Testimony of
The Honorable Norman Y. Mineta
before the
Senate Subcommittee on Surface Transportation
and Merchant Marine Infrastructure, Safety, and Security
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Mr. Chairman and Members of the Committee, thank you for your invitation to appear before the Subcommittee here today. And Mr. Chairman, thank you very much for those kind comments.

Senator Warner, please accept my congratulations on your becoming chair of this Subcommittee. Your experience as the chief executive of the Virginia Commonwealth, and your accomplishments as Governor in innovative transportation funding policies are bipartisan examples of what is needed at the national level.

Senator Blunt, thank you for your work on this Subcommittee and your leadership on such bipartisan legislation as the "Revitalize American Manufacturing and Innovation Act of 2013." Both show your knowledge of the interrelationship between transportation and our nation's manufacturing.

In discussing infrastructure financing, and what role a national financing authority should have, I would like to identify some of the existing challenges we currently face. Our nation has not developed a bipartisan set of financing models which can be used by federal, state, and local governments. The unfortunate truth is projects using innovative financing are more the exception than the rule.

First, both the public and private sectors have not been successful in communicating with one another about innovative financing models. Too often public officials have had to rely on financial advisors from the public finance community who are not well-versed in these new models. Issues like life cycle costs and other issues have not received the attention they should have.

The private sector was too slow to recognize that a business-to-business model neither successfully addressed the needs of the public sector nor was effective in communicating with public officials. Too often they appeared to be interested in a de facto privatization model and not a genuine partnership.

Many traditionalists used this time to derail a constructive policy discussion. Instead of looking for ways to create real partnerships that took the best of both systems, the discussion devolved into traditional battles of public vs. privatization; organized labor vs. Wall Street; and rural vs. urban and suburban. Frankly, none of these labels apply. There have been collaborations which have broken every one of these inaccurate criticisms.

This recent history of this false debate has contributed to a second challenge: managing political risk. The private sector must invest only after assessing the degree of risk it faces on getting a return on its investment. State and local governments should have a process in which analysis of the right model has an identifiable and fair system of review and approval. Virtually every infrastructure stakeholder is disinclined to invest funds into a potential project if the institutional process is set up to be easily manipulated to derail a project.

A third challenge is private investors often have money that is too expensive. The return on investment -- or ROI-- is often in the double digits, and frequently that just can't compete with other forms of financing. So what looks like a small pipeline of candidate projects for innovative financing is often just public officials using cheaper money with lower interest rates.

A fourth hurdle is a familiar one, Mr. Chairman. Whether it is the project design process, procurement practices, or environmental reviews, the timeline for between when a project is funded when it is completed is just too long. Procurement and environmental safeguards need to be strong, but the system is too easy to manipulate into unacceptable delays. We cannot expect investors to tie up their funds in projects that are locked in a process that is inefficient and unpredictable. This is a problem that affects every citizen, but it is particularly costly when developing alternative funding models.

Mr. Chairman, this committee can address every one of these challenges I have identified, and address then now even while you are developing a national financing authority.

First, this Subcommittee can serve as a resource for constructive, solution-based education of alternative funding models. Mr. Chairman you are a true pioneer in this area, and with your leadership you can help Members of Congress in both houses learn more about the benefits of these new models.

Also, Congress can and should insist that Federal agencies make it a priority to work with state and local governments to develop these models and serve as validators in working with their citizens.

Third, I would encourage the Committee to develop a structure that takes advantage of multiple equity sources. Pension funds are becoming increasingly sophisticated at infrastructure investment, and state infrastructure banks, community banks, and even engineering and construction companies, can provide cheaper equity to projects in a variety of infrastructure modes.

Finally, Mr. Chairman, there are several stakeholders in this process who can help the Committee and point to past examples of success; federal systems that can be improved; and new innovative models that hold a great deal of promise.

Mr. Dove, who the Committee will hear from today created a project in Connecticut in which his fund partnered with a Republican governor and organized labor's SEIU in a state transportation project.

My former DOT colleague, Jack Basso, who is here before the Committee is a subject matter expert in identifying ways Federal agencies can gain additional leverage from existing models like TIFIA and Tiger grants in order to bring more investment into the system.

Your committee has received written testimony from my former Transportation chief of staff, John Flaherty, and Jill Eicher, who is an innovator in financing more infrastructure with pension funds, and I recommend the Committee review the models they have outlined to you.

And finally, I would encourage the Committee to reach out and support leaders in the Administration who have made these issues a priority. Agricultural Secretary Tom Vilsack has his staff doing some outstanding work developing ways to use the USDA resources to get more private investment in rural America.

So, Mr. Chairman, and Senators, best wishes in your efforts. Thank you for inviting me here today, and thank you for your efforts to address this critical need for our nation.