

# Public Private Partnership Investment in the Transport Sector

Menna Tallah Alaa Allam  
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## *What is Public Private Partnership Investment in Transport Sector?*

**Its Definition:** it's a contractual agreement between the state or Government and the private sector to improve the quality of a service by allowing a greater private-sector participation in the delivery, financing and operating of transportation projects; and it's also known as P3s.

### **So Why do we have a Public Private Partnership in the transport sector?**

Due to the growing demands on the transportation system and constraints on public resources, which have led to calls for more private-sector involvement in the provision of transportation infrastructure.

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## *The Transportation's Infrastructure methods in the Past Verses Today (1\2):*

**\*In The Past Before PPP:** Design Bid Build.

**\*Today After PPP:**

**1- Design Build Finance Operate Maintain (DBFOM):** this type involves the private sector in most facets of constructing, operating, and maintaining a new facility, including in it long-term financing; and here the private-sector partner is repaid by facility users, through fares or tolls, or by payments from local government over the life of the contract according to the availability of the facility and this payments are known as "availability payments".

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The graph represent the relationships Between Partners in a DBFOM Toll Road P3 Project.



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## *The Transportation's methods Infrastructure in the Past Verses Today (2\2):*

**2- Long-term lease agreement:** this type includes the operation of an existing facility by a private company for a specified amount of time.

The private partner pays the public sector a concession fee and agrees to operate and maintain the facility to prescribed standards; In return, the private company typically collects tolls or other user fees to pay lenders and debt holders and to generate a return on equity investment.

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**\*Benefits:**

- 1- it's a way to attract the private investors to invest in transportation infrastructure.
- 2- it's able to build and operate transportation facilities more efficiently than the public sector through better management and innovation.
- 3- through P3s the public sector can transfer to the private-sector partner many of the risks.

**\*Limitations:**

- 1- Infrastructure or services delivered could be more expensive and the PPP agreements are long-term agreements.
- 2- in PPP project public sector payments obligations postponed for the later periods which can negatively reflect future public sector fiscal indicator.

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*Thank you*

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