



By Butch Eley

Florida saves millions with public-private asset management

Almost a decade ago, the Florida Department of Transportation saw financial challenges on the horizon to adequately maintain the state's transportation infrastructure and decided to find a better way.

It led to an initial foray, in 2000, to test a new method of maintaining FDOT assets through an asset maintenance contract that proved quickly to deliver quality service and tremendous savings (on the first contract, about 15 percent less than what it cost the state to do the same work). As this model proved consistently reliable, Florida expanded the program with strong result and consequently changed the way many states are now approaching road maintenance.

Over those eight years the state has saved tens of millions of dollars in maintenance costs by sharing their responsibility with the private sector. Now, almost half of its interstates, tollways, rest areas and bridges are covered by asset maintenance contracts. Florida was the first state to commit to asset maintenance in a programmatic way.

Florida has become, by all acclaim, the most successful state in the asset maintenance industry, where its approach is viewed as smart in an environment that increasingly requires government to protect its transportation assets with fewer dollars.

From a national perspective the dollars involved are staggering. States spent more than \$40 billion in 2007 on highway maintenance and rehabilitation, according to the Federal Highway Administration.

Following Florida's lead, Texas, North Carolina and Virginia have moved into asset management in a major way; by the end of 2010, every interstate mile in Virginia will be privately maintained.

So what's fueled this shift?

Over the past 50 years the federal government and states invested massively in creating a transformative transportation network that's a critical element of our economic engine and way of life.

We all agree it makes economic sense to perform routine maintenance before existing assets deteriorate to the point of major repair. Like the old saying, "You can pay me now, or pay me later."

But government is having a tough time maintaining these investments – adequately – to ensure a long, viable life. The single biggest reason is that the gas tax is simply not keeping stride with maintenance demands that mount as a result of increased wear and tear and the tendency to put off maintenance investment.

Because the asset management model can save 15 percent to 20 percent, it's part of the solution to help states make fewer dollars stretch farther.

Asset management works because it creates better alignment between government and the private sector to conduct the work. The work is performance-based rather than task-oriented. For a lump-sum contract amount, the contractor guarantees and assumes risk for the work. Financial penalties exist to pressure performance. This holistic approach is simply superior to the "patch it" mentality many states have today.

Many states now find they are in a "pay me now or pay me later" proposition. Those states should follow Florida's lead of strategic innovation to ensure the great transportation investments of the past serve the generations to come.

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