DBIA POSITION STATEMENT

Public-Private Partnerships

Background

A public-private partnership (P3) is an alternative delivery model that seeks to harness private sector expertise and innovation in the delivery of public infrastructure, both horizontal and vertical, for the benefit of the public Owner and users of the infrastructure. When used for the appropriate project and structured and implemented in accordance with best practices and consistent with the public Owner's goals, constraints and authority, P3s can successfully leverage the respective strengths of the public and private sectors to deliver large, complex projects in a cost-effective and timely fashion.

Generally speaking, a P3 involves an agreement between a public Owner and a private sector partner for the design, construction, financing and typically long-term operations and maintenance of public infrastructure by the private sector partner over a specified term. A key to a successful P3 is the efficient allocation of risks between the public and private sector partners, which means risks are allocated to the party best able to manage them and results in "value for money" to the public Owner. Under a P3, many risks that are typically retained by the public Owner under a traditional delivery model are transferred to the private sector partner. In addition, under a P3, at-risk private financing, which is repaid only upon successful completion and implementation of the project, incentivizes the private sector partner to deliver the project on budget and on time. Furthermore, with the transfer of long-term maintenance responsibilities to the private sector partner in addition to design and construction, the private sector partner is incentivized to take a whole-of-life costing approach to deliver solutions that result in overall life-cycle cost efficiencies of the asset.

P3s also typically use a performance-based approach to technical requirements and specifications, both with respect to design and construction, and operations and maintenance, thereby creating an opportunity for the public Owner to encourage and incorporate the private sector's expertise and innovation and ensure a contractually specified level of performance of an asset over the entire term of the P3 agreement.

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Position

The Design-Build Institute of America (DBIA) supports P3s as a potentially effective and efficient method to help address our nation's infrastructure financing and delivery challenges. To be executed properly, a key component of a successful P3 is the implementation of design-build best practices as defined by DBIA, which we collectively refer to as Design-Build Done Right®. This is because at the heart of most P3s is a cost-certain, schedule-certain design-build contract for the initial design and construction of the asset.

A hallmark of Design-Build Done Right® and successful P3s is collaboration between parties in all phases of project delivery, including procurement, contracting and project implementation. This successful collaboration results in increased efficiency and innovation and contributes to the likelihood that a project will be successful. Design-Build Done Right® is further detailed in DBIA's *Universally Applicable Best Practices* and DBIA's market-sector-specific Best Practices.

Given the complexity and up-front work required of both the public Owner and private sector proposers and partners in procuring and delivering a project using the P3 delivery model, it should be considered an additional "tool in the tool box" for a public Owner's consideration on a project-by-project basis, rather than an optimal solution for addressing all of its infrastructure needs.

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