



Highway Robbery II

The Many Problems With Outsourcing Design, Engineering,
Inspection & Supervision of Federally-Funded Transportation
Projects: Increased Costs, Reduced Quality & Safety,
and Little Accountability to the Public

A REPORT BY THE
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EXECUTIVE SUMMARY

- The nation is making large-scale and long-overdue investments in highways, bridges, mass transit systems, and similar projects. The total investment will be \$286 billion from 2005 through 2010, on top of an earlier commitment of \$217 billion from 1998 through 2004.
- There must be real accountability for how this huge amount of federal money is spent by state departments of transportation. Unfortunately, the transportation appropriations bill for the 2006 fiscal year, which funds the recently renewed federal transportation program, actually restricts the states' efforts to hold consultants and contractors accountable for the cost and quality of their work.
- The outsourcing of engineering, design, inspection, supervision, and management of these projects is increasing exponentially – usually without competitive bidding, often with cost-plus contracts.
- That's in spite of the fact that 80% of comparative studies show that outsourcing engineering and similar functions costs more than doing the work in-house.
- Worse yet, there are growing numbers of overcharges, delays, and dangerous construction problems in projects where the engineering, design, inspection, supervision and management has been contracted out. For instance, the "Big Dig" project in Boston, took seven years longer and cost \$12 billion more than original estimated. In the summer of 2006, a section of the ceiling on a tunnel collapsed, killing a woman, injuring her husband, and forcing part of the project to be closed for several weeks.
- Contracting out can be part of a budgetary shell-game: State transportation departments are freezing or cutting their engineering and technical staff, while contracting-out increasing amounts of work.
- State departments of transportation are losing experienced and dedicated professional staff and failing to recruit and retain a new generation of engineering and technical employees. If outsourcing continues to increase, states will lose their capacity not only to engineer and design transportation projects but also to oversee the consultants' work and protect the public's interest in safety, quality, and economy.
- That's why it is so important that Congress consider "accountability in contracting" provisions requiring state transportation departments to conduct cost-benefit studies before outsourcing engineering and similar services on federally funded projects. States should also take steps to hold private consultants and contractors accountable for the cost and quality of their work. The nation needs to make sure that the taxpayers get their money's worth for the essential investments Americans are making in transportation.

State and local governments are making large-scale and long-overdue efforts to build and repair highways, bridges, mass transit systems, and similar projects. These important investments are being encouraged and assisted by a major federal program – the Transportation Equity Act for the Twenty-First Century (TEA-21), for which \$217 billion was provided in 1998 and an additional \$286 billion was approved in 2005 for the next five years¹ under the Safe, Accountable, Flexible, Efficient Transportation Equity Act (SAFETEA-LU).

These investments are essential for America's future. An expanding population, a growing economy, and a deteriorating infrastructure, all require that the nation build new means of transportation and repair old ones in order to keep our people, our products, and our prosperity on the move. The costs of inaction would be considerable: Traffic congestion costs American drivers 3.6 billion hours of delay and 5.7 billion gallons of wasted fuel every year at a time when gasoline prices are soaring. Moreover, poorly maintained roads and highways are among the causes of an estimated one-third of the 42,000 traffic fatalities that take place every year.

Indispensable as these investments are, they must be made wisely. There must be real accountability for how this huge amount of federal funding is spent. Unfortunately, the bill that provided the first year of appropriations for the recently renewed federal transportation program makes it more difficult for state departments of transportation to hold their consultants and contractors accountable for the cost and quality of their work by conducting audits of these outside firms and their work on their projects.