AIAI

Association for the Improvement of American Infrastructure

SIMPLY STATED

The Impact of Project Cancellations

Simply stated: Cancelling projects after award can cause adverse effects on a market.

It is important to the private sector as they partner with government to invest and deliver upon critical infrastructure needs that the public's program is well thought out and committed to by the government. Leadership is an essential ingredient for successful public private partnerships. Nowhere is this more evident in a P3 than with the chief executive; whether it is the Governor, state-level department of transportation or a school authority, having the commitment and political will in the office in charge of the project is vital.

Private companies spend millions preparing competitive and thoughtful bids for these large infrastructure projects in the hopes that they will win the business. The stability of the market and the political will of the government is part of the business decision on whether to respond to an RFP or not.

In order to create an environment that will allow for the most competitive and innovative submissions for public procurement, it is imperative an agency and their leadership to demonstrated they are committed to the program and the projects within their P3 program.

When a project is awarded to a successful bidder and then canceled based on political will, or due to protest from the non-winning bidder it most certainly adversely impacts the market and private investment into that market.

The result of project cancellation includes monetary loss for both parties to the deal, potential liability for the agency and the risk of communicating that a market is not stable or "open for business". When the private sector participants leave a market thereby decreasing competition it ultimately increases costs for taxpayers, limits the opportunity for innovation and adversely affects the potential for economic development in the surrounding communities.