



Issue Brief

Public-Private Partnerships: Managing Objections Fiscal Implications Related to an Oversight Body

Because the rising interest in P3s stems mostly from the public sector's inability to deliver infrastructure with public funds, some P3 proponents object to the creation of a new oversight agency out of the belief that such an agency will put a further burden on public finances. However, the opposite is true. An oversight agency is needed to prevent the needless waste of taxpayer dollars by ensuring that potential P3 use is appropriate, bids are competitive and realistic, and bidders are qualified. Furthermore, an expert oversight inspires confidence in the marketplace and encourages competition. The following talking points are meant to help advocates argue in favor of an oversight agency such as the Office of Vertical Infrastructure Planning and Partnerships (OVIPP).

Not an Ordinary Procurement Process, P3 Requires High-Level Expertise

P3 project delivery is most appropriate for large, complex projects in which the private entity will provide long-term maintenance. Evaluating whether P3 delivers best value to the public requires a high level of expertise in finance, law, procurement, planning, and design. The requisite level of expertise in these disciplines is unlikely to be available in all the various government agencies that will be interested in P3 procurement. An oversight agency ensures that each potential P3 is examined by credible experts in a transparent, predictable process.

The Market Demands a Consistent Administrative Process for P3

The formation of an oversight agency like OVIPP signals seriousness, stability, and expertise to the marketplace. This dispels the perception that P3 projects are ad-hoc endeavors done by unprepared governments out of desperation for capital. This will foster a more stable and attractive P3 market, leading to the participation of more firms which will drive prices down due to increased competition.

Taxpayers Deserve Oversight

Due to their large size and high degree of complexity, P3 projects are high-dollar endeavors. An oversight agency such as OVIPP not only provides the government the expertise it needs to protect taxpayer money, but the money saved from avoiding even one poorly conceived P3 project could more than pay for the expense of operating the agency (see Long Beach Courthouse Case Study).

Exclusive Oversight by One Agency Enables Efficient Capital Asset Planning

An agency like OVIPP can help the government comprehensively evaluate its building portfolio, identifying inefficiencies in the government's management of its capital assets and helping it prioritize its building program to deliver the most efficient use of resources.