



Highlights of [GAO-10-19](#), a report to congressional committees

Why GAO Did This Study

As demand for transit and competition for available federal funding increases, transit project sponsors are increasingly looking to alternative approaches, such as public-private partnerships, to deliver and finance new, large-scale public transit projects more quickly and at reduced costs. GAO reviewed (1) the role of the private sector in U.S. public transit projects as compared to international projects; (2) the benefits and limitations of and barriers, if any, to greater private sector involvement in transit projects and how these barriers are addressed in the Department of Transportation's (DOT) pilot program; and (3) how project sponsors and DOT can protect the public interest when these approaches are used. GAO reviewed regulations, studies, and contracts and interviewed U.S., Canadian, and United Kingdom officials (identified by experts in the use of these approaches).

What GAO Recommends

The Federal Transit Administration (FTA) should incorporate greater flexibility in its pilot program through the use of existing tools, such as conditional approvals, to streamline the New Starts process, and develop a sound evaluation plan to assess the pilot program's results. DOT should increase efforts to better equip project sponsors in using these approaches, including developing guidance and providing technical assistance. DOT agreed to consider our recommendations.

[View GAO-10-19 or key components.](#)

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PUBLIC TRANSPORTATION

Federal Project Approval Process Remains a Barrier to Greater Private Sector Role and DOT Could Enhance Efforts to Assist Project Sponsors

What GAO Found

In the United States, the private sector role in delivering and financing transit projects through alternative approaches, such as public-private partnerships, has been more limited than in international projects. The private sector role in U.S. projects has focused more on how they are delivered rather than how they are financed, while the private sector role in international projects has focused on both project delivery and financing. Since 2000, seven new large-scale construction projects funded through FTA's Fixed Guideway Capital Investment Program—New Starts program—have been completed using one of two alternative project delivery approaches, and none of these projects included private sector financing. In 2005, Congress authorized FTA to establish a pilot program to demonstrate the advantages and disadvantages of these alternative approaches and how the New Starts Program could better allow for them.

Alternative approaches can offer potential benefits such as a greater likelihood of completing projects on time and on budget, but also involve limitations such as less project sponsor control over operations. The sequential and phased New Starts process is a barrier because it is incompatible with alternative approaches and thus does not allow for work to be completed concurrently, which can lead to delays and increased costs. Under its pilot program, FTA can grant major streamlining modifications to the New Starts process for up to three project sponsors, but has not yet granted any such modifications because FTA has found that none of the projects has transferred enough risk, in particular financial responsibilities, to the private sector. FTA has the ability within its pilot program to further experiment with the use of long-standing existing tools that could encourage a greater private sector role while continuing to balance the need to protect the public interest. This includes forms of conditional funding approvals used by other DOT agencies and international governments. FTA also lacks an evaluation plan to accurately and reliably assess the pilot program's results, including the effect of its efforts to streamline the New Starts process for pilot project sponsors. Without such a plan, agencies and Congress will be limited in their decision making regarding the pilot program.

Transit project sponsors protect the public interest in alternative approaches through, for example, the use of performance standards and financial assessments to evaluate the costs and benefits of proposed approaches. Other governments have established entities to assist project sponsors in protecting the public interest. These entities have better equipped project sponsors to implement alternative approaches by creating a uniform approach to developing project agreements and serving as a repository of institutional knowledge. DOT can serve as a valuable resource for transit project sponsors by broadening its current efforts, including providing technical assistance and encouraging the use of additional financial assessments, among other measures.