



# *Innovations in Transportation Infrastructure Financing*

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# Development of Transportation Infrastructure

- Public Private Provision
  - Private: Rail, Pipelines
  - Public: Roads, Airports, Port facilities
- *Historic Pattern: Supply preceded and shaped demand*
- *Today: Respond to crises*



# The Growing Capacity/ Congestion Problems

- Affect both shippers and travelers
- TTI annual studies document the problem is getting worse
- In 2002, Congestion caused
  - 3.7 Billion hours of travel delay
  - 23 Billion gallons of wasted fuel consumption
- Travel during peak hours takes 40% longer than during off-peak
  - In 1982, it took 13% longer



# Growing Capacity/ Congestion Problem

By 2025...

- Population will increase by 26%
- GDP will approximately double
- Total passenger travel will rise 72%
- Truck tonnage will grow 75% by 2020



# Growing Capacity/ Congestion Problem

- Problem not limited to highways
- Ports dealing with larger vessels and rapidly expanding international trade
- Air traffic has recovered from 9/11 but on-time statistics are at the lowest level since 1999
- Constrained rail capacity problem is of more recent vintage
- Conventional financing approaches have not kept up with needs



# Approaches to Meeting Transportation Infrastructure Needs

- Build more physical infrastructure
- Adopt technological innovations
- Better utilize existing facilities
- Promote shipper/traveler behavioral changes



# Role of Public Sector in Transportation Infrastructure Development

- SAFETEA-LU – 2 years late, \$90 Billion short
- \$286.5 Billion over 6 years
  - 38% more than TEA-21 in 1998
  - Far short of \$375 Billion estimated need
- Contains rail title but far from intermodal legislation
- Administration supports Public/Private partnerships and privatization of for funding of some highway infrastructure



# Public/Private Partnerships

- Definition:

“A contractual agreement formed between public and private sector partners, which allows more private sector participation than is traditional. The agreements usually involve a government agency contracting with a private company to renovate, construct, operate, maintain, and/or manage a facility or system. While the public sector usually retains ownership in the facility or system, the private party will be given additional decision rights in determining how the project or task will be completed.”

Source: GAO





# Public/Private Partnerships Design-Build (DB)

- Definition
  - Design-build is a project delivery method that combines two, usually separate services into a single contract.
- Projects
  - Texas State Highway 130
  - Salt Lake City I-15 Corridor Reconstruction Project
  - Hiawatha Light Rail Transit



# Public/Private Partnerships Design Build Operate Maintain (DBOM)

- Definition
  - These integrated PPPs transfer design, construction, and operation of a single facility or group of assets to a private sector partner
  - Public sector sponsor retains the operating revenue risk and any surplus operating revenue
- Projects
  - Hudson-Bergen Light Rail
  - Las Vegas Monorail
  - Massachusetts Route 3 North



# Public/Private Partnerships Long Term Lease Agreements

- Definition
  - Involves the longer term lease of existing, publicly-financed toll facilities to a private sector concessionaire for a prescribed concession period during which they have the right to collect tolls on the facility
- Projects
  - Chicago Skyway
  - Indiana Toll Road
  - Pocahontas Parkway



# Public/Private Partnerships Rail/Intermodal Projects

- Alameda Corridor
  - Los Angeles/Long Beach, California
- Heartland Corridor
  - Virginia, West Virginia, Kentucky, Ohio
- CREATE
  - Chicago



# Rail Capacity Investment

- RR's support limited public sector role
- RR Trust Fund concept
- Investment Tax Credits
  - Short Lines 286K car issue
  - Class I access and limited fiscal capacity
- SAFETEA-LU expands RRIF program to \$35 Billion, *makes shippers eligible*



# Current Dispute on Transportation Funding

- Current trust fund revenues are inadequate
- Congressional leaders want to raise fuel taxes \$0.05
- Some proposals focus on taxing only imported fuel
- Administration opposes because it says increased tax monies would go to “wasteful” earmarks
- But 87% of SAFETEA-LU high priority project dollars went to roads, tunnels and bridges



# Conclusions

- Infrastructure needs will outpace fiscal capacity unless we make a dramatic change in our commitment
- Sadly, tragedies such as the I-35 bridge and lost economic standing might be needed to force change
- We will likely see a revived focus on the need for public sector involvement



Thank you. Questions?