

Chapter 2

Trends in Public Private Partnerships

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ABSTRACT

The formation of Public Private Partnerships (PPPs) in the United States has had many cycles and revisions in the past 60 years. The middle of the first decade of the 21st century experienced huge changes in how we see public private partnerships. At the end of this first decade, two pools of thought were created differing on the true value of these partnerships. Today, public private partnerships are in many facets of public and private industry. Experts have studied what has gone right and what has failed in PPPs in terms of growth and the response to disasters within our country. From this, old ways of doing business have been discontinued and lessons learned the hard way have been used to ensure mistakes made once are not repeated. This chapter presents a review of the literature about PPPs, exploring their many facets, their strengths, and challenges.

INTRODUCTION

The first wave of public private partnerships in the United States began in the 1950's (Yescombe, 2007). It was at this time that Eisenhower signed the Federal Highway Act of 1956. This Act called for the construction of over 40,000 miles of roads. The paving of roadways was already on the rise at this time. The smoother ride of a paved road was more comfortable for the traveler; and, paved roads were also easier to clean than dirt roads or cobblestone. Industry was on the rise and a corresponding increase in roads was seen as necessary for the transportation of commercial

goods. At this time, the first turnpikes emerged as well. In addition, roadways were not the only infrastructure element being affected. The postal service started using air transportation as a faster means of delivery thus increasing the number of flights and places where planes could go. Rivers and harbors were being dredged in addition to the development of new levee systems to create pathways for larger and larger ships to travel into the United States.

Tying all of these transportation elements and systems together increased the need for railways, bridges and storage locations for freight and goods. For the roads, bridges, ports and railways

that already existed within the United States, the maintenance and in turn the maintenance costs of the country's infrastructure was growing phenomenally and showed no signs of slowing down. Further, the increased mobility resulted in people wanting an upgrade on the places that they could now go. Interest peaked in the expansion or creation of parks, markets and other places of interest that up to this point had been controlled and maintained by the government.

The development of systems and infrastructure continued into the 1960's with a focus on urban renewal projects. In addition, the increase in the number of roads seemed to lead to an ever increasing number of automobiles traveling them. At the same time, within the cities there was a large jump in the number of commercial projects occurring. Revitalizing city economies became the focus. Projects ranged from developing shopping districts and store fronts to the creation of skyscrapers. This in turn drew greater numbers of people into the city.

Then, city planners and urban centers needed new ways of accommodating the increase in people. It was not only the person itself that needed to be accommodated. Automobile traffic as well as parking needed to be considered. Social reform vied with urban reform too. This created a large push toward the idea that every person had the right to adequate, affordable housing; and, people looked to the government to provide it for them. There was a cry to eliminate substandard housing and reduce segregation. Large numbers of apartments were built in answer to this demand. Other projects seen in many of the large cities included an expansion of colleges, universities and hospitals.

While all of these advances sound wonderful and increased the accessibility of both people and goods into and within the United States, there was a downside. The federal, state and local governments simply did not have the money, time, or resources to do it all on their own. The advancements that looked good on the drawing board were not becoming reality as quickly as some

people had hoped. The National Commission on Urban Problems, created in 1966, reported that the typical urban renewal project required four years to plan and six to nine additional years to execute. Once the plans had been drafted they required both federal and local approval to move forward. However, there was the appearance that these projects were not high on the government's priority list and so took even longer to begin. Public private partnerships were seen as the way of solving a lot of the issues that arose due to the increase in demand for government action on public projects (Stoker, 1998).

The public sector would have a reduction of responsibilities and tasks with this type of partnership. The private sector was seen as providing a higher quality product than the government could; and, it could be produced at a fraction of the cost (Grimsey & Lewis, 2002). An incentive for drawing private business into these agreements was that the government would grant the private sector the right to these projects for an extended period of time. Turnpikes are an example of this. If the private sector helped to build or maintain turnpikes then they could also be in charge of and collect tolls charged to the traveler for driving on these roads. The list of ways public private partnerships aided in the expansion of infrastructure and renewal within these two decades is endless.

Since that time, public private partnerships have expanded even further and have gone on to focus on many different aspects in society. There isn't an industry that can be thought of that does not use public private partnerships. Having said that, they were not the perfect answer that they were hoped to be, at least not always. This chapter looks at the literature that can be found on public private partnerships, focusing on the first fifteen years of the 21st century. The objective is to see if there has been any change in the ideology of public private partnerships now that they have been well established within the culture of the United States. This chapter wants to move past the growing pains that are seen with the initiation

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