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# Metro may get partner on bus line plan

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## BRT Partnership

Here are the proposed Bus Rapid Transit lines that may be operated by a private company under contract with Metro:

- **East End** : Downtown to Magnolia Transit Center
- **North** : Downtown to Northline Mall Transit center
- **Southeast** : Downtown to Palm Center at Griggs and Martin Luther King
- **Uptown** : South of Southwest Freeway through Galleria area to Northwest Transit Center

Source: Metropolitan Transit Authority

The Metropolitan Transit Authority is considering a public-private partnership to operate four Bus Rapid Transit lines, an approach unprecedented in the agency's history.

And Metro insists that what it has in mind is different than the partnership proposed for the Trans-Texas Corridor, a web of toll roads, pipelines and railroad tracks that opponents say would send shiploads of dollars to companies overseas.

Metro's board is negotiating what probably will be a long-term contract for a private team headed by Washington Group International to design and build — then operate and maintain — the four lines.

That kind of Public-Private Partnership (PPP or 3P in industry vernacular) is "a totally different animal" from the Trans-Texas Corridor approach Gov. Rick Perry is pushing, Metro consultant Frank Russo said.

A major objection to Perry's proposal is that Trans-Texas Corridor toll revenue would go overseas. A Spanish firm is one of the partners in a consortium developing a plan for the first phase, which would parallel Interstate 35 between Laredo and North Texas.

"Toll roads generate cash. In a public transportation system, there are no profits," Russo said. Metro and other transit agencies rely on public funds because transit systems cost more to operate than they can generate at the farebox.

So why is the Metro plan called a partnership, when there's no sharing of profits and Metro will own the finished product?

Partly, Russo said, because the deal will last much longer than a typical contract to design and build a line, and because the partners really are sharing something important — risk.

"The public sector takes the risk for the income side of the ledger and the private sector takes the risk for the costs," Russo said.

First, the income side. "It's our (Metro's) project. We devised it. We insisted that it be built. If the ridership isn't as high as we expected it to be, that's our problem."

On the other side, he said, if the contractor fails to meet the agreed-on performance standards or to contain costs, it gets less than the agreed-on sum.

Russo ticked off what he says are the advantages of the PPP approach.

## **Keeping Metro focused**

First, having the same team build, maintain and operate a transit system over a decade or more creates a motive to build it well, since the cost of fixing flaws comes out of the contractor's pocket.

Second, he said, it frees Metro to focus on running its traditional bus and train lines instead of coordinating and overseeing the new project.

Metro still would set fares and schedules for the BRT lines.

The Bus Rapid Transit contractor, which Metro calls the "facility provider," also functions as "a single point of responsibility," Russo said, "so Metro is not in the middle of disputes between private suppliers and contractors and operators."

Unlike a typical contract for a service such as garbage collection or street repairs, which may be rebid every year or two, PPP contracts need a longer time for the public agency to benefit from the performance and cost guarantees.

"The contracts usually don't go below five to seven years because then you're not getting anything longer than a normal warranty period," Russo said.

Russo, who worked on rail transit projects in New Jersey with Metro CEO Frank Wilson before Wilson came to Houston, said two of those projects involved 10- and 15-year contracts.

Some PPP contracts run 30 years or more because they're tied to long-term financing obtained by the contractor, he said.

## **Importance of contract**

Pauline Rosenau, who specializes in public health management and policy at the University of Texas Health Science Center, and political scientist Bob Stein of Rice University, have studied PPPs in various fields including transportation, prison operations and health care.

Whether they're a good idea, both said, depends on the particular situation and the specific role of each party.

"The most important thing is the contract," Rosenau said. "Unless it's structured fairly, the taxpayers pick up the bill for failure."

Free-market philosophy notwithstanding, Rosenau said, businesses cannot always do things more efficiently than government, especially if side effects — what economists call externalities — are figured in.

For example, she said, a private contractor who does not provide medical insurance for employees may be able to provide a service at less direct cost to taxpayers than the city could.

But what taxpayers may not view as related to that contract, she said, is the indirect cost of treating a sick or injured employee at public expense in an emergency room.

Stein said that in some cases, an unwary public partner can get "captured" by the private one. For example, he said, "A company takes over garbage collection for you. They buy all your equipment, and they buy your landfill, and they give you a lowball contract.

"Three years later they double the contract and you're sitting there with no equipment, no landfill, and you have to go back to the voters to pay for the service."

## **Sale called unlikely**

Metro board chairman David Wolff said last week that he doubts Metro will sell any of its major transit infrastructure, such as track or guideway, to the facility provider, though it might lease some vehicles.

"We're going to be very imaginative, but I don't think we'll go so far as (sharing or transferring) ownership," he said.

"My feeling is that, psychologically, people would rather make sure that we still own the line, but that doesn't mean we have to own all our rolling stock."