

**QUESTIONS FOR THE RECORD
SUBMITTED BY DEREK KAN
NOMINEE FOR UNDERSECRETARY OF TRANSPORTATION FOR POLICY
JUNE 21, 2017**

Senator John Thune

Question 1. Mr. Kan, should you be confirmed, you will be charged with advising Secretary Elaine Chao on legislative and regulatory initiatives and lead policy development across all modes of the Department of Transportation (DOT). In your questionnaire, you mention that of the many challenges facing the agency, refreshing and modernizing our transportation infrastructure to promote economic productivity is a priority.

What approach should DOT take to improving infrastructure and what role do you see public-private partnerships playing as we address infrastructure revitalization?

Response: If confirmed, I will seek to implement long-term reforms for the regulation, funding, delivery, and maintenance of transportation infrastructure projects. Simply providing more federal funds, without a strategic approach to infrastructure investment, is not an effective solution to the nation's infrastructure challenges. Instead, US DOT investments should be targeted to ensure the greatest potential positive impacts on the economy, particularly with respect to leveraging state and local resources. It is important to broaden and expand participation in infrastructure funding so that more projects can be undertaken overall and so that we do not supplant existing state, local, or private funds already dedicated to infrastructure. The private sector can serve an important role in leveraging existing resources for more effective infrastructure development. While public-private partnerships are not a one-size-fits-all approach for all projects, private sector investment and expertise has the potential to bring more efficient procurement methods, innovative design approaches, market discipline, and a lifecycle focus on asset management.

Question 2. In the FAST Act, we established the National Surface Transportation and Innovative Finance Bureau, which is intended to serve as a one-stop-shop for States and local governments to receive Federal financing or funding assistance. The President's fiscal year (FY) 2018 budget includes a request of \$3 million, which is the same level the Bureau was funded at in the FY 2017 appropriations passed into law this past May. The Executive Director for the Bureau will report to you as the Under Secretary of Transportation Policy should you be confirmed.

How will you work with the Bureau to develop creative financing solutions to address infrastructure?

Response: If confirmed, I will work with the Bureau to develop financing solutions that leverage state, local, and private funds for infrastructure development. The Bureau's TIFIA and RRIF loan programs have proven to be popular tools for the financing of transportation infrastructure, with an existing portfolio of over \$27 billion in loans supporting nearly \$90 billion in overall project value. The Private Activity Bonds (PABs) program has also been an

essential component of the financing plans for many public-private partnerships, with over \$11 billion in allocations to-date. I would work with the Bureau to broaden the availability and accessibility of such financing tools to more state and local decision-makers. Furthermore, if confirmed, I will work with the Bureau to develop and promote best practices in innovative finance and P3s and provide extensive technical resources for states, municipalities, and other public and private sector entities that are considering P3s. It is critical to ensure that state and local decision-makers, serving on the front-lines of our national infrastructure challenges, are equipped with cutting-edge resources. This includes P3 toolkit materials, training opportunities, project-specific technical assistance, peer knowledge exchanges, value for money evaluation tools, and other expert resources to support the knowledgeable and responsible implementation of innovative project financing and delivery.

Question 3. In your questionnaire you mention that one of your priorities, if confirmed, would be to promote a culture that eliminates waste, fraud, and abuse. In February of this year, the Committee held a hearing at which DOT Inspector General (IG) Scovel testified that DOT continues to face delays in addressing recommendations to improve pipeline and hazardous material safety issued both by DOT OIG as well as National Transportation Safety Board.

If confirmed, what steps would you take to eliminate waste, fraud, and abuse at the agency as well as address the outstanding recommendations made by DOT regarding pipeline and hazardous material safety?

Response: *If confirmed, I will work with PHMSA to address outstanding audit recommendations as well as other problems that are identified.*

Question 4. Until recently, in addition to your role as a Director on the Amtrak Board of Directors, you also served as a Manager for Lyft, a company which has testified before this committee on the topic of self-driving cars.

Should you be confirmed, how will the Department work to integrate emerging technologies such as self-driving vehicles?

Response: *If confirmed, I can assure you that the thoughtful integration of technology into the transportation system to achieve our national goals will be a top priority of mine. I believe this can be done through several different approaches. First, the Department will take an active role in encouraging open communication with the public and key stakeholders to identify where technological improvements can have a beneficial impact on safety, our economy, improving fuel efficiency, enhancing mobility, and reducing congestion. Second, I will work to ensure the Department continues to seek ways to reduce regulatory burdens and other institutional barriers, where possible, to support industry innovations reaching full deployment in the shortest time possible. Third, I will work to streamline internal Departmental reviews and expedite the necessary research and analytical processes to help match the pace of private sector innovations. Lastly, but most importantly, I will ensure that improving transportation safety remains our top priority. The adoption of innovative technologies offers tremendous potential to*

realize dramatic safety outcomes for our nation. Encouraging new ideas that deliver safer vehicles will be a near term focus area. However, I will also seek to balance the pace of innovation with proper safety assurances and oversight. The Department will continue to play an active role in ensuring that automated vehicles and other emerging technologies receive the necessary development, validation, and performance testing required to reliably integrate these technologies in a manner that will deliver many benefits, but first and foremost, improve transportation safety.

Senator Fischer

Question 1. Mr. Kan, to ensure the economic security of our country, freight must be able to move smoothly across several modes of transportation. Our intermodal connections are critical for ensuring freight continues to flow. The FAST Act requires a National Strategic Freight Plan, and the Department of Transportation has issued a draft for public comments. During this time I look forward to reviewing additional proposals to address intermodal connections.

What do you believe are the best strategies for improving our intermodal connections?

Response: *I agree that the efficiency of goods movement depends on high performing intermodal connections among our road, rail, and waterborne transportation systems. First and last mile connections that connect freight producers and distributors with major rail, port, airport, and intermodal facilities are critical for the timely and reliable movement of freight. One step that we can take is to more clearly articulate the importance of intermodal connectors as critical links in freight transportation supply chains serving local economies and national and global markets, which can help ensure that improvements for intermodal connections are fully considered in the transportation planning process.*

Question 2. Mr. Kan, as you know, both rural and urban communities face different infrastructure challenges. What works in one area may not work in another. That's why I am in favor of the formula freight program, which provides each state guaranteed funding for a wide array of urban and rural corridor highway freight projects.

Do you believe that the freight program can represent an equitable way to strengthen our infrastructure for both rural and urban communities?

Response: *In the next 30 years, the U.S. economy is expected to double in size and the Nation's population is projected to increase by 68 million people. Driven by this projected economic and population growth, freight movements across all modes are expected to grow by roughly 42 percent by the year 2040. We also recognize that this projected freight growth may affect rural and urban communities differently, and that the Department's freight efforts must ensure that rural communities' unique challenges are addressed.*

Question 3. Mr. Kan, I am pleased to see the President and Secretary Chao talk about the importance of regulatory reform as a way to address infrastructure investment and freight

movement. Federal regulations tend to be prescriptive, where the government dictates how industry will meet a standard. I'm looking at ways we can adopt performance-based standards, which would allow stakeholders to develop innovative methods for achieving a regulatory goal.

Do you agree that performance-based standards could facilitate innovative compliance and safety technologies? If so, what modes of transportation or issues do you believe would be best suited for using performance-based standards?

***Response:** As I understand it, all the modes within the Department look at the possibility of performance-based standards to ease compliance while maintaining safety. If confirmed, I plan to use performance-based standards wherever possible consistent with maintaining the highest level of safety.*