

Optimizing the US's public transport assets

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FORESIGHT

A Global Infrastructure Perspective

Through efficient management and selective outsourcing, state transportation authorities can maintain safe, reliable assets at a lower cost. They can also ease budget pressures by leveraging their asset portfolios to generate income through commercial deals with private companies.

A global infrastructure perspective

A strong transport infrastructure is essential to economic and social wellbeing. Enabling people and goods to move efficiently and safely is critical to just in time delivery and other critical economic drivers and is the cornerstone for many of society's basic quality of life functions. With public sector budgets falling year-on-year, US state transportation authorities are struggling to maintain the quality of their assets, which comprise of roads and highways, airports, bridges, ports and real estate, as well as buses, trains, ferries and fleets of cars and trucks. Many are looking to leading practices from around the globe to address their program needs.

When money is tight, there is a strong temptation to forego servicing existing assets, yet this actually increases expenditure on repairs or replacements, or worse still, leads to accidents and other incidents. Efficient management and maintenance can improve safety levels, reduce the cost of repairs and enhance asset lifespans, and ISO 5500x, the revised global standard for

asset management, provides an excellent framework. Although these standards are not mandatory in the US, funding from the federal government's multibillion-dollar infrastructure Act MAP-21 (Moving Ahead for Progress in the 21st Century Act) is dependent upon meeting defined performance levels.

The sheer scale and diversity of public asset estates makes it hard to gauge their efficiency. By integrating all the various inventories across a state, management gains a top-level view of how assets are being utilized and maintained. Duplication and waste may be widespread; for example some fleet vehicles may be lying idle, while others are over-used and prone to breakdowns. In response, a number of states have coordinated their entire fleets, cutting the number of vehicles, reducing running costs, and leasing out excess maintenance capacity.

Innovative procurement options offer enormous potential for savings as authorities introduce common standards and negotiate

volume discounts. Public-private partnerships (PPPs) and outsourcing are growing in popularity, encompassing fleet contracts, concessions for operating and maintaining roads, back office services such as Human Resources, Finance and IT, or larger capital projects such as road and bridge building. Through tight, performance-based contracts with multiple contractors, the Florida Department of Transportation is saving an estimated 17 percent per year across a range of administrative and maintenance activities.

Reimagining assets as sources of revenue

Many state transportation authorities view assets and/or ancillary services as a drain on their budgets, rather than a means of generating income. Opportunities to leverage assets and/or ancillary services are becoming more prevalent through sponsorships, naming rights, licensing and leasing. To help defray operating costs, the Virginia Department of Transportation teamed with GEICO Insurance for sponsorship of its rest areas and welcome centers. The program will provide Virginia

with approximately US\$6 million in revenue over the 3-year contract and include GEICO sponsored safe-driving information signs directing travelers to the state's 43 rest areas and welcome centers.¹

Furthermore, highway safety services provided by states, such as incident management assistance patrols, have also attracted sponsorship as a means to reduce costs. The Massachusetts Department of Transportation partnered with Boston based Travelers Marketing to seek sponsorship of the state's highway and turnpike safety patrols, the 3-year contract will generate revenue of US\$2.2 million per year covering 22 major routes.²

Private companies are receptive to naming or sponsoring sites or facilities, or placing advertisements in high-traffic locations such as bridges and rest areas. Telecommunications giant AT&T is paying Southeastern Pennsylvania Transportation Authority US\$5 million over 5 years, to rename the former Pattison Station in Philadelphia.³

Another untapped resource is the wealth of traffic data that could prove invaluable to private mapping or traffic information companies. Authorities could also consider finding sponsors to provide for roadside assistance on state highways – possibly bringing in private service providers – while road tolls and parking fees are a well-established way to earn revenue.

One particularly valuable, yet often unexploited asset is land. A thorough review of an authority's estates often reveals surplus or underutilized properties or plots, which could be leased, sold and/or developed, or put to joint use. For example, the The New York State Thruway ("Thruway") identified US\$8 million in surplus land in a single Thruway

district. Furthermore, mobile and broadband providers are particularly attractive targets, and are often prepared to pay substantial sums to install towers on strategically important sites, or install fiber optic cables underneath public roads to extend and enhance their networks.

Some states even go one step further and outsource their entire facilities management, a route chosen by the State of Missouri, which expects to save at least US\$9.5 million annually.⁴

As with any public sector initiatives, administrators have to weigh the financial benefits against the legal or regulatory constraints – as well as citizens' acceptance of what they may perceive as private intrusion into public services. Although the public-versus-private debate will inevitably rumble on, the growing funding gap means that state transportation authorities have to explore every avenue in the quest for greater efficiency, in order to meet their duty of care to provide a safe, reliable transport infrastructure.

A snapshot of asset management/ revenue generating initiatives across the US

- Florida Department of Transportation saves an estimated 17 percent per year, through performance-based contracts with multiple contractors⁵
- New Jersey Department of Transportation outsources freeway service patrols to Travelers Marketing /State Farm for US\$1.8 million over 3 years⁶
- Virginia Department of Transportation has a 3-year contract with GEICO Insurance, worth US\$6 million covering management of 43 rest areas⁷
- Chicago Transit Authority has sold US\$4.3 million in surplus property over the past 2 years, with a further US\$11 million in planned dispositions⁸
- AT&T is paying Southeastern Pennsylvania Transportation Authority US\$5 million over 5 years to rename the former Pattison Station in Philadelphia⁹
- Missouri Department of Transportation 'Safe and Sound' bridge improvement program involves a number of contractors, bringing savings of more than US\$2.4 million¹⁰
- Massachusetts Department of Transportation has a 3-year contract with Travelers Marketing to sponsor the state's highway and turnpike safety patrols, worth US\$6.6 million covering 22 major routes
- Pennsylvania Department of Transportation has reduced its passenger vehicle fleet by 300 over the past 4 years¹¹
- Virginia Department of Transportation expects to save 25 percent of its annual expenditure on automotive maintenance and repair services by outsourcing.¹²

¹ Source: <http://www.dailypress.com/news/traffic/street-smart-blog/dp-geico-virginia-rest-areas,0,6550554.story>

² Source: <http://www.travelersmarketing.com/media.html#>

³ Source: <http://www.septa.org/media/releases/2010/06-24.html>

⁴ Source: <http://www.facilitiesnet.com/buildingautomation/article/Successful-Multisite-Organization-Enterprise-Integrations—11492>

⁵ http://www.ica-onramp.com/static/assets/Florida_Overview_1.pdf

⁶ Source: <http://www.state.nj.us/transportation/about/press/2012/040412ssp.shtm>

⁷ Source: <http://www.septa.org/media/releases/2010/06-24.html>

⁸ Source: [http://www.transitchicago.com/assets/1/board_presentations/Financial_Report_-_Presented_December_2012_\(results_for_October\).pdf](http://www.transitchicago.com/assets/1/board_presentations/Financial_Report_-_Presented_December_2012_(results_for_October).pdf)

⁹ Source: <http://www.facilitiesnet.com/buildingautomation/article/Successful-Multisite-Organization-Enterprise-Integrations—11492>

¹⁰ Source: <http://www.modot.org/safeandsound/>

¹¹ Source: <http://www.dot.state.pa.us/pennndot/districts/district9.nsf/929d5890241222e485256a5000525fa9/8f4a3bfb84ce16ae85257b4a0054384a?OpenDocument>

¹² Source: http://www.fairfaxchamber.org/clientuploads/Advocacy_PDFs/privatization-thompsonpresentation.pdf

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