1 Report. November 15, 2006. Pages 64 and 67.
[20] Standard & Poor's PPP Credit Survey 2005 "Can Public-Private Partnerships Advance U.S. Roadway Infrastructure Development?" Commentary 7 April 7 2005.
[21] Replogle, Michael A. "High Performance Corridors: Emerging Transportation Management Framework?" 2006, <http://www.environmentaldefense.org/documents/5391_HighPerformanceCorridors2006.pdf>
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[23] Peters, Jonathan and Perrotta, Alexis, "Well-Designed Legislation and Agreements Help Ensure Successful Projects," briefing paper for the **Partnerships for New York** conference entitled Innovative Transportation Financing and Contracting Strategies: Opportunities for New York State, and held March 8 2006 in Albany, New York.
[24] This section was adopted from RPA's November 2005 report, "Reform, Revenue, Results: How to Save New Jersey's Transportation System." Appendix D, Page 19.
[25] There is already an indication that this revenue might be used for short-term property tax relief or paying down the state's pension liabilities. McNichol, Dunstan "Sale of Turnpike won't be simple, Corzine says." Newark Star Ledger 21 December 2006. <http://www.nj.com/news/ledger/jersey/index.ssf?/base/news-5/116668005129040.xml&coll=1>
[26] "Fitch Rates New Jersey Transportation TFA's $2.8B Bonds 'A+'." Business Wire 12 May 2006. <http://www.findarticles.com/p/articles/mi_m0EIN/is_2006_May_12/ai_n16360636>
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About RPA

Regional Plan Association (RPA) is an independent regional planning organization that improves the quality of life and economic competitiveness of the 31-county, New York-New Jersey-Connecticut region through research, planning and advocacy. Since 1922, RPA has been shaping transportation systems, protecting open spaces, and promoting better community design for the region's continued growth. We anticipate the challenges the region will face in the years to come, and we mobilize the region's civic, business and government sectors to take action.

RPA is examining the issue of public private partnerships because of its potential long-term, regional impacts. New Jersey is not alone in investigating the potential for a PPP. There has been discussion of PPPs for the Tappan Zee Bridge and other major assets in New York State, and Connecticut may re-consider tolling and private investment in transportation infrastructure. Pennsylvania's governor has also expressed interest in a possible long-term concession for its toll road.

Recent New Jersey Reports

In July 2005, RPA released a study entitled "Putting the Trust Back in the New Jersey Transportation Trust Fund," that brought to the public's attention the severity of the transportation funding shortage for both capital and operating expenses. In November 2005, RPA released a follow-up report, "Reform, Revenue, Results: How to Save New Jersey's Transportation System," identifying an action plan to avert an impending transportation catastrophe in New Jersey, including specific revenue sources that should be utilized to raise the billions of dollars needed to support the transportation network each year. These two reports were products of a collaboration with the AAA Clubs of New Jersey, Tri-State Transportation Campaign, the Edward J. Bloustein School of Planning and Public Policy and the Alan M. Voorhees Transportation Center at Rutgers University. RPA has also helped frame the debate around property tax reform in New Jersey, producing three reports since October 2005. The first challenged gubernatorial and legislative candidates during the election season to address the implications of tax reform on land use and its related issues of congestion, open space protection, housing production and economic development. The second described a series of criteria to assess property tax reform proposals and ranked some of the leading ideas of the day. The third recommends a package of property tax reforms that will have the maximum benefit for land use, housing affordability, equity and fiscal discipline in the years to come.

RPA publications and more information about our work in New Jersey are available at www.rpa.org.

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