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Speech

Remarks of

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It's a great privilege to be able to speak to you about an issue that has taken on increased importance in recent years – innovative finance and its potential to enhance our transportation infrastructure.

Secretary Mineta regrets that he could not be here today. As many of you know, he has been working very hard over the last 14 months to improve transportation security. Now, with the impending move of both the U.S. Coast Guard and the Transportation Security Administration to the new Department of Homeland Security, Secretary Mineta is looking forward to a refocusing and a rededication of our Department to the core transportation challenges that were the reason the Department was created 35 years ago.

This week, however, is very special to him and to DOT. This past Tuesday marked the first anniversary of the creation of the Transportation Security Administration. We began a year ago with a mandate from the Congress to create from scratch the largest new U.S. government agency to be established since World War II. As you can probably guess, Secretary Mineta is immensely proud of his team and what they have accomplished. Under his leadership, and against all odds, the Department did create the new agency, and then met a daunting one-year deadline for hiring, training, and deploying federal screeners at all 429 of the covered airports throughout the country. The result is that every air traveler in the country is seeing dramatic change both in the efficiency and user-friendliness of the screening process and, more important, in the quality of security throughout our aviation system.

Secretary Mineta and all of us at DOT very much look forward to working with ARTBA and other transportation stakeholders as we rewrite the Transportation Equity Act for the 21st Century, or TEA-21. While key elements of the Administration's reauthorization proposal will preserve and build upon the reforms of TEA-21, the reauthorization process also represents an important opportunity to do much more.

The stated goal of this conference is to "review the current state-of-the-art, and consider means to enhance the use of public-private ventures and innovative finance in future transportation infrastructure." By a happy coincidence, that's just the topic I wanted to talk to you about today.

As we have seen in Europe and elsewhere around the world, the private sector can play a huge role in infrastructure investment. For the most part, however, that has not yet been the case in the United States to a sufficient extent. We want that to change.

Even now, of course, the story isn't all bad. Because the demand for transportation investment throughout the country consistently exceeds the supply of funds, those regions facing the greatest challenges to mobility have readily embraced -- and in many cases have pioneered -- the opportunities provided by innovative finance.

According to a recent report on DOT's innovative finance initiatives, overall Federal investments of $8.6 billion have helped to finance projects worth a total of $29 billion, with the private sector contributing $3.40 for every one dollar of Federal money. Of this $29 billion, more than 27 percent, or $8 billion, consists of debt that will be repaid from new revenue sources such as toll roads.

Estimates are that the overall economic impact of these projects has been an additional $91 billion in public benefits that have accrued far more rapidly than would have been possible under more conventional financing methods.

Still, we can do much more. In order to address the increased demands that we face, the current reauthorization process will focus on how to stretch the Federal dollar as far as possible. We recognize that states and localities are facing severe budget constraints. Our challenge is to establish programs and practices that expand the options and resources available to states as they work to augment transportation systems that are now stretched to capacity.

We need to bring our best transportation minds together with our best financial minds to form a powerful partnership for mobility – a partnership that addresses in new and creative ways America's need for increased efficiency in the movement of people and goods. The revenue streams that are the foundation of any innovative financing strategy are there. Individuals and businesses have demonstrated time and time again that they will pay for improved efficiency in every sector of the economy. And from the perspective of economic growth, investments in improved transportation are the best investments of all.

But nobody wants to invest in a project whose benefits will be available only to generations yet unborn. The return on our transportation investments needs to be realized more quickly. That's why we need to ensure that priority transportation projects are built in a more timely and efficient manner. And that's why the Administration's environmental streamlining initiative is so important.

Let me talk about that initiative for a few moments. In early October, as you know, President Bush issued Executive Order 13274 to speed up decision making on vital highway, transit, airport, and intermodal transportation projects, while at the same time carefully safeguarding environmental values in the process.

The Executive Order calls for the creation of a Cabinet-level task force, chaired by the Secretary of Transportation, to expedite *priority* projects and improve the procedures that apply to *all* projects.

In addition to streamlining our project approval process, the Executive Order also calls for improved environmental stewardship. The transportation sector has made great strides in wetlands protection, maintenance of ecosystems, and the preservation of historic resources. But in the face of population growth and increased congestion, and the greater pressure on vital environmental resources attributable to that growth and congestion, we need to be increasingly attentive to environmental values. The Executive Order will facilitate that more enlightened stewardship while making the procedures for project review more efficient.

Last month, Secretary Mineta announced seven transportation projects around the country that will receive accelerated environmental reviews pursuant to the process established in the Executive Order. The Secretary also invited governors, metropolitan planning organizations, and airport authorities to nominate their own projects. We will be announcing the second group of environmental streamlining priority projects in early December following our review of those submissions.

Secretary Mineta and all of us at DOT are very enthusiastic about this initiative and will be working closely with state DOTs, officials from the Environmental Protection Agency, the Council on Environmental Quality, the Advisory Council on Historic Preservation, and other Cabinet departments to implement the Executive Order.

By reducing the uncertainties and inefficiencies so often associated with project review, the Executive Order can be expected to enhance significantly the prospects for private investment in our transportation sector.

I can tell you today that the TIFIA program, created by the Transportation Infrastructure Finance and Innovation Act of 1998, will be an important element in the Administration's bill, and we hope to improve and expand on the program in this reauthorization cycle. We strongly believe that the TIFIA program has been instrumental in ensuring that projects that would not otherwise be completed are getting done rather than languishing on the drawing board or in state planning documents.

An explicit goal of the TIFIA program, obviously, is to encourage private investment in transportation infrastructure. There is no question that the Federal Government will continue to make substantial contributions to public infrastructure projects nationwide in the conventional way, but given the current demands we cannot possibly fund every project that state and local planners would like to do. Public/private partnerships, therefore, *must* play an increasingly important role in getting many of these projects completed.

Under the current program, DOT can provide several different kinds of credit assistance, including direct loans, loan guarantees, and standby lines-of-credit to surface transportation projects of national or regional significance. To date, the Department has made commitments through the TIFIA program to fund 10 projects, representing $14.9 billion in transportation investment. The TIFIA-specific commitments total $3.4 billion in credit assistance at a subsidy cost to taxpayers of only about $182 million. That's a pretty good return on our federal tax dollars.

There has been a great deal of interest in the TIFIA program, and all major surface modes – highway, transit, passenger rail and multi-modal – have sought and received credit assistance thus far. TIFIA assistance has ranged from $73.5 million to $917 million per project, and has typically taken the form of direct Federal loans from DOT to project sponsors.

Last spring, Secretary Mineta was in his native California to dedicate a project that vividly illustrates the benefits of public / private cooperation in transportation infrastructure – the Alameda Corridor Project. This project dramatically improved rail and highway access to the ports of Los Angeles and Long Beach – the largest port facility in the United States – while also improving the flow of commuter traffic.

The Corridor runs 20 miles from the ports to downtown Los Angeles, connecting to major transcontinental rail lines and eliminating or minimizing about 200 at-grade crossings.

Project construction was launched in 1997. Total cost was $2.4 billion, including $1 billion raised by revenue bonds issued by the port authorities, $400 million in direct funding from the ports, $460 million provided by the Los Angeles Metropolitan Transportation Authority, and a $400 million TIFIA loan from DOT. The project has been a huge success and has paved the way for more private investment in such projects, especially those that support the movement of freight near our major ports of entry.

Needless to say, we want to see a lot more of that kind of success, and it is our hope that we can help to facilitate it through reauthorization. Your input during the process has been very important to us thus far, and you probably don't need any encouragement from me to stay closely involved as Congress takes up its own deliberations next year.

Conclusion

I would just summarize by saying that three major elements of our proposal for the successor to TEA-21 will be:

1) increasing innovative finance options;

2) streamlining the timeliness of project delivery; and,

3) engaging the private sector in the expansion of our Nation's transportation infrastructure.

ISTEA and TEA-21 have given states and communities across America the ability to improve their citizens' quality of life through improved transportation systems. Secretary Mineta was a principal author of ISTEA, and he intends to play a proactive role as Congress builds on the Administration's proposals to develop the new legislation. As Congress debates reauthorization next year, we will have to focus on improving the tools that TEA-21 and ISTEA created.

More than ever, the transportation community must remain unified behind the common goal of improving even further the safety, security and mobility of people and goods in our Nation's transportation system. The challenges will be enormous, and they will require focused national attention.

I appreciate the opportunity to be here with you today, and look forward to working with ARTBA on these and other important issues in the months ahead.

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