

U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington, DC 20515

May 10, 2007

Dear:

We write to strongly discourage you from entering into public-private partnership ("PPP") agreements that are not in the long-term public interest in a safe, integrated national transportation system that can meet the needs of the 21st Century. Although Bush administration officials have lauded PPPs at every turn, the Committee on Transportation and Infrastructure of the U.S. House of Representatives believes that many of the arrangements that have been proposed do not adequately protect the public interest. The Committee will work to undo any state PPP agreements that do not fully protect the public interest and the integrity of the national system.

The Committee on Transportation and Infrastructure has begun work on reauthorizing the Federal highway, transit, and highway safety programs of Safe, Accountable, Flexible, Efficient Transportation Equity Act: a Legacy for Users ("SAFETEA-LU"), which expires on October 1, 2009. We believe that we must significantly increase investments in our highway, bridge, and public transit infrastructure. However, we have serious concerns about states entering into PPP agreements that improve selected segments of our surface transportation network but undermine the integrity of a national system and do not protect the public interest. Although we invite all financing options be on the table as we evaluate opportunities to increase investment in our nation's infrastructure, we strongly caution you against rushing into PPPs that do not fully protect the public interest, the integrity of the national system, and which do not constitute a sustainable national system of transportation financing.

The Subcommittee on Highways and Transit of the Committee has held three hearings since May of 2006 on PPPs to examine the policy questions surrounding increased private involvement in infrastructure project development, delivery, and financing. It will

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hold another hearing on the issue at the end of the month. Our interest in PPPs is directly related to the increased involvement of private companies, both foreign and domestic, in managing and financing our nation's transportation infrastructure, and efforts by the U.S. Department of Transportation ("U.S. DOT") to strongly encourage states to utilize PPPs.

Our concern initially stemmed from non-compete clauses that are frequently included in concession agreements that make it extremely difficult – if not impossible – for public transportation agencies to address safety and congestion problems on highways and streets adjacent to private toll roads. More recently, we have become increasingly concerned with a new type of PPP agreement that was approved for projects in Chicago and Indiana. These agreements raise revenues for public entities by engaging in long-term leases of existing toll facilities with private companies. These deals make good business sense to the companies that are investing in the projects, but we have serious concerns about whether these transactions offer a net balance of benefits for the American public.

We are also very concerned about the impact that PPPs will have on our national transportation network, which is the mobility backbone that supports our economy. Our Federal-aid highway system was developed on the basis of a federal-state partnership. The need for an efficient, integrated national transportation network is even more compelling in today's global economy than when we began the work in the 1956. Shortsighted and unbalanced PPPs that mortgage our nation's surface transportation infrastructure for generations to come may favor parochial and private interests to the detriment of an improved 21st Century national transportation system.

The rush of the Administration and some states to embrace PPPs, particularly for long-term leases of existing assets, is already turning public opinion against this form of innovative financing and may hurt future efforts to positively harness private investment for the public good. PPPs that expand capacity and provide a service that otherwise cannot be provided by public resources may be a good idea. However, we need to fully examine both the claimed benefits and the potential public policy concerns engendered by this relatively new way of financing transportation projects in the United States before it is significantly expanded across the country.

The U.S. DOT is strongly encouraging states to adopt legislation allowing for PPPs. To support this endeavor, they have created "model legislation" for the states as an example of what the Administration believes should be included in any legislation proposal to authorize PPPs. To provide a more balanced discussion about the benefits and costs of PPPs, the Committee on Transportation and Infrastructure is preparing a discussion paper that outlines what we think states should consider before enacting PPP legislation or entering into PPP agreements. That document will be sent to you in the coming days.

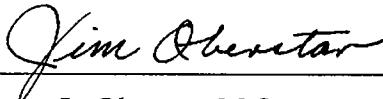
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As we move to reauthorize the Federal highway, transit, and highway safety programs, we look forward to working with you and other state and local officials to ensure that we significantly increase infrastructure investment while protecting the public interest in a safe, integrated national transportation system that can meet the needs of the 21st Century.

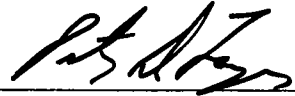
If you have any questions, please contact the majority staff of the Subcommittee on Highways and Transit at (202) 225-9989 or us.

With all best wishes.

Sincerely,



James L. Oberstar, M.C.
Chairman



Peter A. DeFazio, M.C.
Chairman
Subcommittee on
Highways and Transit