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Speech

INNOVATIVE FINANCE AND BORDER INFRASTRUCTURE

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It is a very special pleasure for me to be with you this morning, and to bring you greetings from Secretary of Transportation Norm Mineta.

You know, our borders are more than just lines on a map. They represent historic links between the U.S. and both Canada and Mexico. They define nations that are knit together by a vital network of trade, cultural, social and institutional relationships.

Mexico and Canada are the United States' top two trading partners, and trade among our countries is expected to keep growing. The numbers tell an impressive story. In 2004, the U.S. traded $711 billion in goods with Canada and Mexico. That means that every day, the NAFTA partners trade almost $2 billion in goods and services, more than any other three nations in the world. In fact, trade just between the U.S. and Canada is greater than U.S. trade with all 25 member nations of the European Union combined.

Since 1990, the value of freight shipments between the U.S., Canada and Mexico has grown by 170 percent—rising at an average of eight percent a year. Every year, some 350 million people legally cross the border between the United States and Mexico and more than 200 million people cross the U.S.-Canadian border.

THE SECURITY AND PROSPERITY PARTNERSHIP FOR NORTH AMERICA

When countries trade at volumes as high as our three North American nations do, and when people travel across our borders in the numbers that they do, problems are inevitable and cooperation is essential.

Our interdependence calls for teamwork and unity in order to reach common solutions. We have to work together to resolve transportation and infrastructure problems, and we have to resolve them promptly and permanently.

That's why border projects are so vital to our national relationships. And financing is key to any project we hope to start. The role of the U.S. Department of Transportation and the Federal Highway Administration, and their Mexican and Canadian counterpart agencies, is to ensure that people and commerce continue to flow safely and efficiently across our borders by encouraging the projects and other solutions that facilitate that flow.

This, of course, is precisely what our three leaders – President Bush, President Fox, and Prime Minister Martin – had in mind when they launched the *"Security and Prosperity Partnership for North America*" last March. Their joint statement said, "In a rapidly changing world, we must develop new avenues of cooperation that will make our open societies safer and more secure, our businesses more competitive, and our economies more resilient."

We're making progress.

Perhaps one of the best pieces of recent news is that Congress finally passed, and President Bush signed on August 10, multi-year surface transportation reauthorization legislation—the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (or SAFETEA-LU).

Among its many provisions, SAFETEA-LU authorizes a new coordinated border infrastructure program, funded at $833 million in total for the five-year period from FY 2005-2009. These funds will be distributed to border state DOTs, and apportioned in such a way as to ensure that support is directed to border regions where it is most needed. Financial support will be determined by the ratio of cross border traffic in a particular State to overall cross border traffic.

This new program builds on the Corridor and Border grant program that was included in TEA-21. Funds will be available for planning, design and construction of border region transportation infrastructure.

The new Act also contains some other notable provisions relating to border crossings and infrastructure financing:

- It separates border transportation infrastructure financing from intrastate and interstate projects, which will allow more flexibility to border states in their deployment of border project funds.

- It expands state flexibility to toll existing interstate highways in connection with capacity expansions for cross-border traffic.

- The new act allows the issuance of up to $15 billion in private activity bonds for highway facilities and intermodal freight transfer facilities.

- Funds can be used for cross-border infrastructure, safety-related activities and enforcement, operational improvements such as use of telecommunications to expedite and secure border crossings, and modifications to regulatory procedures to expedite movement between the U.S., Canada, and Mexico.

Mexico is paying attention to transportation infrastructure as well. Realizing that public funding is insufficient to keep up with rising demand, the Government of Mexico has been working with the private sector for many years to construct, maintain, and operate transportation facilities, including international ports of entry.

Canada has created a $600 million federal program to fund improvements at the border. Transport Canada recently proposed amendments to transportation laws to improve the safety, efficiency and security of the operations of international bridge and tunnel crossings.

CONFERENCE GOALS

So, with that overview, what are the goals for this Border Finance Conference?

- First, to advance as many projects as possible -- that means getting stalled projects moving;

- Second, to strongly support steps toward innovative financing; and

- Finally, and most importantly, to share best practices and case studies so that *your* project can have the best planning and financing knowledge available.

When you look at assessments of what is needed, all of us at this conference face a giant task that cannot be delayed.

The U.S./Mexico Joint Working Committee has completed a Border Transportation Infrastructure Needs Assessment for the ten states along the U.S.-Mexico border. This effort created a border-wide database and evaluation tool and documented 311 significant transportation projects. It also identified a funding shortfall of $10.5 billion in the U.S. and $860 million in Mexico for these projects.

Similarly, the U.S./Canada Transportation Border Working Group has identified 224 projects to improve infrastructure and inspection operations at the U.S./Canada border or in its vicinity at an estimated total cost of $13.4 billion.

PUBLIC-PRIVATE PARTNERSHIPS

Steadily increasing congestion and growing uncertainty about the long-term stability of traditional funding sources will only compound these pressing needs. As a result, state and local governments have been actively searching for new ways to fund infrastructure expansion.

We have seen some real successes through public-private partnerships. These partnerships generally follow this model:

- The government awards a contract to a private sector firm to build or improve a highway, bridge, or a transit or railway line.

- The private sector firm pays a fee to the government up front and gets to keep subsequent revenue.

In the U.S, I'd cite two notable public-private partnership projects:

First, the Trans-Texas Corridor. Last December, the State of Texas announced a deal with Cintra-Zachery -- a consortium of engineering, construction and financial firms. Cintra-Zachery signed an agreement with Texas after proposing a $7.2 billion investment to develop the approximately 600-mile, Oklahoma to Mexico portion of the Trans-Texas Corridor. The consortium is willing to pay the state as much as $1.2 billion for the privilege. Using private resources, under this proposal, the consortium would operate the toll road for 50 years and then return it to the state.

Second, the SR 125 South Toll Road, or South Bay Expressway, in San Diego, California. This project is being advanced under an agreement between Caltrans and the San Diego Expressway Limited Partnership, which is owned by the Macquarie Infrastructure Group. The Macquarie Infrastructure Group is investing more than $150 million to develop and operate the toll road. This $642 million project is being funded by a combination of senior bank debt, a TIFIA credit assistance loan, sponsor equity, and donated right-of-way. Given its strategic location, the project will smooth traffic and trade across the U.S.-Mexico border at the Otay Mesa crossing by providing an alternative to the congested facilities on Interstates 5 and 805.

This movement toward roadway privatization is a familiar pattern in other countries:

- Italy, for example, privatized its largest state toll business, Autostrade, a few years ago.

- In Canada, a toll road near Toronto -- the 407 -- was privatized after being constructed by the Province of Ontario.

- Japan has committed to privatizing its government-owned toll facilities, which are the largest toll revenue generators in the world.

Investors under government-administered agreements, in fact, are building most new toll facilities. These include new toll roads in 23 countries in Europe, Asia, South America, and the Caribbean.

Not all innovative projects need to be large-scale. Some of you may be familiar with a small, but significant program in Nogales, Arizona. Shippers were seeking relief from the frustrating backup of trucks from Mexico waiting to clear Customs. U.S. border officials, on the other hand, were looking for new incentives to encourage tighter cargo security, through enrollment in the Free and Secure Trade, or FAST, program. So the shippers, the state, and the federal government agreed to jointly finance construction of two new FAST lanes. As you know, these lanes give preference to trucks from companies that agree to take additional security measures, and they provide a shorter wait time for enrollees.

Typically, such expansions take several years just to maneuver their way through the permit and approval process. This project, however, with bi-national public/private collaboration at all levels of government, is expected to be completed in just 18 months. As the President of the Border Trade Alliance in Phoenix so eloquently said, “That's pretty quick for the government." The Border Trade Alliance has pledged to collect about $1 million in fees from member trucking companies to help pay for the $3 million project.

Let me be very clear: We’re facing some very hard work. Our borders need security *and* mobility, not the gridlock caused by security *versus* mobility.

We need both.

President Bush, Secretary Mineta, and all of us at U.S. Department of Transportation are committed to supporting our nation’s economy while maintaining the security we need in our post-9/11 world. We can -- and must -- share technology, jointly develop tools to make crossings more efficient, and create databases that enable key technologies to work seamlessly together.

CONCLUSION: FINDING COMMON GROUND

The obstacles to financing border projects are many. But we share overriding common goals. Here’s the common ground we all hold dear –

- The security of our nations,
- The health of our economies, and,
- Friendship with our neighbors.

What can be more important? Security, economic health, and friendship form the essential foundation that we must build on. From there, we need to think strategically to plan for our future. We want to encourage creative thinking and innovative ideas. We want to be inspired by our common goals, not held back by tradition. We must focus on financing, communication and long-term cooperation because that's how we will solve problems and achieve results.

This conference brings together thoughtful people who will, indeed, find and share common ground while offering innovative thinking and creative ingenuity.

Let's go forward with shared commitment to the security of our nations, to vital economies, and to continued friendship and cooperation within North America.

Thank you for allowing me to share these thoughts with you this morning.

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