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Infrastructure

Infrastructure Policy Seen Shifting to Private Investments

By [Jim Watts](#)

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DALLAS -- President-elect Donald Trump's choice of Elaine Chao as his transportation secretary signals to industry professionals that federal infrastructure policy over the next four years will focus on how to bring more private equity into the financial mix for large projects.

Trump's still undefined \$1 trillion infrastructure proposal would be a good start to meeting the needs, they said, but Republicans in Congress may be reluctant to approve the tax credits that underlie the plan.

"The Obama administration made some progress in the field of public-private partnerships but that is going to grow under the new president," said Marsha Hale, executive director of Building America's Future, an infrastructure advocacy group.

"I believe we'll see an emphasis in tone from the past eight years," she said. "Whether that is good or bad remains to be seen, but [former Labor Department] Secretary Chao clearly knows her way around Washington. She seems to have a very strong opinion on what needs to be done and what can be done."

Trump announced his pick of Chao as transportation secretary on Tuesday. She served as deputy secretary of transportation from 1989 to 1991 under President George H.W. Bush and was secretary of labor for President George W. Bush from 2001 to 2009.

Chao has been married to Senate Majority Leader Mitch McConnell, R-Ky., since 1993.

The incoming president's \$1 trillion proposal is encouraging to infrastructure professionals but paying for it is problematic, Hale said.

"It would be a nice down payment and we're hopeful it would even be larger," she said. "We're hopeful and more than willing to try to make it happen."

The \$138 billion of federal tax credits proposed by Trump may be the sticking point of the \$1 trillion plan, she said.

"From what few details we've seen, most of the funding for the plan comes from tax credits," Hale said. "We'd prefer that Congress revive and strengthen the Build America Bond program."

The best way to increase revenue in the Highway Trust Fund would be a higher federal gasoline tax, Hale said.

"That's what we'd advocate," she said. "But I'm not expecting it to happen overnight."

Chao is already well-versed on federal transportation policy, regulatory and safety matters, said Pete Ruane, president of the American Road & Transportation Builders Association.

"As a former deputy secretary of transportation and secretary of labor in the respective Bush Administrations, there will be little learning curve for Elaine Chao," Ruane said.

The Transportation Department is unlikely to see major changes under Chao, said Kevin DeGood, director of infrastructure policy at the Center for American Progress.

"The word on the street is that she is very conservative," he said. "She may track some programs and make some tweaks to them to fit the conservative model but most of the decisions on where the money goes is made by Congress."

Trump's \$1 trillion plan is not a serious attempt to deal with infrastructure funding, DeGood said.

"That plan is largely a joke," he said. "There is no appetite in Congress to authorize \$138 billion of tax credits and no appetite at all among the Republican leadership to spend more money on infrastructure."

DeGood said he expects Chao to stress the role of P3s and private investments in financing projects with a revenue stream.

"We are certainly going to see more P3s and an emphasis on private equity," he said. "That does not solve the revenue problem."

Information about Chao's personal viewpoints on infrastructure funding is limited, said James Corless, director of Transportation for America.

"Chao is certainly a capable manager for a large federal agency like the Transportation Department," he said. "President-elect Trump has stated that infrastructure will be a priority of his first 100 days in office, and the incoming secretary will surely have a sizable impact on any possible infrastructure package in 2017."

