

To P3 or Not to P3: American Water Works Association Report Addressing Public/Private Partnership Delivery Models



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The American Water Works Association (“AWWA”) and Ernst & Young Infrastructure Advisors, LLC, released a report titled:

To P3 or not to P3 – A Water Industry View on the Relevance of Public-Private Partnership Delivery Models (“Report”)

The *Report* presents what are described as “results and insights” from the two organizations’ study on the perceived relevance and outlook for P3 as an alternative delivery model for United States Municipal Water and Wastewater infrastructure projects. The focus of the so-called alternative delivery model would be to address infrastructure repair and replacement costs, affordability concerns, environmental regulation and demographic changes, and long-term risks and resilience in response to extreme weather events and climate trends.

P3s are described as performance-based contracts that allocate risks to the party best suited to manage them and link public sector payments to contractual performance obligations of the private sector partner.

Questions addressed in the *Report* include:

- What are the main drivers of interest in P3 delivery models?
- What are the key barriers to successfully pursuing P3 in water and how can these be overcome?
- Where is P3 likely to be most appropriately deployed in the U.S. water sector going forward?

The studies describe the key outcomes as:

- Risk transfer, innovation and a way of reducing deferred maintenance are the most valued P3 benefits. Access to new sources of capital as a means of accelerating project delivery and enforcing performance risk transfer also emerge as key drivers for P3.
- Stakeholder skepticism over the costs and benefits of P3, and a lack of internal executive-level champions, are key barriers. A limited understanding of financial, legal and procurement issues is likely to compound this. While the technical aspects of P3 are generally understood, concern over ceding asset control is a key barrier.
- Approximately 60% of respondents expressed an active interest in pursuing P3 for a discrete subset of the infrastructure projects in their capital plans. New-build water, wastewater, energy recovery and reuse infrastructure is believed by respondents to be most suitable for P3 delivery.

A copy of the *Report* can be found [here](#).