

Talking Points for Calls re: Public Private Partnership (P3) Legislation

- P3's are a valuable tool that will help us accelerate vital transportation projects.
- We have very serious concerns with the amendments mandating construction inspection as proposed by the Professional Engineers in California Government (PECG) who represent Caltrans Engineers.
- The PECG amendments impose a mandatory public sector role into a partnership process where public and private sector roles are negotiated based on which side can best manage specific risks.
- Their amendments cancel out the benefits of doing P3's.
- We have met with PECG and proposed multiple alternatives to try to work out something that properly allocates public agency roles in P3's.
- Unfortunately, PECG continues to insist on the inclusion of language that would authorize Caltrans to handle all inspection activities, which means – the state assumes the risk and liability.

Additional points we've given members about why the PECG language is problematic.

- By mandating specific public sector roles, the amendments directly discourage private sector involvement in P3 deals because they demonstrate an unwillingness to negotiate on certain terms of a deal before the deal is even discussed. Mandating roles pre-assigns risk.
- Much of the value from a P3 for the public sector is derived from the ability to include lifecycle costs in the deal, thus ensuring maintenance of the asset (something that is often overlooked in traditional delivery models).
- By specifying that inspections will be performed specifically by the public sector, the PECG amendments essentially take much of that value off the table.
- Finally, another specific value of P3 is that the designer and builder of the project is also responsible for maintenance, and thus designs and builds the project in a way that reduces overall maintenance costs.
- By mandating a public sector maintenance role, the amendments negate that potential value as well.