

# THE BOND BUYER

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## **PennDOT Agrees to Commercial Terms on Bridge P3**

by Paul Burton

The Pennsylvania Department of Transportation has finalized all terms for the department's \$899 million Rapid Bridge Replacement Project, Secretary Barry Schoch confirmed.

That clears the way for construction to begin this summer on the project to replace 558 bridges statewide, Schoch said Jan. 12.

In October, PennDOT selected Plenary Walsh Keystone Partners and its team of 11 Pennsylvania-based subcontractors to lead the project.

The team will manage the bridges' design, construction and maintenance for 25 years after construction under the public-private partnership contract. It will also be responsible for securing the capital necessary for construction, set to begin this summer. All 558 bridges must be replaced within 36 months.

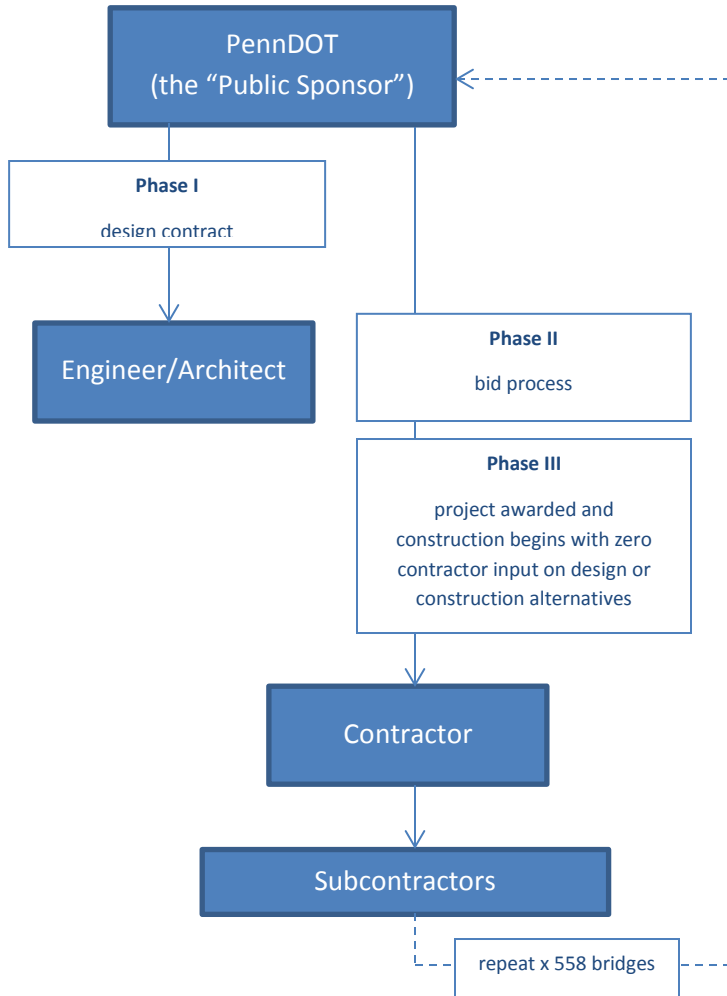
PennDOT will maintain ownership of the bridges.

The average project cost per bridge for design, construction and maintenance is \$1.6 million. Through PennDOT's standard process, the cost to design, construct and maintain a bridge for 28 years, which includes construction period and 25 years maintenance) would average more than \$2 million, Schoch noted.

The Public-Private Transportation Partnership Board approved the initiative in September 2013.

## Pennsylvania Department of Transportation – Rapid Bridge Replacement Project (558 Bridges in 42 Months)

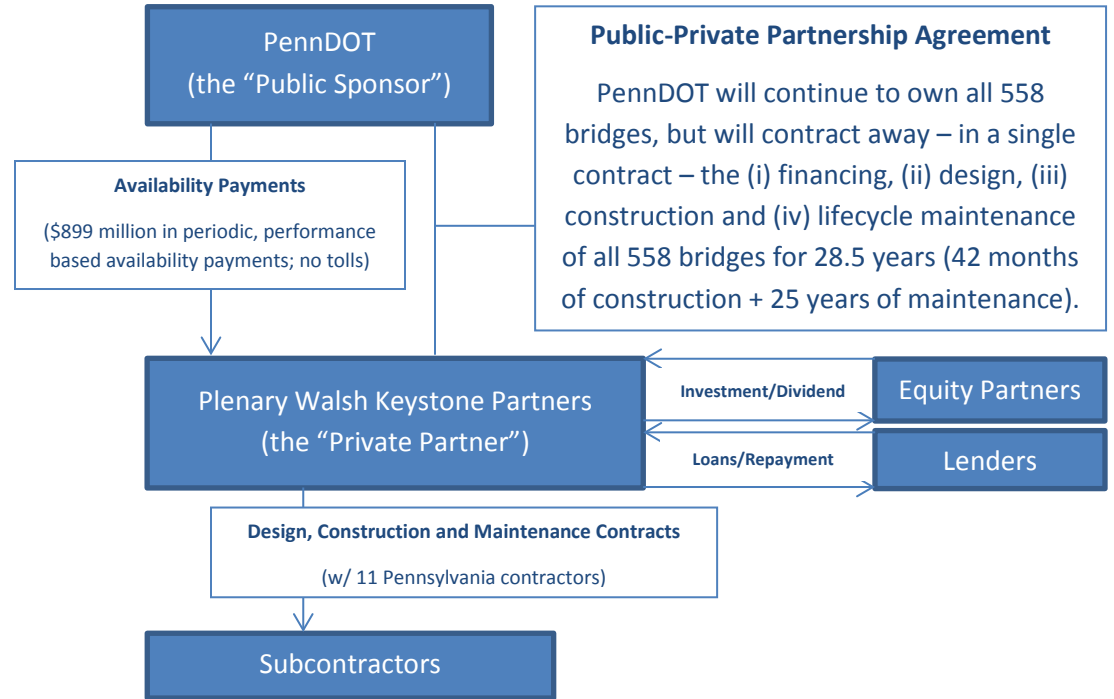
### Traditional Approach (Design-Bid-Build)



- 15 years to complete 558 bridges (versus 42 months under P3 approach)
- Pressures may be exerted on the design and construction teams due to competing interests (e.g., economy versus quality), which may lead to disputes and associated delays.

**Total Cost: \$1,171,800,000.00**

### P3 Approach



**Public-Private Partnership Agreement**

PennDOT will continue to own all 558 bridges, but will contract away – in a single contract – the (i) financing, (ii) design, (iii) construction and (iv) lifecycle maintenance of all 558 bridges for 28.5 years (42 months of construction + 25 years of maintenance).

- Efficiencies of scale in the design, construction and maintenance phases.
- Future funding moved forward (i.e., projects completed today at current costs instead of years or decades later at unknown costs).
- Accelerated project schedule minimizes impact on travelling public
- Private Partner responsible for any failures or defects and expected maintenance over 25 year term (like an extended warranty).
- Private Partner responsible for structural maintenance, inspections, repaving, etc.
- Public Sponsor responsible for routine operations/maintenance (i.e., snow removal, debris removal, mowing, etc.).
- Private Partner to turn bridge over to Public Sponsor after 25 year term in predetermined “handback” condition that will guarantee continued

**Total P3 Cost: \$899,000,000.00**

**Total P3 Savings: \$272,800,000.00**