



Highlights of [GAO-08-44](#), a report to congressional requesters

## Why GAO Did This Study

The United States is at a critical juncture in addressing the demands on its transportation system, including highway infrastructure. State and local governments are looking for alternatives, including increased private sector participation. GAO was asked to review (1) the benefits, costs, and trade-offs of public-private partnerships; (2) how public officials have identified and acted to protect the public interest in these arrangements; and (3) the federal role in public-private partnerships and potential changes in this role. GAO reviewed federal legislation, interviewed federal, state, and other officials, and reviewed the experience of Australia, Canada, and Spain. GAO's work focused on highway-related public-private partnerships and did not review all forms of public-private partnerships.

## What GAO Recommends

Congress should consider directing the Secretary of Transportation, in consultation with Congress and other stakeholders, to develop objective criteria for identifying potential national public interests in highway public-private partnerships. The Department of Transportation raised concerns and disagreed with several of the findings and conclusions, as well as one of the recommendations. GAO clarified the report and continues to believe more rigorous up-front analysis could better protect public interests.

To view the full product, including the scope and methodology, click on [GAO-08-44](#). For more information, contact JayEtta Z. Hecker at (202) 512-2834 or [heckerj@gao.gov](mailto:heckerj@gao.gov).

# HIGHWAY PUBLIC-PRIVATE PARTNERSHIPS

## More Rigorous Up-front Analysis Could Better Secure Potential Benefits and Protect the Public Interest

### What GAO Found

Highway public-private partnerships have resulted in advantages for state and local governments, such as obtaining new facilities and value from existing facilities without using public funding. The public can potentially obtain other benefits, such as sharing risks with the private sector, more efficient operations and management of facilities, and, through the use of tolling, increased mobility and more cost effective investment decisions. There are also potential costs and trade-offs—there is no “free” money in public-private partnerships and it is likely that tolls on a privately operated highway will increase to a greater extent than they would on a publicly operated toll road. There is also the risk of tolls being set that exceed the costs of the facility, including a reasonable rate of return, should a private concessionaire gain market power because of the lack of viable travel alternatives. Highway public-private partnerships are also potentially more costly to the public than traditional procurement methods and the public sector gives up a measure of control, such as the ability to influence toll rates. Finally, as with any highway project, there are multiple stakeholders and trade-offs in protecting the public interest.

Highway public-private partnerships we reviewed protected the public interest largely through concession agreement terms prescribing performance and other standards. Governments in other countries, such as Australia, have developed systematic approaches to identifying and evaluating public interest and require their use when considering private investments in public infrastructure. While similar tools have been used to some extent in the United States, their use has been more limited. Using up-front public interest evaluation tools can assist in determining expected benefits and costs of projects; not using such tools may lead to aspects of protecting the public interest being overlooked. For example, while projects in Australia require consideration of local and regional interests, concerns by local governments in Texas that they were being excluded resulted in state legislation requiring their involvement.

While direct federal involvement has been limited to where federal investment exists, and while the Department of Transportation has actively promoted them, highway public-private partnerships may pose national public interest implications such as interstate commerce that transcend whether there is direct federal investment in a project. However, given the minimal federal funding in highway public-private partnerships to date, little consideration has been given to potential national public interests in them. GAO has called for a fundamental reexamination of federal programs to address emerging needs and test the relevance of existing policies. This reexamination provides an opportunity to identify and protect potential national public interests in highway public-private partnerships.