

P3 CVNM newsletter article 2015

<http://cvnm.org/scorecard/previous-years/20132014-conservation-scorecard/what-the-heck-is-a-p3/>

“Public private partnership” (PPP or P3) is a catch-all term for any project that partners government with private business. Types of P3 projects differ widely, based largely on the extent of private sector involvement. They range from a company designing and constructing a new school to a government contracting with a company to operate and maintain a road or a water utility.

Across the country, P3s are an increasingly popular tool of governments. Why?

Well, many governments are finding they don’t have the resources to build the infrastructure they want or need. So they look to the private sector to help fill the gap, and they bring in private money to get the project done.

But we all know that you can’t get somethin’ for nothin’, so what do these projects cost? The fact is that the money comes from somewhere, whether it’s future tax dollars the government commits, or fees paid by users of the project.

Generally speaking, the more heavily the private sector is involved, the riskier the project for the public—in financial, social and environmental terms. Examples from across the country have proven the need to take a very cautious approach to P3s.

In Wisconsin, a private company was contracted to run Milwaukee’s sewer system for 10 years, worth \$335 million. The company cut the workforce by almost one-third, and improperly maintained the system—resulting in at least 20 contract violations. Over a two-year period, 107 million gallons of raw sewage leaked into waterways; three years later, an unprecedented 4.6 billion gallons of raw sewage were dumped from the system.

A different company was contracted to operate and maintain the water utility in Indianapolis for 20 years for \$1.5 billion. The result was that consumer complaints more than doubled, inadequate safeguards by the company forced a boil-water advisory that closed businesses and schools, and the company was investigated by a federal grand jury for falsifying water quality reports. In the end, the government (read: taxpayers) had to pay out millions of dollars to bail out the project.

Not all P3s are bad. There have been some great examples of renewable energy and energy efficiency P3s involving the federal government. But the federal government has extensive expertise and has been very thoughtful and diligent in ensuring that P3 maximize public benefit while minimizing risk.

The challenge for New Mexico is to do the same.

Private companies are pushing hard to expand P3s in our state, and a bill was introduced last session (HB405, sponsored by Rep. Larranaga and Sen. Keller) that was one of the broadest, if not the broadest, P3 legislation in the country.

If the legislature can craft a narrow, prudent approach to P3s that will provide opportunities for public benefit without posing substantial financial, social or environmental risks, CVNM will be pleased to support it.

However, if any proposed P3 legislation lacks sufficient safeguards to protect the public, we will work hard to defeat it, just as we did in the recent session. And we will urge you to ask your Senator and Representative to do the same.