

December 30, 2014

Ms. Wendy M. Payne, Executive Director  
Federal Accounting Standards Advisory Board  
Mailstop 6H19  
441 G Street, NW, Suite 6814  
Washington, DC 20548

**Re: Statement of Federal Financial Accounting Standards, Public-Private Partnerships – Disclosure Requirements**

Dear Ms. Payne:

On behalf of the 6,000 members of the American Road & Transportation Builders Association (ARTBA), we respectfully offer comments on the exposure draft of a proposed Statement of Federal Financial Accounting Standards, entitled “Public-Private Partnerships: Disclosure Requirements,” from the Federal Accounting Standards Advisory Board (FASAB).

Founded in 1902, ARTBA’s membership includes private and public sector members involved in the planning, design, construction and maintenance of the nation’s roadways, bridges, ports, airports and transit systems. Our industry generates more than \$380 billion annually in U.S. economic activity and sustains more than 3.3 million American jobs. ARTBA maintains ongoing and thorough involvement in federal legislative, policy, regulatory and legal developments relating to transportation infrastructure development and investment. This includes public private partnerships (P3s) in transportation, with which ARTBA has a long history.

ARTBA’s P3 Division dates back more than 25 years and includes prominent concessionaires, planning and design firms, contractors, law firms, financial entities and other experienced parties in the P3 field. Through the reauthorization processes which have produced a series of federal surface transportation bills in recent decades, ARTBA has advocated for provisions that have helped make P3s a viable option for the financing and delivery of transportation improvement projects in appropriate circumstances around the country.

The following comments are submitted in response to the query in FASAB’s exposure draft dated October 1, 2014. The context comes from ARTBA’s experience as an advocate for and observer of P3s in the transportation sector at the state and local levels. While the FASAB document primarily addresses P3 agreements that directly involve the federal government, ARTBA offers our comments with the belief that certain P3 principles are applicable whether at the federal, state or local level.



As an example, ARTBA welcomes efforts to improve the transparency of transportation P3 transactions and contracts. Given the growing complexity of these agreements in many cases, ARTBA believes the public is well-served – and likely to be even more supportive of P3 projects – when information disclosure is maximized.

With that in mind, ARTBA offers the following comments related to select questions included in the exposure draft:

**Question 1 - Do you agree or disagree that the P3 definition proposed at paragraph 17 captures the most widely identified features of federal P3s?**

While the definition provided in paragraph 17 identifies many features commonly found in P3s, there are a few key points missing that should also be considered:

- Transportation P3s typically provide a new or upgraded asset as a result of the agreement.
- A key aspect of P3s is the customary allocation of life cycle risk and long-term performance of such to the private sector after construction of the asset is complete.
- For most transportation P3 projects, the agreement is much longer than five years.
- Payments from public owner to the private entity are based on key performance criteria - i.e. the public entity pays if the asset is performing to contract standards.
- The creation of a Special Purpose Vehicle (SPV) is solely for the purpose of gaining non-recourse financing as a stand-alone project, and should be clarified as such.

**Question 2(a) - Do you agree or disagree that the P3 definition helps identify risk-sharing arrangements or transactions that could possess significant risk to the federal reporting entity?**

The definition is reasonable to understand the general nature of risk allocation that may be envisioned for a particular P3. However, every P3 deal is very unique in terms of risk sharing and risk allocation to the private sector, so FASAB should consider expanding the definition or including a qualifying statement noting that additional scenarios may exist.

**Question 5 - Do you agree or disagree with the component entity report disclosures proposed at paragraph 23?**

Agree. All of the key proposed terms of P3 agreements should be disclosed and reported publicly.

**Question 6(b) - Do you agree or disagree with the one [FASAB] member's [Mr. Robert Dacey's] concern that (1) disclosure of remote contingencies is not limited to the terms of contractual arrangements, (2) the concept of "significant exposure" is not sufficiently clear to result in consistent disclosures, and (3) risks related to entity operations or performance (referred to in the Alternative View as business risks) would be included in the risk disclosures?**

We support many of Mr. Dacey's alternate viewpoints including the three listed in the above question. The proposed standards should be revised to address the following:

- The disclosure of remote contingencies and business risks is unnecessary and may be detrimental to the overall clarity of the financial statements as a whole. These risks only have a slight chance of occurrence and tend to overwhelm users of the financial statements. They should not be required on a regular basis. However, if there are unique circumstances where the omission would cause a misrepresentation, they should be included.
- The concept of “significant disclosure” should be clarified to allow consistent application across various P3 contractual arrangements and transactions.

**Question 7 - Do you agree or disagree that entities should be permitted to aggregate or group disclosures as proposed at paragraph 21?**

Disagree. Each P3 is a unique contract with unique risks and payment structure. Each project has an individual Value for Money (VfM) analysis and strategy, which should therefore be reported individually.

In conclusion, we appreciate FASAB’s allowing our participation in the process of establishing new disclosure requirements. We commend FASAB for its efforts to develop standards that will help strengthen the reporting process and provide additional clarity with respect to the full costs of P3s.

If ARTBA can provide additional information or organize an opportunity for members of our P3 Division to share their individual views directly with FASAB, please do not hesitate to contact Michael Forsythe, CPA, ARTBA’s vice president of finance, at (202) 289-4434 or [mforsythe@artba.org](mailto:mforsythe@artba.org). Thank you for your consideration.

Sincerely,



T. Peter Ruane  
President & C.E.O