



# Highlights

Highlights of [GAO-04-419](#), a report to congressional requesters

## Why GAO Did This Study

Many in Congress, as well as many transportation experts, believe more money needs to be spent to keep up with the country's surface transportation needs. As Congress considers reauthorization of the nation's surface transportation laws, many observers believe increased private participation and investment in transportation can help meet these needs.

GAO was asked to examine cases where state and local governments have used active private sector sponsorship and investment on major highway and transit projects where the private sector was the primary stakeholder in designing, financing, constructing, operating, and maintaining such projects. Among its objectives, GAO (1) identified the extent to which states have used active private sponsorship and investment to finance and build highway and transit projects; (2) identified some advantages, from the perspective of state and local governments, resulting from private sponsorship and investment and some trade-offs; (3) determined challenges that the private sector faced in these projects; and (4) presented legislative proposals that could help increase private sponsorship and investment in highway and transit projects.

We provided a draft of this report to the Department of Transportation (DOT) for its review and comment. DOT generally agreed with the information in the report.

[www.gao.gov/cgi-bin/getrpt?GAO-04-419](http://www.gao.gov/cgi-bin/getrpt?GAO-04-419).

To view the full product, including the scope and methodology, click on the link above. For more information, contact JayEtta Hecker, (202) 512-2834, [heckerj@gao.gov](mailto:heckerj@gao.gov).

## HIGHWAYS AND TRANSIT

# Private Sector Sponsorship of and Investment in Major Projects Has Been Limited

## What GAO Found

Active private sector sponsorship and investment has been used to a limited extent to build and finance major highway and transit projects; thus the nation has had little experience with such sponsorship. We identified six such major projects—five toll road projects and one transit project. Three projects were for-profit ventures financed with equity and debt while three were non-profit ventures financed with tax-exempt debt.

Private sector sponsorship and investment in major projects has resulted in advantages from the perspective of state and local governments—such as completing projects more quickly—and trade-offs—such as the political costs of relinquishing control over toll rates and the contractual constraints to improving competing publicly owned roadways. On one project, State Route 91 in California, this latter constraint motivated the county government to purchase the road from the private consortium.

The private sector encounters many challenges to becoming more actively involved in highway and transit projects because of limited opportunities and barriers to financial success. Currently 23 states permit private participation while 20 of these allow it for highways. Where state and local governments have elicited such participation, it has occurred on mostly lower priority projects, such as toll roads built in anticipation of future development. State and local governments traditionally build and finance highway projects through their capital improvement programs including using federal funds that reimburse about 80 percent of the costs. While these governments could open higher priority projects to private sector partners, they might be wary of doing so since political costs such as the limited ability to improve competing publicly owned roads would likely be greater. While legislative proposals could encourage greater private participation, private sponsorship seem best able to advance a small number of projects—but seems unlikely to stimulate significant increases in funding for highways and transit.



Sources: GAO (left); Orange County Transportation Authority (right).

Traffic on the Pocahontas Parkway in Virginia (left), built in anticipation of future development, has not met traffic and revenue projections, while the SR 91 Express Lanes in California (right), built to relieve congestion, has met these projections and is financially successful.