

PECG Places Radio Ads to Oppose Presidio P3

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The Professional Engineers in California Government (PECG) is buying radio time to oppose the conversion of the Presidio Parkway project into a P3. The ads encourage listeners to call the California Transportation Commission (CTC) before May 19, when the CTC is due to vote on the project, and urge it to reject the plan.

PECG maintains a P3 model for the Presidio Parkway would abandon competitive bidding, would double the cost, and would cut 15,000 local jobs. It also says a P3 would add millions of dollars in debt for California taxpayers, and reduce money for other transportation projects for the duration of the 30-year concession.

The radio ads don't elaborate on the assertion about competitive bidding. The Presidio Parkway is using a competitive bid process - the state has shortlisted three consortia - but PECG's position is that competitive bidding should be done for four individual design and build contracts rather than as the single design, build, finance, operate and maintain P3 project the state is pushing.

PECG's radio campaign also takes a different approach than it took in earlier presentations to the CTC. The organization has told the CTC that the project doesn't comply with California's law authorizing P3s. The law prohibits tolls on the Presidio, it said, adding that it believes the project would push the state above its constitutional debt limits.

The CTC has yet to decide on the project - it delayed a vote scheduled for early April - and California's Legislative Analysis Office (LAO) recently criticized the Presidio Parkway plan, saying the P3 legislation doesn't envision availability-projects like Presidio. It also said the plan to use federal funds to meet operating and managing costs violates California's own rules requiring federal money to be used only for capital spending.

Caltrans Replies

California Department of Transportation Attorney Daniel A. Near, responding to PECO's and LAO's concerns at the CTC's April hearing, said that law doesn't exclusively mandate toll roads, but does allow them as an option on P3s. He also said availability payments don't violate the state's constitutional debt limit.

Secretary of Transportation Dale E. Bonner told *InfraAmericas* in early April that the state government decided to bring the project to market because it was confident it could reach commercial close in 2010. But the CTC's postponement of a decision could jeopardize that schedule.

Bonner also said the Presidio Parkway was never going to be tolled. Long discussions about the road circulated around availability payments, but the P3 statute requires the state to respect local arrangements, he said, noting that the state's highway account – effectively the gas tax – would cover the state's concession payments.

Bonner nevertheless acknowledged that the state has to reduce the risk that government allocated funds won't materialize.

"We are having a conversation with the legislature about a continuous appropriation for availability payment projects like Presidio," he said. "This is a small step that could go a long way in mitigating the appropriations risk. It's an idea that maybe is a little ahead of its time for some who are still learning about P3s, but the market tells us we can manage these types of things.

"We have made a determination to be very disciplined and limit our innovative finance commitments so that 10-15% of our transportation dollars will go to these type of deals," he added. "The favorable thing is that it forces us to think more about the true cost of building and maintaining the infrastructure we need."