



Memorandum

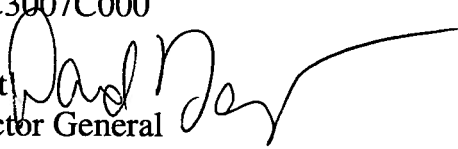
**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

Office of Inspector General

Subject: **INFORMATION:** Audit of Transportation
Related Public-Private Partnerships
Project No. 07C3007C000

Date: January 23, 2008

From: David Tornquist 
Assistant Inspector General
for Rail and Maritime Program Audits and
Economic Analysis

Reply to JA-50
Attn of:

To: Assistant Secretary for Transportation Policy

In May 2006 the U.S. Department of Transportation announced a major initiative to reduce transportation system congestion. This plan, the *National Strategy to Reduce Congestion on America's Transportation Network* (often referred to as the "Congestion Initiative") includes Public Private Partnerships (PPPs) as one of its six major components. PPPs are contractual agreements, formed between a public agency and private sector entity, which expand on the traditional, private sector role in the delivery of transportation projects. There are many different PPP options. The exact combination of services and responsibilities differs from one application to another.

The recent interest in privatizing public infrastructure (e.g., the recent multi-billion dollar transactions for public facilities like the Chicago Skyway or the Indiana Toll Road) raises many policy questions. This includes whether PPPs are a more attractive way for state and local governments to raise money compared to more traditional alternatives and whether they can be executed in a prudent manner so as to preserve the transportation assets of the country.

The objectives of this audit are to: (1) determine the cost advantages and disadvantages to the public sector of PPP transactions compared to the more traditional financing of transportation infrastructure projects through the issuance of debt by government or quasi-government entities in the public or municipal bond markets; (2) evaluate the benefits and value realized through PPPs to both the private and public sector in order to determine the overall equity of the

transactions; and (3) determine whether, and to what extent, PPPs result in operating efficiencies.

We will conduct the audit in Washington, DC with the support of a consultant team led by CRA International, in Boston, Massachusetts. The Program Director for this evaluation is Mitchell Behm and the Project Manager is Betty Krier. If you have any questions or need additional information, please call me at (202) 366-1981, Mr. Behm at (202) 366-1995 or Ms. Krier at (202) 366-1422.

#

cc: Federal Highways Administrator
Federal Transit Administrator
Audit Liaison, OST, M-1