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NATIONAL SURFACE TRANSPORTATION POLICY
AND REVENUE STUDY COMMISSION

DALLAS FIELD HEARING
Hyatt Regency Dallas
Dallas, Texas

September 20, 2006

Attendees

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Maria Cino, Chairperson, Acting Secretary of
Transportation
Commissioner Rick Geddes
Commissioner Frank McArdle
Commissioner Steve Heminger
Commissioner Jack Schenendorf
Commissioner Frank Busalacchi
Commissioner Steve Odland
Commissioner Tom Skancke

Panel Number 1
Rick Williamson
Patrick Jones
William Millar
Neil Schuster

Panel Number 2
Arlee Reno
Joseph Giglio
John Sedlak

Public Comments
Edward Regan
Kevin Feld

P R O C E E D I N G S

(On the record at 1:39 p.m.)

CHAIRPERSON CINO: Okay. If I can have everybody's attention. Did I scare you? So sorry.

We're going to start the meeting. First, let me say that I am honored to open up the Commission's first hearing here in Dallas, Texas. I'd like to also thank our co-host for their hospitality and their commitment to the effort, American Public Transportation Association, International Bridge, Tunnel and Turnpike Association American, Intelligent Transportation Society of America, and of course, the Texas Department of Transportation.

The Commission's work is a huge challenge, but also a historic opportunity. Our efforts will have a strong influence on the development of policy and funding options that will keep America powerful, productive and prosperous.

I'd also like to thank all of the commissioners. Commissioners have been working hard since May participating in teleconferences and attending meetings in

1 Washington D.C. The commissioners understand if
 2 we are to truly strengthen the system for those
 3 who use it, we must engage customs in the
 4 improvement process. There's no one better
 5 equipped to decide how best to improve transit,
 6 roads and bridges than those who are actually
 7 using, building and maintaining them every day.

8 That's why we're here, and
 9 we're pleased to be here for the first of many
 10 public hearings, listening and learning from those
 11 on front lines who will help shape better policies
 12 and programs. This is a once-in-a-generation
 13 opportunity to craft solutions to our
 14 transportation needs. We welcome your input and
 15 your insights.

16 Let me now just open it up for
 17 any of the other commissioners who would like to
 18 make some brief opening comments.

19 COMMISSIONER SCHENENDORF:

20 you, Madam Secretary. Let me join you in
 21 welcoming our witnesses and guests at today's
 22 hearing, and I'd also like to thank our host,
 23 IBTTA, APTA, ITS America and TxDOT for hosting
 24 this event.

25 United States is facing a

Thank

1 transportation crisis in the 21st century. One of
2 our panelists summed it up well in the first line
3 in his book when he said: The most serious
4 problem facing the nation's transportation systems
5 today is a choking shortage of money.

6 There are two dimensions to
7 this crisis. First, without a major increase in
8 funding, the condition of our existing
9 transportation infrastructure. Our highway
10 transit and freight and passenger rail systems
11 will continue to deteriorate and continued
12 deterioration will lead to greater long-term costs
13 for major rehabilitation replacement.

14 Just look at the Woodrow
15 Wilson project in Washington, D.C. across the
16 Potomac River. It's a major -- it's a major link
17 on I-95. It costs \$14 million to build in 1961.
18 In today's dollars, that would be about
19 \$91 million. Because it was not properly
20 maintained over the years, it is currently being
21 replaced at a cost of \$2.4 billion for a bridge
22 that originally cost \$14 million.

23 The second dimension of the
24 crisis is congestion and the need for new
25 capacity. Without a very significant increase in

1 funding for mobility projects, congestion on our
2 already congested transportation network will grow
3 even worse, impeding both personal and freight
4 movements and undermining our quality of life and
5 the economic vitality of our nation.

6 The National Surface
7 Transportation Policy and Revenue Study Commission
8 was created to find -- try to find solutions to
9 these problems. These are indeed big problems,
10 and we will need help in solving them. That's why
11 we're very fortunate to be down here to be able to
12 hear from a panel of experts, and when we visit
13 other cities, to hear from other experts around
14 the country, because we will all have to work
15 together to find solutions for this crisis.

16 Thank you.

17 COMMISSIONER HEMINGER: Madam
18 Chair, I -- I just wanted to thank you and my
19 colleagues. As a member of the board of directors
20 of IBTTA, I -- I am pleased that we're holding our
21 first hearing here in conjunction with its annual
22 meeting, and since my agency is also a member in
23 good standing in both APTA and ITS America, I'm
24 looking forward to the commentary from our first
25 panel.

1 COMMISSIONER BUSALACCHI:

2 Thank you, Madam Chair.

3 Again, thank you to our
4 sponsors. We appreciate all you're doing for us.
5 I think it's important that this group get out,
6 get out in the country and listen to people, the
7 experts, as to what's going on. I think, you
8 know, being a DOT Secretary, I kind of have a
9 pretty good idea of what my feeling is of what's
10 going on in the country is serious. This is a
11 group that -- that needs to be taken seriously,
12 but first, you know, we've got to gather the
13 information from the experts. We've got to talk
14 to you, the people. We've got to listen to what
15 you say, and then put a good report together that
16 we can submit to Congress. This is what's
17 important. This is what we're here to do.

18 And again, thank you for
19 having us here today.

20 CHAIRPERSON CINO: Okay. With
21 that, I just want to do a couple of housecleaning
22 items.

23 First, let me just say if
24 there are any members of the public who want to
25 address the Commission, you need to contact Wanda,

1 who is in the back of the room. She's waving her
2 hand, and they need to just make sure that she
3 knows that they have a question for the
4 Commission. Also, for those of you who slipped in
5 and did not sign in, please make sure that you
6 sign in, whether it's public media, we need to
7 have just a record that you are, in fact,
8 attending this hearing.

9 Secondly, you'll notice that
10 there's a clock to make sure that everybody has an
11 opportunity for questioning the commissioners and
12 the public. We have a clock, and so the members
13 know it's five-minute opening remarks. At one
14 minute, a light will start flashing, so I don't
15 scare the rest of the commissioners.

16 And finally, please adjust
17 your electronic equipment, whatever that may be,
18 so that we are not interrupting this meeting.

19 And finally, we will hear from
20 all of the first panel, and then we will address
21 questions to the panelists.

22 The first panel is really an
23 overview of needs and long-term financing
24 initiatives, and this panel will provide us with
25 an overview of future surface transportation

1 service needs and long-term financing initiatives
2 to support these needs.

3 And with that, I'm going to
4 turn it over to Pat Jones to start us off.

5 Thank you, Pat.

6 MR. JONES: Madam Chair, and
7 members of the Commission, it's a pleasure to
8 offer these remarks to you today at the start of
9 the Commission's first field hearing outside of
10 Washington D.C. I'm delighted to be a part of
11 this forum which is dedicated to hearing new ideas
12 from voices beyond the Beltway and to explore new
13 approaches to transportation funding.

14 My name is Pat Jones and I'm
15 the executive director of the International
16 Bridge, Tunnel and Turnpike Association, IBTTA.
17 We're the worldwide alliance of toll operators and
18 associated industries, and we have members in 25
19 countries on six continents. We're pleased to be
20 one of the co-hosts of this hearing, along with
21 APTA, ITS America and Texas DOT.

22 This Commission's task could
23 not be more timely or more critical for the future
24 of our nation. The chronic erosion of our
25 transportation network is leading to the decay of

1 our economic strength. The intensifying gridlock
2 on our highways is steadily undermining our
3 quality of life. And the inability of our
4 traditional policy-making bodies to deal with this
5 deepening crisis has been wearing down public
6 confidence in government. The success of this
7 Commission's work can help strengthen that
8 confidence.

9 By July of 2007, when you
10 present your report to the Congress and the White
11 House, your recommendations can help our lawmakers
12 break free of the straightjacket of status quo
13 thinking. At this pivotal moment when Americans
14 are thirsting for new ideas, lawmakers need far
15 more than a dry rehashing of familiar policy
16 options. Your report can inspire an entirely new
17 way of thinking about our nation's mobility. Why
18 we depend on it, how we plan for it, where we
19 should invest in it, and who should pay for it.
20 Your report can summon the nation to a new civic
21 mission, and to a new vision about our future.
22 America needs a wake-up call from you.

23 As a nation, we're resourceful
24 and inventive. We're blessed with a dynamism in
25 our people and our commission, but we're also

1 prone to inattention and complacency, as if we
2 imagine the chronic problems will somehow solve
3 themselves. We sometimes believe we can ignore a
4 problem until the very last minute, until a world
5 war reveals that we need a vast Manhattan project,
6 yet no impulsive crash program can be a substitute
7 for steady sustained investment over time in
8 something as fundamental as our infrastructure.
9 Your report can sound a clarion call. We must
10 invest today to avoid paralysis tomorrow. We must
11 reject stagnant ways of thinking to face the new
12 realities of a changing economic.

13 At IBTTA, we've been battling
14 against an array of weary old myths that have kept
15 America's transportation policy gridlocked. We
16 must dispel these myths once and for all. The
17 myth that there's a difference between a free road
18 and a toll road. The reality is there are no free
19 roads. Somebody somewhere has to pay a bill to
20 maintain our highways. The myth that tolling is a
21 radical new idea, the reality is that Colonial
22 America relied on a network of toll roads. The
23 myth that a toll is a tax or that paying a toll
24 constitutes double taxation. The reality is that
25 tolls are the perfect of a user fee. These myths

1 tollway. Westpark is a model of innovation for
2 cities across the country.

3 Like Dallas and Houston, there
4 are pockets of innovation all around the country.
5 They're ready to explode with innovation if they
6 get political and institutional barriers out of
7 the way.

8 This Commission can be a
9 catalyst for innovation, creating conditions where
10 good things can happen. Madam Chair and members
11 of the Commission, we believe that reshaping
12 transportation policy is not just about assembling
13 bricks and mortar, it's about sustaining the flow
14 of ideas that link people with progress, ideas
15 that improve our quality of life and secure our
16 prosperity.

17 Madam Chair and members of the
18 Commission, thank you again for this opportunity.

19 CHAIRPERSON CINO: Thank you,
20 Pat.

21 Next we'll hear from Bill
22 Millar, president of American Public
23 Transportation Associates.

24 MR. MILLAR: Thank you very
25 much, Madam Chair. And it's a pleasure to be with

1 you today. APTA is honored, along with my
2 colleagues and the other associations, who have
3 been some measure of assistance in this your first
4 field hearing, and I want to be sure that you
5 understand we are prepared to offer additional
6 assistance throughout the work of the Commission.

7 And I have submitted written
8 testimony, and I don't intend to spend a lot of
9 time on the detail there. Hopefully, you'll have
10 a chance to look at that at your leisure, but I do
11 want to highlight a few points that I think are
12 important.

13 First, let me tell you what
14 APTA is. We are the trade association that
15 represents both the providers of public
16 transportation in America as well as the industry
17 that supplies it. The providers include local bus
18 operators, commuter rail, light rail, subway
19 operators, paratransit, waterway operators, things
20 of that sort.

21 Every day, 90 percent of all
22 the commuting that goes on in America by public
23 transit goes on by systems that are operated by
24 APTA members.

25 Now, it is our hope that the

1 board public transit vehicles. And why will they
2 do it? Fundamentally, for two reasons. They're
3 going somewhere to make money or they're going
4 somewhere to spend money. They are going to live
5 their lives to do those things that make their
6 lives better, fuller and complete.

7 Now, public transit has been
8 growing rapidly over the last decade. In fact,
9 we're on quite an upswing, over 25 percent growth
10 in 10 years. Some 9.7 billion times transit was
11 used last year. And this year so far, transit use
12 is up some 3.2 percent. So it's very clear that
13 when Americans are given a choice, one of the
14 choices they will choose to use is public transit.

15 Now, transit, like all modes,
16 has a major need for investment. Our friends at
17 the American Association of State Highway and
18 transportation officials have said that we ought
19 to be investing over \$43 billion just in public
20 transit each year. The investment that we are
21 making, though, is only about \$13 and a half
22 billion. That's from federal, state, local and
23 private sources in public transit's capital stock.
24 So clearly, we are way behind.

25 About 84 percent of that money

1 goes to just take care of what we have. It is not
2 for future expansion, and yet, future expansion
3 will be necessary. Only one in four households
4 has access to adequate public transportation.
5 Almost half the households in America have no
6 public transit whatsoever, and in the rural
7 portions of our country, over two-thirds of the
8 homes have no access to any form of public
9 transportation.

10 So our basic theme is this:
11 We need more investment in public transit and,
12 indeed, in all the forms of transportation. Over
13 a third of the bus maintenance facilities in
14 America are substandard or poor. Over two-thirds
15 of the self-propelled railcars on our computer
16 rail networks, the kind we saw this morning on
17 your tour, are overaged. 20 percent of the rail
18 maintenance facilities, and the list goes on and
19 on and on. A survey earlier this year showed some
20 280 new projects that were unplanned to build over
21 4,000 miles of fixed skyway public transit, bus
22 rapid transit, the rail transit in various forms.

23 Now, we need to continue a
24 combination of federal, state, local and private
25 funding. Transit helps meet many national goals.

1 Whether it is clean air or welfare to work or
2 economic growth or improvement in the nation's
3 health, in my testimony I cover three specific
4 area: Congestion relief, energy and fuel savings,
5 and mobility for an aging society. Simply put,
6 the transit we already have saves over \$18 billion
7 a year for the nation's motorists, for example,
8 through reduced congestion.

9 We already save over a billion
10 gallons of fuel each year, and we all have heard
11 about the aging of the baby-boomer generation, the
12 fact that we'll be doubling the number of people
13 over 65, and they will need alternatives. It
14 doesn't mean that the day you turn 65 you're going
15 to give up your car. Of course not. But over
16 time, the aging process takes its toll.

17 Finally, let me just summarize
18 by saying five specific things: A multimodal
19 approach; continuation of federal, state, local
20 and private; indexing of the gas tax, including
21 one-time catchup from the last time it was raised
22 in 1993; use of innovative financing, public,
23 private partnerships; and preserving the
24 guarantees, meaning that whatever federal aid
25 there is, make sure the money that gets talked

1 about actually gets invested for the benefit of
2 the American public.

3 I look forward to your
4 questions. I thank you for your hard work on this
5 Commission, and any way that I or APTA can be
6 helpful to you, we certainly want to be.

7 Thank you, Madam Chair.

8 CHAIRPERSON CINO: Thank you,
9 Bill. I appreciate those remarks.

10 Next we're going to hear from
11 Neil Schuster, the president and CEO of ITS
12 America.

13 MR. SCHUSTER: Thank you,
14 Madam Chair, members of the Commission.

15 It's a pleasure to be here
16 with you, and it's a pleasure to be here in the
17 witness chair with my two colleagues, both of whom
18 represent constituencies that are part of the
19 solution.

20 We were formed about 15 years
21 ago at about the same time that the federal ITS
22 program took shape and became a reality. And we
23 were formed with the idea of creating a nonprofit
24 public/private partnership to advance the research
25 and the deployment of ITS technologies. We have

1 members in the private sector, in the public
2 sector, over 500 members, and they have many
3 different diverse interests, but they share a
4 common goal, and that was articulated a few years
5 ago in our vision: Zero fatalities and zero
6 delays in transportation. We believe that with
7 technologies and quite a few other policies, we
8 can reach a long-term vision where people and
9 goods can move on our transportation network
10 without delay, without injury, without fatality,
11 without damage, and do that on systems that are
12 integrated, intermodal, secure and efficient as
13 well as environmentally friendly.

14 We know we have significant
15 safety and mobility challenges in our economy.
16 It's a surprise to nobody. And we've made some
17 progress in some of those areas, but we made
18 progress -- we tend to make progress along the
19 margins, and we look at those challenges, as well
20 as some of the emerging challenges, like the fact
21 that we need to have a secure transportation
22 network as well as an efficient network, and also
23 realizing how fragile our system is just a year
24 ago when we had the hurricane issue.

25 We know that we need to go to

1 the next step, and that is to make a quantum leap
2 in solving these problems, and technology can help
3 us get there, and it can do it with a very limited
4 investment. A few pennies on every dollar can get
5 us incredible benefits. ITS is already
6 transforming transportation, how we finance it,
7 how we develop it, how it's managed, and how we as
8 consumers consume transportation. It has become a
9 commodity, and then, therefore, can be subject to
10 rational financing, rational pricing.

11 So we can avoid crashes, and
12 we can remove delays from the system, and we've
13 proved that through a number of technologies,
14 through better integration of the vehicle and the
15 infrastructure, better integration in
16 communication between the driver or the passenger
17 and the environment in the infrastructure, through
18 GPS, through satellite, through WI-FI and through
19 some other technologies. And what all these
20 things enable is a series of networks that can be
21 integrated in gathering information, interpret it,
22 use it to make valuable decisions to manage the
23 system and give us very, very powerful information
24 to empower us as -- as consumers.

25 Just last month Portland

1 said -- Portland, Oregon said it wanted to become
2 the first synthetic city where it took information
3 from a variety of municipal sources, 911 centers,
4 public health centers, transportation, and a few
5 other sources, and integrate that data and manage
6 their city and make it more livable, sustainable,
7 and more economically efficient and do it with
8 transportation information co-joined with other
9 information sources. That is a powerful tool, and
10 we're going to see that in a variety of other
11 cities, regions and states around the nation as
12 these technologies take hold.

13 There's another benefit to
14 technology, and that is in the area of finance.
15 Certainly, we know that we need to look at new
16 revenues. We need to look at new revenue sources,
17 and technology provides a flexible and easy way to
18 bring those revenues to the table in a way that
19 doesn't impair the efficiency of the system. The
20 toll road concept of the past where we stopped and
21 paid a toll frequently is rapidly becoming
22 something sincerely of the past. We have
23 generations of folks that are growing up without
24 that memory in our world, and we think that's a
25 good thing.

1 It also allows us to price our
2 roads and to use pricing as a way to manage
3 transportation and to manage the efficiency of the
4 system. The -- the mile of capacity that you have
5 is the easiest mile you can get. Building new
6 roads is expensive and it is time-consuming. And
7 while we know we need more capacity in the system,
8 we need to operate what we have much, much better
9 and get every last ounce of capacity out of our
10 existing network.

11 Now, what do we need to enable
12 us? We need good policies and programs at the
13 federal level without question. We need a strong
14 vision that the members of the transportation
15 community and those who make the financing and the
16 funding decisions can coalesce around, and we need
17 some programs to make it possible, and we need
18 some funding.

19 Again, very little funding in
20 the overall scheme of what is invested here in
21 transportation in the federal and state level, but
22 we need a dedicated ITS program to advance these
23 concepts and to put these technologies out there
24 as soon as possible.

25 Here in Texas, you'll see, as

1 some of the colleagues talked about, some
2 incredible innovations. The first toll road to go
3 with electronic toll collection, road pricing,
4 dynamic pricing, managed HOV lanes, one of the
5 world largest telematics suppliers is
6 headquartered here in Dallas. And so it is a
7 place where you can see many innovations in
8 transportation.

9 We know you've got hard work
10 ahead of you. We want to be here to help you
11 support that to be whatever help we can. Our
12 resources, our members, the collective thoughts
13 and wisdom of those who have to supply and those
14 who have to use transportation every day, and we
15 look forward to working with you throughout the
16 life of your Commission and to your
17 recommendations.

18 Thank you.

19 CHAIRPERSON CINO: Thank you,
20 Neil. I appreciate it.

21 And last, but certainly not
22 least, I'm happy to have with us Rich -- Ric
23 Williamson, the chairman of the Texas
24 Transportation Commission.

25 MR. WILLIAMSON: Good

1 afternoon, Madam Chairman and commissioners.

2 Welcome to my state. I trust
3 you'll find your stay to be pleasant and Texas to
4 be friendly, and if you run into any problems,
5 well, call somebody else. We're proud of our
6 state and we're glad you're here.

7 I am Ric Williamson. I'm the
8 chairman of the Texas Transportation Commission.
9 The Texas Transportation Commission is a
10 five-member body appointed by the governor of the
11 State of Texas and confirmed by the Texas Senate.
12 We serve six-year terms. It is a
13 semi-professional position in that we're paid
14 about \$600 a month to cover our expenses, but it
15 is basically a volunteer job as most of state
16 government leadership in Texas is.

17 I have submitted my written
18 remarks, and those remarks accurately reflect the
19 vision and the commitment of Governor Perry, the
20 Texas Transportation Commission and the 14,700
21 employees in the Texas Department of
22 Transportation.

23 The opening remarks I will
24 share with you this afternoon reflect only my
25 personal viewpoint, and in no way do I mean to

1 speak for the governor of the state, Rick Perry,
2 my fellow commissioners or the administration of
3 my department.

4 We're a little bit unusual
5 here in Texas, Madam Chairman and Commissioners.
6 The administration of our business is kept sharply
7 separated from the political aspect of a
8 appointing to the Commission. Commissioners set
9 policy according to the legislation passed by the
10 legislature according to the direct instructions
11 of the governor. The commissioners do not do
12 things such as hire employees, instruct employees
13 on where to build roads. We have a separation
14 that's a long tradition in our state and that
15 Governor Perry believes in and has actually
16 strengthened over the last six years.

17 So I need to tell you that any
18 remarks in the next 2 minutes and 53 seconds will
19 be limited to my personal viewpoints and not the
20 governor I serve.

21 It seems to me there are four
22 matters of concern. The current revenue and
23 expenditure system is focused on process and
24 policy from the federal government to the state
25 government to the local government. It should be

1 focused on reaching goals and measuring goals and
2 not on how those goals are reached. If you think
3 about it, the way that budgets are authorized, the
4 way appropriations are made, are all focused on a
5 process, and the truth is they are vastly
6 influenced by politics, as opposed to being
7 focused on a clearly shared set of goals and
8 acceptable number of strategies and tactics.

9 The second matter, it seems to
10 me, is our revenue expenditure system is focused
11 on road construction, which is a process, as
12 opposed to reducing congestion, improving air
13 quality or transferring the movement of hazardous
14 materials away from our urban centers. We're
15 focused on mostly building roads. I'm not against
16 building roads. I just observe -- I served 12
17 years of my legislature, and I'm now six years in
18 this job. And my 18 years of public service is --
19 we can talk all about how much we like ITS and
20 public transportation, we can talk about it all we
21 want, but the truth is the system right now is
22 really about building roads. It's not about
23 relieving congestion or improving air quality.

24 I think the third matter that
25 might be important to you, or at least it's

1 important to us, is the system is focused on
2 centralized decision-making. We feel like we know
3 better in Washington, D.C., you see how to run the
4 United States than those guys in the United
5 Nations know. Yesterday you felt that we -- we
6 feel in Texas we know better how to run things
7 than the guy in Tarrant County. The Tarrant
8 County judge thinks he knows how to run things
9 better than the school board chairman of the Fort
10 Worth School District. We're -- our entire
11 thought process is sort of focused on centralized
12 decision-making. In Texas, we believe that that
13 is not correct, that those of us who say we
14 believe in local and regional control have to
15 practice what we preach. And that is, in fact,
16 the cause of a lot of the problems that we all
17 face in our transportation system today, and I can
18 elaborate if you ask me to.

19 The fourth matter, it seems to
20 me, that should be taken up is that the system is
21 focused on pleasing the political class and not
22 focused on pleasing the consumer of transportation
23 services. Now, I don't say that lightly. I work
24 for a politician. I was a politician. I don't
25 say that pejoratively. I just observe that the

1 system spends more time focusing on pleasing the
2 political class than it does focusing on pleasing
3 the consumer of the goods and services. A lot of
4 time and energy is spent on demonstration projects
5 that every house and senate member wants. A lot
6 of time and energy is spent on complying with
7 environmental protection laws developed by a very
8 influential Congress person that serves to this
9 day, not a whole lot of time and energy is spent
10 focusing on the person who is consuming these
11 goods and services.

12 In Texas, we have an
13 observation. The leaders of the 1960s made some
14 sharp decisions to build the national highway
15 system, and they chose a particularly clear path
16 to get it done. Thank God they did. But this
17 isn't 1960 anymore. It's 2006. If we're going to
18 solve what we believe the most pressing problems
19 facing the nation's transportation system, we need
20 a sharply different viewpoint of what to do from
21 this point forward and not what was done in the
22 last 46 years to get us to the point that we're
23 here.

24 I thank you very much for
25 giving me the time to give you my opinion. Time

1 is the most valuable thing a person has, and I've
2 consumed 6 minutes and 36 seconds of yours.

3 Thank you very much.

4 CHAIRPERSON CINO: Thank you
5 to all the panels. I appreciate it.

6 Now, I'd like to open it up to
7 the commissioners for any questions, observations
8 that they might have.

9 COMMISSIONER SCHENENDORF: I
10 guess I'll start with a question for you,
11 Mr. Jones. First of all, thank you all. It was
12 very, very helpful, not only the testimony today,
13 but we will be working with all of your
14 organizations as time goes on and we're looking
15 for help as we go forward.

16 One question on the -- you
17 talk about the tolling facilities as being a
18 perfect example of the user fee, and certainly one
19 is tolling a road for improvements to that road.
20 I can understand that statement, but I wanted to
21 ask you to comment on two of the most visible
22 tolling projects recently in Chicago where much of
23 the money that was used -- for that was used for
24 nontransportation purposes. And then in Indiana
25 where the funding that came for that project was

1 used for other transportation projects unrelated
2 to the road on which the tolls were paid. So that
3 both the tolls on those facilities, but the users
4 of those facilities would be paying will be going,
5 in one instance, for nontransportation purposes,
6 and the other, for transportation improvements
7 unrelated to the -- to the road that's being used.

8 I just wanted to get your
9 comment on using toll revenues for those kind of
10 purposes.

11 MR. JONES: Well, Commissioner
12 Schenendorf, you've asked a very interesting and
13 highly nuanced question, and I will try to provide
14 a fairly direct and not too nuanced answer.

15 You highlight the -- the
16 Chicago Skyway and the Indiana toll road deals. I
17 mentioned in my -- in my oral remarks that a toll
18 is perhaps the best example of a user fee, and the
19 user fee that we're most familiar with in this
20 country is the fuel tax, which really is a proxy
21 for a direct user fee, the theory being that the
22 further distance a vehicle travels or the more
23 damage that that vehicle does to a highway system,
24 the high -- the more fuel tax that vehicle will
25 pay. And I think that was a very elegant solution

1 in the 1950s when we envisioned the interstate
2 highway system and were looking for a way to
3 adequately fund that system.

4 However, as time has
5 progressed, we've seen continued diversion from
6 the fuel tax to nonroad purposes. In fact, I
7 believe 20 states use the fuel tax for purposes
8 other than -- than road transportation.

9 Set that to one side, return
10 to the Chicago Skyway and the Indiana toll road.
11 There's a lot of interest in this country, and
12 especially in my membership, the membership of the
13 IBTTA, about what is happening with asset leases,
14 such as the Chicago Skyway, the Indiana toll road,
15 the Pocahontas Parkway, and others that are sure
16 to follow. And I think perhaps more important
17 than how those revenues, how the proceeds are used
18 from those revenues or from those asset leases is
19 the interest in the asset lease itself. What this
20 does is it underscores the fact that
21 transportation is a -- is a huge underpinning of
22 the economy in this country, and -- but the
23 transportation system is failing because of an
24 underinvestment of funds, deteriorating
25 infrastructure and rising congestion. And the

1 reason so many people are interested in these
2 asset leases is to unlock the value of these
3 investments and find ways to invest more in
4 transportation.

5 Now, the Chicago Skyway and
6 the Indiana toll road are two very different --
7 two very different scenarios, but the -- and
8 they're -- and they're unique in their own ways,
9 but I believe we will see more of these kinds of
10 things.

11 In the case of Indiana, the --
12 the governor there is using the proceeds for -- to
13 fund a multiyear, a decade, or a couple of decades
14 of transportation investment that has been delayed
15 and using the toll system as a revenue engine for
16 the state.

17 So as to the Chicago Skyway, a
18 much more complex deal. Many of my members would
19 say, who are involved in concessions around the
20 world, which is a very common way of -- of
21 operating a highway system using the concession
22 model, many of my members would say: Well, what a
23 jurisdiction does with the proceeds from the sale
24 of an asset lease is none of the business of --
25 of, you know, any stakeholders who may be

1 interested in that.

2 That is not a satisfying
3 answer to some people who see the operation of
4 infrastructure as a public service, but I would
5 ask you that -- to look at this as emphasizing the
6 critical transportation crisis, funding crisis we
7 have in this country, as opposed to focusing on
8 the issue which you identified.

9 COMMISSIONER SCHENENDORF:

Okay.

10 COMMISSIONER HEMINGER: I too
11 would like to thank the panelists. It struck me,
12 though, that I think only Neil in his testimony
13 really talked about a vision or an objective for
14 the future, and I think that's one of the
15 principal things that this Commission needs to
16 concern itself with is: Now that we've built the
17 interstate, we can check that one off the box,
18 what is the future vision? What are the future
19 objectives in fairly specific terms for the
20 federal transportation program, especially?

21 In your case, Neil, I'd like
22 you to address maybe a near term objective of zero
23 facilities and zero delays, because that's a long
24 way away. But what can we do in 10 years would be
25 my question to you.

1 wish to earn their living and how they wish to
2 travel.

3 My recollection in civics
4 class is that the federal role is to provide for
5 the common defense and provide for the good of the
6 people, and of the commerce of the people. And
7 certainly, the transportation system is key in
8 both of those fundamental areas filled out by our
9 constitution.

10 We believe that for too long,
11 we have simply invested in a single mode of
12 transportation to the detriment of other modes of
13 transportation, hence, the pattern of use that
14 people make today is a result of a series of
15 decisions that go back a hundred years of -- of
16 policy. So we would like to see a more
17 even-handed policy. We are -- our vision is that
18 people would have a choice in the way they would
19 travel. We certainly endorse what Neil has said,
20 that the new information technologies are going to
21 make things that when I entered the business, you
22 could only dream about and make possible. People
23 can have realtime information about whether the
24 road is clogged or available. They can have
25 realtime information about whether the Park & Ride

1 lot has enough spaces. They can use a smart car
2 technology to perhaps pay for their transit trip.
3 Maybe we ought to have driver's licenses that
4 instead of just identifying that I can drive and I
5 need glasses, also are smart cards that would
6 allow me to pay my transit fare or my parking
7 fare, might allow me to do those sorts of things.

8 So it's a reconception of this
9 is a true intermodal system where we take the best
10 advantage of what the highway system and the
11 highway investment we've made has to offer. The
12 same for the railroads. The same for public
13 transit, waterways, and the rest of the system.
14 That would be our general vision for where we
15 ought to be going, but it's all for the benefit of
16 the customer and the American people.

17 COMMISSIONER BUSALACCHI:

18 Bill, I just want to -- before we go on to the
19 next, because I know you asked everybody a
20 question.

21 But, you know, there's --
22 there's a concept that's flying around out there
23 about, you know, how we fund this. Are you saying
24 that -- that you're in favor of somehow funding
25 other modes of transportation the way we fund

1 highways?

2 MR. MILLAR: I think we're
3 going to need a wide variety of sources of money
4 to invest it. I think we're going to have to
5 start managing our transportation portfolio as
6 just that, a portfolio. And I know one of your
7 later presenters, Professor Giglio, I know he will
8 talk about that concept, and he's much more
9 knowledgeable about it than I am, but I think
10 we've got to get away from artificial boundaries
11 in our funding as we get on to, as some of the
12 other speakers said, what do the customers need?
13 What does our economy need? What do shippers
14 need? And that means I think we're going to have
15 to discard some of our old notions.

16 That having been said, though,
17 we have to remember that fundamentally, we've got
18 to take care of the highways we have, we've got to
19 take care of the transits we have, and over
20 80 percent of the money we generate does just
21 that, and it's not enough money to even do that
22 basic thing. So I think we're going to see a
23 variety of funding sources that are going to be
24 necessary.

25 COMMISSIONER BUSALACCHI: All

1 right. But I think getting to -- what I'm trying
2 to do is get to the finish line here, that in
3 order to get there, we've got to change the way we
4 fund all of the models.

5 MR. MILLAR: We certainly do.

6 COMMISSIONER BUSALACCHI:

7 Okay. And I think that's the question that I was
8 asking. I mean, I'm not opposed to continuing to
9 build highways, because that's what I do, you
10 know, but at the same time, in order to accomplish
11 what you're talking about, we would obviously need
12 to have some kind of a dedicated stream of dollars
13 to accomplish what we need to do with -- with mass
14 transit.

15 MR. MILLAR: I think -- I
16 think that as Mr. Williamson said, there was a
17 brilliant stroke of genius in the '50s and '60s
18 that set up a specific fund for a specific
19 purpose. But times have changed and we're going
20 to have to make sure that we have funding sources
21 that can meet the broad sudden needs we have. And
22 if we simply say: We've got to keep doing what we
23 always did, we can't change, then we'll always get
24 what we always got. And so I do think that it's
25 going to take that kind of creativity. My

1 fundamental point, manage in a multimodal way.

2 COMMISSIONER SCHENENDORF: I
3 would note, though, that transit does get
4 20 percent of the funding from the fuel tax.

5 MR. MILLAR: At the federal
6 level, approximately 2.86 cents does come from
7 transit investment. One of the things that we
8 need to talk about with all the modes again, we're
9 very good at figuring out what mode gets what
10 amount of money, and we're very good at the cost
11 of everything. We're much less good about what
12 are the benefits of this particular investment?

13 So, for example, on average, a
14 dollar of the federal government might invest in
15 public transit returns \$6 of direct benefits,
16 sometimes more, sometimes less. We always focus
17 on the dollar, not on the \$6 worth of benefit that
18 we get.

19 CHAIRPERSON CINO: If we
20 could, I know that Commissioner Heminger has a
21 question about vision, which is something I'm
22 interested in, and Pat, and Commissioner
23 Williamson -- sorry. If you had comments on the
24 vision, and then we'll go back to the questioning,
25 the regular question.

1 MR. JONES: I do have comments
2 about the vision, and speaking about the vision
3 for the federal program and what should it focus
4 on? I think the federal program ought to focus on
5 stimulating innovation. I think the federal
6 program ought to encourage states to experiment
7 with alternative forms of financing and funding in
8 ways that it never has before. Right now, with
9 the exception of some very narrowly defined
10 exceptions, you cannot toll the interstate highway
11 system. I would encourage the federal government
12 to remove the ban on tolling the interstate
13 highway system. Why? People will tell you:
14 Well, we can't put tolls on the interstate because
15 we paid for those highways with our tax dollars.
16 That would be double taxation, and it would be
17 wrong. Well, it would be right to do it because
18 we built some of those roads 50 years ago, and
19 they're falling apart.

20 I live in a house. I suspect
21 most of the commissioners live in a home. You
22 have a mortgage and even when the mortgage is paid
23 off, you're still going to have to invest serious
24 amounts of money to protect the integrity of the
25 house, whether it be the roof, the foundation,

1 whether you are going to upgrade the electrical
2 from a home that you purchased 20 years ago.
3 Roads are like homes. They need continuous
4 investment.

5 So I think that one vision of
6 the future is that we will see a much greater
7 commercialization of the surface transportation
8 system where there is involvement not only of
9 government sources of -- of funding, but of
10 private sources of funding.

11 Bill alluded to this a moment
12 ago. One of the later witnesses will talk about
13 commercialization of the transportation system in
14 which perhaps you have regional mobility
15 corporations where not only governments are
16 involved in investment, but you also have
17 investment banks, perhaps even transportation
18 companies, trucking companies and others. You
19 have retailers and other businesses who are
20 concerned about the transportation system in their
21 region, they could invest in these regional
22 mobility corporations to make the kinds of
23 investments, whether it be highway, transit, rail,
24 air, et cetera, in, as Bill described, a
25 multimodal approach so that there's integration in

1 the system, so that there are not artificial
2 barriers between the customer and the services
3 those customers are trying to achieve.

4 MR. WILLIAMSON: I don't know
5 that I'm qualified to tell you what your federal
6 plan ought to be. Let me share with you what
7 we've done in Texas, if I might, to answer your
8 question. We have a plan in our state, and we
9 believe the plan by the year 2030 will accomplish
10 its goals. Our approach was to say, much like the
11 IT guy: Close your eyes and imagine what you want
12 to see at a certain point in the future. And if
13 what you want to see is zero congestion, zero air
14 pollution from a mobile source, if you want to see
15 zero accidents, maximum economic growth and no
16 degradation to your transportation system, that's
17 your vision. That's where you want to be. And
18 then you set specific measurable goals that if you
19 reach, you'll get to that vision.

20 And you're right. You can't
21 get to zero accidents overnight, and we understand
22 that. So we just simply said: We're going to
23 reduce congestion every day. That's what we're
24 going to do. Someday we'll reach our vision. We
25 won't have any congestion, and we'll reach our

1 vision because we set a goal. Every dollar we
2 spend is going to reduce congestion. We're going
3 to improve our safety system. We're going to
4 expand our economic opportunity. We're going to
5 improve air quality. We're going to protect our
6 transportation assets. Those are our five goals.
7 They're not set by the -- by the political class.
8 They're not process-driven. They're
9 results-driven. And then we set our budget and
10 our operating plan, and our 14,700 employees are
11 forced to focus on those goals.

12 We asked the legislature to
13 give us, and they did, four strategies. Let us
14 use the private sector to finance our
15 transportation assets. We're permitted to do
16 that.

17 Let us empower local and
18 regional compacts to make decisions about where we
19 should invest the state and federal money. Right
20 now, most people have an MPO process where a
21 project is approved. We turned that around in our
22 state. We've given each region an amount of money
23 and said: You pick projects in your region that
24 will reduce congestion, improve air quality,
25 improve safety, bring jobs to your area or

1 preserve the system. We no longer at the state
2 level approve construction projects. Zero. Zip.
3 We've devolved all of that to regional and local
4 leadership to our state.

5 Our third strategy is we put
6 competition everywhere we can. The only place we
7 haven't had much competition is in the engineering
8 world. Engineers don't like to compete much on
9 dollars, but that's a battle that maybe someday
10 will be fought. But most of the time, every
11 dollar spent in our department is a dollar spent
12 competitively.

13 And then finally, we recognize
14 a lot of what the other witnesses have said, and
15 that is: If you're going to rebuild a
16 transportation system in Texas, you're going to do
17 it using consumer-driven revenue sources, tolls.

18 And I think maybe a difference
19 between our governor and some leaders in the
20 state, in the country, is our governor made a
21 political decision six years ago that that was the
22 only way to solve the problem and rather than run
23 from it, just embrace it, offer it, drive it, have
24 goals that mean something, improve the lives of
25 your citizens, and it would be okay.

1 And I want to give you a
2 couple of examples of -- in listening to these
3 three gentlemen of what I mean. One of these
4 gentlemen talked about the need to embrace not
5 only multimodes of transportation, but multimodes
6 of financing. Well, our view is the -- one of the
7 reasons we're where we are is because no one wants
8 to look in a mirror and ask themselves what it
9 costs to build roads today. What we focus on is
10 how we collect the revenue, but no one ever
11 focuses on: What does the road cost? And then
12 turn around and say: Where are we going to get
13 the money to pay for it?

14 In our state, we now know from
15 any Point A to any Point B under any set of
16 circumstances, the federal gasoline tax rate, the
17 state gasoline tax rate and the apportioned
18 vehicle registration fee necessary to build and
19 maintain that road for 40 years.

20 Take a guess at which roads in
21 our state pay for themselves? Anybody want to
22 guess? Zero. Not one road in our state out of
23 tax receipts pays for itself. Anybody want to
24 guess at the average? It's 23 percent. All of
25 the roads in Texas, tax receipts pay for

1 23 percent of the construction and maintenance of
2 that road. So when people say: Well, how are we
3 going to do this with tolls, the first question my
4 boss asks is: What's the gasoline tax rate to not
5 have to do tolls? The answer: A buck and a
6 nickel a gallon. Who's for that? Well, do we
7 want to solve the problem? Do we want to reduce
8 congestion? Do we want to improve air quality?
9 Do we want to attract jobs from China or back from
10 Republic of Mexico? Do we want to preserve the
11 value of our system? I mean, if we want to do
12 those things, and it's a buck and a nickel gas
13 tax, and we can't get it done, what's the
14 alternative? And our decision was: Demand
15 consumer-driven assets. Build toll roads. That's
16 the answer.

17 We have a plan in Texas in
18 answer to your question, sir. We have a -- we
19 have a vision. We have a set of understandable
20 goals. We have some clearly well-thought-out
21 strategies, and we're executing it right now. And
22 by 2030, we're going to reduce congestion and
23 improve air quality, bring jobs in from the
24 Republic of Mexico, improve the value of our
25 assets and make things a lot safer.

1 CHAIRPERSON CINO:

2 Commissioner.

3 COMMISSIONER GEDDES: Thanks
4 very much.

5 I would just like to focus on
6 some points that Mr. Williamson made in his
7 original testimony that I thought were important
8 and I thought well-articulated, but perhaps not
9 focused on enough recently. And one is the issue
10 of focus on depoliticizing transportation funding.
11 And you noted that there's an excessive focus on
12 road building at this time, and that the focus is
13 often on pleasing the political class and not on
14 the consumer of roads, and I think that's an
15 excellent insight. And the more aesthetic this
16 issue, the more I become impressed that that is a
17 very crucial thing for this Commission to address
18 when we do go to make recommendations before
19 Congress. So we're effectively being asked to
20 make recommendations to a political body about how
21 to depoliticize this process.

22 So if you were sitting in my
23 chair, what recommendation -- what suggestions
24 would you have specifically for things for us to
25 look at? That is quite, in my view, a tough nut

1 to crack, but it has been done. So we could
2 perhaps look at what was done in the closing of
3 military bases, formation of a brac. I don't
4 know. But if you have some specific
5 recommendations on how we can address this -- the
6 excellent point that you made in terms of real
7 world policy recommendations, what would you do?

8 MR. WILLIAMSON: Well, first
9 of all -- and thank you for asking the question.

10 First of all, let me say that
11 I served my legislature for 12 years, and I'm not
12 without some understanding of the complexity of
13 this. One of the difficulties of my generation,
14 and perhaps your generation faces, is most people
15 who served in the political class right now were
16 raised in an era that the politicians that they
17 admired had a different economic framework to work
18 within that permitted successful policymaking to
19 be linked to bringing home projects.

20 I believe the economic
21 framework of our country has changed in the last
22 50 years, but we hadn't changed our thinking. So
23 we still think that bringing home the bacon makes
24 us good politicians.

25 The interesting thing,

1 Commissioner, is I don't think the public thinks
2 that. I think the public watches the political
3 world, and they accept what they see as what's
4 happened. They don't necessarily think that
5 bringing home the bacon makes Senator Hutchison
6 and Senator Cornyn the best United States senators
7 Texas can give. But I think the senators think
8 that. I think the house members think that.

9 Now, the reason I believe that
10 is because Governor Perry six years ago made a
11 conscious decision to solve a problem in a
12 controversial way. He knew that he would get a
13 strong opponent that would say: No foreign-owned
14 toll roads and no toll roads in Texas, and all
15 that nonsense. He knew that. He knew that people
16 would be critical at first of asking the private
17 sector to come in and make proposals and offer to
18 build our assets, but he also knew it was the only
19 way to solve the problem.

20 I'm fairly close to the
21 governor. I have -- I'm privy to the ebb and
22 flows of this particular race, and I can tell you
23 it's on no one's radar screen. Because the public
24 understands that Interstate 35 between Dallas and
25 San Antonio is the most congested international

1 road in the State of Texas -- in the United
2 States. The public sees that every day, and they
3 know that the governor has proposed a plan to
4 parallel 35 and reduce that congestion by
5 50 percent. Now, right -- I'm answering your
6 question soliloquy.

7 The public understands if you
8 decide not to bring home projects and instead
9 solve the problem. It's up to commissions such as
10 yourself, persons who represent associations and
11 commissioners of the DOTs across the country to
12 say to our Congress persons: It's okay. Your
13 public will love you anyway. You don't have to do
14 this to be successful. No one is saying that to
15 them right now. No one is saying that to them.
16 All they're hearing is from those who have the
17 most to make or the most to lose from maintaining
18 the current system. But if you come back with a
19 report that says: The public's okay with you not
20 building a museum and calling it transportation.
21 The public is okay with you not cutting money for
22 one bridge if it means reducing congestion in the
23 north side of town. If you'll say it, if we'll
24 say it, if these guys will say it, they'll believe
25 it, because the public doesn't care about that.

1 You know what the public cares about? They want
2 congestion reduced. They want their air quality
3 improved. They want the roads to be safer. They
4 want to quit losing jobs to China, and they don't
5 want to drive on potholes. That's what the public
6 really wants. That nice bridge across the Trinity
7 River, which I think will be beautiful for my city
8 of Dallas, is not nearly as important to them as
9 fixing the potholes on I-35 east on the east side
10 of Dallas. I promise you.

11 The second answer to your
12 question is: We have a hard time in our country
13 differentiating between the artificial boundaries
14 that history has given us. By that I mean in my
15 great state, the single largest economic driver is
16 focused in Houston, Galveston and Beaumont area.
17 And when you go down to that part of the world,
18 Madam Chairman, and you drive across the bridge
19 into Louisiana, the people who live down there
20 don't think they've left the state of Texas and
21 they're in the state of Louisiana. They live in
22 the Golden Triangle. And yet what Louisiana does
23 with their roads and what we do with our roads is
24 so different. And because of the restrictions of
25 authorization, we can't do things the same way.

1 It's like night and day from a road perspective.

2 Similarly, one of my favorite
3 stump speeches is: Senator Kennedy is never going
4 to reduce the pie of Massachusetts for Texas, and
5 I wouldn't expect him to. And I -- we're not Iowa
6 and we're not South Dakota, and we're not
7 California, and we really wish we wouldn't be
8 treated that way. We really wish that the
9 authorization bill would just block grant.

10 And you notice, I haven't said
11 a word about donor space in recipient states and
12 that stuff. I haven't said a word because we
13 understand that. Governor Perry is a politician,
14 he understands that. You're not going to ever see
15 him complain about that. What we don't understand
16 is why don't you just cut the pie in dollars and
17 not in process because each state has unique
18 problems.

19 Several of my daughters went
20 to college in the Northeast, and I don't fly much,
21 so I got to see the eastern seaboard in the
22 Northeast for about nine straight years. And I
23 can tell you: There's some wonderful highway
24 systems in Pennsylvania, but that -- they
25 apparently don't need to build any new highways,

1 they just need to maintain what they got. It's a
2 wonderful system. I get into Tennessee, and they
3 don't need to build any new highways because
4 there's so many mountains, they couldn't anyway.
5 You get to Texas, all we need is new highways. We
6 don't need a lot of the things the other states
7 need.

8 My point being: If you take
9 the message to the Congress, it might be: It's
10 okay to let go of the demos. It's okay to let go
11 of the process. Your public will love you if
12 you'll just reduce congestion. And it's okay to
13 unbundle the process and let regions across state
14 lines and different states act differently because
15 they have different problems, and you'll get
16 recognized if you help them solve those problems.

17 That's how we do the Texas
18 legislature. We went to the legislature and said:
19 Your public will still like you if you think
20 differently about solving this problem in Texas
21 and reduce congestion on Interstate 45 in North
22 Houston. The public will love you if you'll help
23 us do that. And it turns out we were right.

24 CHAIRPERSON CINO: Thank you.
25 Commissioner Skancke.

1 COMMISSIONER SKANCKE: Thank
2 you, Madam Chair, and thank you gentlemen for
3 being here today and being our hosts for this,
4 this first field Commission.

5 Your testimony today is
6 exactly and precisely the reason why we believe
7 that we need to go out across the country and hear
8 more from -- from people like you all and people
9 that are actually in the trenches, and I
10 appreciate your candor and your honesty. It's
11 been very enlightening, and eye-opening. And I
12 see the -- the nexus in this -- in this
13 transportation industry between all of you and
14 what is going on in your respective associations
15 and your responsibility.

16 But my -- my question is -- is
17 towards transit, which is something that I need a
18 lot of education on. In one of our commission
19 meetings, one of my fellow commissioners about
20 pulled off my head when I said: Transit doesn't
21 work in the West. And he proved me wrong today
22 because we actually rode the train and it worked
23 just fine. So I stand corrected.

24 However, I still have a
25 problem with understanding the funding. If we go

1 to a full onslaught of public/private
2 partnerships, and the private sector funds
3 infrastructure, and there isn't a gas tax, just a
4 scenario, I'm not suggesting that there shouldn't
5 be, but let's say we go to full tolls, that's a
6 recommendation, how then do we fund the transit
7 system in this country, based upon the fact that
8 portions of the transit is funded by the gas tax?
9 If we encourage additional people to ride regional
10 rail and light rail and busses in communities, and
11 we don't have a gas tax base, how is it funded?
12 I've been told it would be right, it could be
13 wrong, it might be a rumor, that the transit
14 systems along the eastern seaboard do not
15 self-fund, that they have to be funded by a
16 portion of the gas tax.

17 So if we take that off, how
18 then do we fund transit in a community like Las
19 Vegas, and communities like San Bernardino,
20 California, and other areas across the country
21 which aren't particularly zoned, as I mentioned to
22 you last night, Bill, aren't particularly zoned
23 for transit? So I need to be educated on that.

24 And then I do have a follow-up
25 question, if I may, by Madam Secretary, when Bill

1 is finished.

2 MR. MILLAR: Well, thank you
3 very much.

4 Public transit is funded in a
5 wide variety of ways. As Commissioner Schenendorf
6 and I were saying, a small portion of the federal
7 gas tax, for example, funds it, but the largest
8 single thing that funds transit operation is the
9 fares that people pay. So the notion that
10 highways would start to charge a fare, namely, a
11 toll, and bring them into more consistent with
12 highway, provide money for transit, is one that we
13 would welcome.

14 Some states do use gas tax.
15 The most common way to fund public transit after
16 the fare box is the usually through the general
17 fund of government, either local or state
18 government, often a property tax, usually not
19 dedicated to transit, though it can be dedicated
20 to transit.

21 Another very common use, one
22 that's often used here in Texas, for example, is a
23 portion of a locally generated sales tax that
24 people have voted in. So there's a wide variety
25 of ways that transit is funded across the country.

1 There's a difference in the
2 way that capital expenditure, building of a bus or
3 rail system, the buying of a bus or a rail car,
4 there's a different way that the capital system is
5 usually funded as compared to the operating
6 system. So they operated, pay driver, buy the
7 insurance, pay the fuel bill, those kinds of
8 things largely funded from the fuel box, local and
9 state money, very little federal money, for
10 example.

11 Capital funding, a combination
12 of federal, state and local, almost always no fare
13 box. Some exceptions in New York City has used
14 the fare box for capital, but that's a very rare
15 event.

16 With regard to the success in
17 the West, what's interesting to me is to see the
18 growth in the cities, many of whom rejected public
19 transit except for very minimal busses, and see as
20 those cities grew and developed here in Dallas,
21 the needs were much more complicated than people
22 had first thought they were, and they were willing
23 to vote in a local tax to support the expansion
24 and improvement of their public transit system.

25 So it happens in different

1 ways, different places, and I will, of course, be
2 happy to spend time with you and supply you with
3 whatever information might be helpful to you in
4 this regard.

5 With regard to your question
6 about what happens if we fund everything with the
7 user fee? Well, be interesting to see what
8 happens there. If we actually start charging what
9 it costs to build and maintain the highways, as
10 Commissioner Williamson said: Highways don't pay
11 for themselves. We have this mythology that
12 highways do pay for themselves, but they don't.
13 And in my opinion, then shouldn't, because they
14 also generate the same incredible kinds of
15 investments that I spoke of in answering an
16 earlier question that transit generates. So I
17 think it's one of those fundamental things that
18 where we get that return.

19 So one thing that will happen
20 is if we start charging for highways close to what
21 they cost, we will suddenly realize that we will
22 see a normal shift from highways to other forms of
23 moving around, like walking, like bicycles, like
24 transit. We will over a long period of time start
25 to see a more concentration of land use, and we

1 will see over a long period of time a change in
2 the way land use is handled.

3 So you're dealing with a
4 system. Question: How will we ultimately choose
5 to manage these assets? Historically, we managed
6 the highway system here. We'll let the private
7 freight rails handle the rail freight over here,
8 the airlines did what they did, public transit did
9 what it did, and we decentralized the whole thing
10 into thousands and thousands of entities that make
11 decisions. Will that be the way we do it in the
12 future? Certainly, in the near term, absolutely.
13 That's the way we'll do it. So what will be the
14 incentives we will build in? Will we use the tax
15 code, for example? Right now, if an employer
16 wants to give free parking to an employee, and I
17 don't remember the precise number, but it's an
18 over \$200 tax-free transaction. If that same
19 employer wants to give free transit service, it's
20 limited to \$105. Well, that strikes me as an
21 inequity. What happens if you level that
22 inequity? I use it as an example to say, it's:
23 Are we really going to manage the system, or are
24 we going to keep them treated as separate
25 entities, one that has very little relationship to

1 the other?

2 I think we go back to the
3 customers. They don't care. They want the
4 potholes filled. They want the bus arriving on
5 time. They want the train that operates. That's
6 what they want. So I think we're going to have to
7 look at some innovative ideas. Maybe we're going
8 to have to look at customer guarantees. When I
9 ran the transit system in Pittsburgh, I wish I
10 could tell you it was perfect, it wasn't. One of
11 the things we authorized our supervisors to do, if
12 our train broke down, we authorized them to offer
13 a free ride to everybody on the train. Well, you
14 know, it was a little thing, but at least it said
15 to the public: We know this was our fault, not
16 your fault, and we ought to compensate you.

17 Maybe there's other ways we
18 ought to do it. Some countries of the world are
19 starting to experiment with service standards on
20 their road system or the rail system, and if those
21 service standards are not met, there's some kind
22 of refund of cash. There's a money-back
23 guarantee, as it were.

24 These are the kind of
25 innovative ideas I think we're going to have to

1 look at. It's not simply on the funding side,
2 although that's going to be very important, and
3 particularly in the short run. We've simply got
4 to put more money in the roads and transit and
5 other modes, but we're also going to have to start
6 managing this asset in a way -- again, as the
7 Commissioner said, you know, it's a different
8 world now. Times have changed. Our economy is
9 changing. We're going to have to do things
10 differently --

11 MR. WILLIAMSON: He put his
12 finger on something inadvertently that I would
13 like to reinforce. He said: In roads -- roads
14 will not pay for themselves, and they shouldn't.
15 And what I want to express to you is, in Texas, we
16 believe roads should pay for themselves, and
17 busses should pay for themselves, and trains
18 should pay for themselves, and airlines should pay
19 for themselves. That is the point we're trying to
20 make with our strategic plan is that the reality
21 for normal people is that they can't borrow money
22 and not pay it back. They can't go to the gas
23 station and fill up and not pay for it. Why in
24 the world would we create a transportation system
25 that doesn't pay for itself? Because what happens

1 is it falsely alters the daily economic decisions
2 that people make in their own self-interest.
3 People elect to go to Wal-Mart or Target. They
4 elect to go to Nieman Marcus or, what's the great
5 house in Chicago? Macy's? Sears? You know,
6 people elect to buy Exxon or they elect to buy the
7 unlabeled. They make decisions every day based on
8 what's in their own interest. Why wouldn't we
9 expect them to congest the roads if they were
10 being permitted to destroy that asset at the rate
11 of 80 percent? Why would they choose the bus or
12 the train or carpooling or living closer to their
13 job? Why wouldn't they do that if it was so much
14 cheaper?

15 COMMISSIONER SKANCKE: But --

16 MR. WILLIAMSON: And that's
17 the fallacy of centralized pooling of capital in
18 not making an asset pay for itself. I told you
19 about our plan. What I didn't tell you about is
20 we have a set of measurements that are hard. We
21 have a congestion index. We've got a tax ratio
22 application. We don't send a dollar out unless we
23 know for sure that the dollar that the Texas
24 taxpayers is spending is reducing congestion to
25 the masses.

1 COMMISSIONER SKANCKE: If I
2 may, Madam Chair.

3 You've touched on a great
4 point, because people do make choices and the
5 people in the West tend to want their own horse
6 and buggy is what we call it.

7 MR. WILLIAMSON: There's a
8 reason why.

9 COMMISSIONER SKANCKE: Why is
10 that?

11 MR. WILLIAMSON: The care --
12 the age of the car was already part of our culture
13 before the city was built up. That's why. If we
14 had populated like New York City or Pittsburgh, we
15 would have a pretty robust train system below
16 ground, but we were just villages and frontier
17 outposts until just 50, 60 years ago.

18 COMMISSIONER SKANCKE: We
19 actually really still are, but don't want to admit
20 it. That's what we call the Wild West.

21 You touched on a really good
22 point with the standards, and that's one of the
23 things that the conditions and performance of what
24 the Department of Transportation does on our
25 highways and our transportation infrastructure as

1 a whole.

2 As a commissioner of a DOT, as
3 a Commission here in the state of Texas, if this
4 Commission set a level of standards where highways
5 couldn't drop below X, and transit couldn't drop
6 below Y, and rail couldn't drop below Z, then --
7 and you give the consumer the opportunity to make
8 those choices, and if they truly want to shop at
9 Saks Fifth Avenue or Sears or JCPenney or
10 Nordstrom, if you're giving them all those
11 choices, if you set those standards, then how do
12 you fund those standards? Because there's
13 different components. There is a component that
14 has to commend where there is a public/private
15 partnership. So how do we, then, as a Commission
16 make the recommendation of how those things are
17 funded to certain standards? You've really -- I'm
18 going to get your card. You're going to hate me
19 by the time this Commission is all over because
20 you've got some great idea.

21 MR. WILLIAMSON: Well, you're
22 kind to say that. I have some friends in the
23 state that think they're not so great, because I'm
24 going to tell you something -- some of my staff is
25 back there cringing right now because they know

1 what's going to happen.

2 You know, it's okay to be a
3 socialist. It's not against the law. God didn't
4 forbid it. And socialists are in all political
5 parties. They're not just in one. It's very hard
6 sometimes to differentiate between true liberty
7 and socialism.

8 The guy I work for believes
9 that you can't look at the Department of
10 Transportation the same way you look at the
11 Department of Health as government does. The
12 Department of Transportation is in the business of
13 constructing assets for every American, in our
14 case, every Texan, irrespective of sexual
15 preference, ethnic background, irrespective of
16 everything. That's what we're in business to do.
17 But we tend to get sucked up in the arguments
18 about health, education, welfare, on and on and
19 on, and we tend to be treated the same way.

20 We're about the only function
21 left in the state government in our state where
22 the rigor of private capital can be applied to
23 almost every decision we make, and it will result
24 in the best and good service for the citizen we
25 serve. We believe that the first thing that's got

1 to be said is if you build a road, you've got to
2 know ahead of time how you're going to pay for it,
3 how you're going to maintain it, how you're going
4 to keep congestion down. And the way you do that
5 is you ask the private sector to come in and make
6 that decision. And then you ask the regional
7 leadership whose citizens are going to be paying
8 that toll: What do you want to do with that
9 money?

10 See, we don't make that
11 decision in Austin. When the North Texas Region
12 decides to sell the 121 concession to whoever
13 they're going to sell it to, whoever wins the
14 proposal is going to pay the North Texas area
15 about \$900 million cash for the right to have that
16 concession.

17 And in our law, that's --
18 those leaders decide: We're going to extend the
19 DART train line, we're going to buy more busses,
20 we're going to build some interchanges, we're
21 going to build a new road, we're going to build a
22 new toll road. We don't -- central government
23 does not get involved in that decision. We leave
24 it to those who are paying the bill to decide what
25 to do with the cash.

1 And that's the answer to your
2 question. We believe in -- we're not much about
3 socializing the highway system in our state. We
4 believe in getting to the decision to consume the
5 asset as close to the person paying for it as
6 possible, because we think what will happen over
7 time is these concessions will be sold, and the
8 Dallas Area Rapid Transit guy that runs the big
9 train system in Dallas County will go to the road
10 guy and say: We can get more congestion relief by
11 giving me \$60 million of that money and letting me
12 build a spur than you can by building four more
13 miles of highway of where you want to build it.

14 Put those measurement systems
15 in place, and if you're patient, the public will
16 begin -- when they realize that they can make
17 those decisions, they will begin to make those
18 decisions. It will be on autopilot. And those of
19 us who don't want to take the train and are
20 perfectly willing to pay the toll, we'll pay the
21 toll and we will help subsidize the busses and
22 trains. We will help subsidize the IT systems on
23 the tax roads in the state. We'll help
24 subsidize -- what you stand for, bridges?

25 MR. JONES: Tolls.

1 MR. WILLIAMSON: I know. New
2 bridges. We think that's what will happen. In
3 fact, we know that's what will happen. We believe
4 it. We've got a plan.

5 CHAIRPERSON CINO: Thank you,
6 Commissioner.

7 Commissioner McArdle.

8 COMMISSIONER McARDLE: What it
9 sounds like from all of you is that you're
10 advocating we shifting transportation to a metered
11 usage model most commonly found with electricity,
12 gas, and other utilities, and which individual
13 consumption results in a price that you pay in a
14 bill of some form, whatever choice you make. And
15 the question I would ask you: And this, you know,
16 is particularly relevant to electricity and water
17 supply, who then sets the standards that the
18 providers have to meet in order to ensure that
19 everyone has the ability to make a choice?

20 And I ask that question in the
21 context of a little bit of history. Believe it or
22 not, New York City was not found the way it is
23 today in 1635. The decisions that shape what you
24 see as New York City today were actually made by
25 people in the period around 1920, really from 1900

1 to 1920, that set what a supply policy, a
2 transportation policy, a land use policy, and a
3 financing policy that were integrated together
4 with land use to create a zoning envelope. That
5 is what you see when you look at a television shot
6 of New York City. And I can show you photographs
7 of Queens, particularly in 1913, in which it
8 looked very much like North Texas does to me,
9 totally flat, no houses in a lot of areas. But
10 you do have choices to make. And obviously, one
11 of the questions is how you get those capital
12 choices made so that you have, you know, the asset
13 in place?

14 Again, if I take the Texas
15 model, you mentioned Golden Triangle, which is a
16 critical economic mass for the United States, as
17 well as the Golden Triangle balance of Texas. Of
18 what interest is it for the citizens of Houston
19 and Galveston and Beaumont to make decisions about
20 linking that area to anywhere else unless someone
21 is going to define what kind of linkages have to
22 get created? Where does that happen in your
23 electricity model of, you know, metering
24 transportation, which is really where you are
25 coming down?

1 MR. WILLIAMSON: Well, the
2 approach that Governor Perry and the legislature
3 chose to take is that we won't ever toll an
4 existing tax road. We'll take the tax system like
5 it is. We make the assumption that the tax rate
6 will never go away. We don't believe the federal
7 government or the state government will ever index
8 the gas tax. We don't believe they'll raise the
9 rate. We think there's a reason why they won't.
10 It's connected to this notion I gave you earlier,
11 started about a different economic model than we
12 live in today. And based upon that assumption, we
13 made the decision to tax roads, we'll make tax
14 roads. We'll use our tax money and our vehicle
15 registration fees to maintain and expand the tax
16 roads, and we will use tolls to build parallels
17 and ultimately become the competitive driving
18 force between mass transportation, no
19 transportation, land use planning, or whatever.
20 That's first.

21 Second, our view is we respect
22 private capital. We believe to the extent that
23 private capital can empower construction. We will
24 be left with setting safety standards and setting
25 goals for the private sector that if they don't

1 reach, we begin to interfere with their toll
2 collections. For example, we're building a
3 parallel down -- or we recently decided to build a
4 parallel south of Austin and San Antonio. Part of
5 the contract is what they can charge is influenced
6 by what level of congestion occurs on the parallel
7 tax road. In other words, if our congestion
8 doesn't go down, which is goal number one in our
9 plan. On Interstate 35, parallel to the toll
10 road, their toll collections have to go down in
11 order to attract more people off of our tax road
12 onto their toll road. In other words, we -- our
13 view is to use market forces to regulate the
14 private sector as opposed to government theon.

15 We have a strong belief that
16 you have to remove the political class from the
17 decision-making process to solve this problem.
18 And the way you do that is to focus on incentives
19 that will ultimately reward the political class.
20 If you reduce congestion on Interstate 35, I'll
21 guarantee you every house and senate member that
22 represents that area is going to be a hero.
23 That's my answer. I don't know that -- how these
24 guys would answer.

25 MR. MILLAR: Well, a couple of

1 thoughts. First, people will vote to raise their
2 taxes for transportation. Last year they did it
3 in 84 percent of the local initiatives that were
4 up on the ballots throughout the year. So it is
5 not a matter that people will not vote for higher
6 taxes, but they do want the higher taxes to be for
7 things that they believe will improve their lives.

8
9 Second, I don't think we can
10 look at each mode of transportation by itself.
11 For example, we have an almost 100-year history
12 now of funding our roads with user fees as the
13 primary source for that. If you add the private
14 money as well as the public money, and you think
15 about the total transportation budget of the US,
16 about \$1.6 trillion a year gets spent in
17 transportation in the US. About 1.3 trillion of
18 that 1.6 trillion gets spent in the highway and
19 road area. The rail freight that we saw this
20 morning, for example, is around 45 million.
21 Public transit that I represent is around 43
22 billion, miniscule against what we've been
23 investing. So we kind of get what you pay for.
24 We invested a certain way, and that will last for
25 a long time. So if we want to do things
differently, we're going to have to manage our

1 assets differently.

2 I'm not certainly one who -- I
3 did intentionally make that statement before, that
4 it's interesting, that roads don't pay for
5 themselves, because I do believe that the public
6 investment in our nation's road system has paid us
7 back positively many times over, just as I think
8 the data is very clear that --

9 MR. WILLIAMSON: Can we -- one
10 minute --

11 MR. MILLAR: -- as well, so it
12 seems to me that if you're getting the benefit,
13 why shouldn't you be willing to invest in it?

14 Nevertheless, certainly, the
15 idea of where we can get the private sector to
16 make investments that -- in -- and to expand our
17 systems. I think that's a very good thing to do.
18 And so it's not -- I don't think it's -- I don't
19 see us going 100 percent that way, though --

20 MR. WILLIAMSON: The problem
21 we found in Texas --

22 MR. MILLAR: -- like the
23 public utility model.

24 MR. WILLIAMSON: The problem
25 we found in Texas was, it's true that the public

1 benefits from the road, but that benefit doesn't
2 come back into the road system. That's the
3 problem. In other words, the point I'm trying to
4 make is you can build a road and make a lot of
5 people wealthy, but by driving up the property
6 values along the road, you're still not feeding
7 more cash into the highway system. That's the
8 difficulty in it. We don't disagree at all that
9 building a road makes people wealthier. In fact,
10 we think you're exactly right. The problem is
11 that wealth doesn't get reflected back to pay for
12 the transportation system.

13 MR. MILLAR: The point I'm
14 trying to make is: Why do we build any
15 transportation? It's to support our economy.
16 It's to support our people. We shouldn't be
17 unwilling to make an investment --

18 MR. WILLIAMSON: I agree.

19 MR. MILLAR: -- that gets us a
20 benefit as a society. And I think that's what you
21 were driving at: How is the public interest
22 protected in this whole thing?

23 COMMISSIONER McARDLE: Well,
24 that's the question. I mean, you can eliminate
25 congestion pretty easily by getting rid of all the

1 drivers, driving them off the roads. As you know,
2 most state DOTs truly believe if they had no
3 drivers, it would be a much better system to
4 maintain and operate. You know, they would never
5 call up and complain.

6 But my point is this: That if
7 you truly want to depoliticize the whole process,
8 you look to the other utilities, equally important
9 in creating value in land. You can have the most
10 wonderful highway system, but if there's no water,
11 and no electricity, nobody's going to build them.
12 They have quite different models of performance
13 and pricing in which people do utilize the kind of
14 information that ITS produces about demand and the
15 like. It's priced into what you pay each month.
16 And the capital is in there as well as the
17 operating cost, and it stands on its own. They
18 make no effort to capture the value that they
19 create in the land. They make their money
20 strictly on providing a service. But at the end
21 of the day, someone overarching has got to look at
22 ensuring that the electrical generators, in fact,
23 are producing power, and you know how the grid
24 works here in Texas. You've isolated yourself
25 very deliberately from the national grid,

1 basically so people wouldn't come down here and
2 steal your electricity by outpricing you. But
3 there are mechanisms that you've got to ensure
4 there's adequate generating capacity. And now
5 we're turning to look at the whole question of
6 distribution capacity and how you price that to
7 encourage, again, certain location decisions. But
8 that's all, you know, transparent at the top.
9 It's invisible to the average user. But how does
10 that work in the transportation world that you'd
11 like to create, you know, where you've got this
12 all out of politics?

13 MR. WILLIAMSON: Well, when I
14 say -- what I mean by removing it from -- I think
15 that we ought to reward politicians in a different
16 way, myself in a different way. We ought to
17 reward politicians by making progress towards
18 common goals. If it is a commonly held goal that
19 congestion is a problem, and if you develop a
20 system that reduces congestion every day till you
21 someday reach your vision of zero, then you will
22 be rewarded as a politician for that result.

23 If you improve air quality
24 every day in Dallas, Texas as a result of your
25 decisions, a politician representing North Dallas

1 County will be rewarded by his stakeholders, his
2 voters, in reaching that result.

3 We observed in a practical
4 sense there's a large network of tax roads in the
5 country. They're probably not going to be able to
6 toll all those tax roads. You're going to have
7 to -- to take -- to use your analogy, there's a
8 large number of co-op electric lines that were
9 financed by the federal government, I'm glad they
10 were, they're hooked to 50-year pole contracts,
11 and so the kilowatt hours or 50 percent below the
12 market. You're not going to do away with those.
13 So just leave them. Let them exist. And all your
14 new lines are full market lines, and their proper
15 role of government is to define to the private
16 sector what the standards will be, the safety
17 standards, the level of congestion, the level of
18 air quality, all of that stuff, and let the market
19 price the use of the asset according to those
20 standards.

21 CHAIRPERSON CINO: Okay. With
22 that I know this discussion can continue for, if
23 not for several more minutes, certainly several
24 hours, but I'd like to close out this panel. We'd
25 like to take a 15-minute break, and then we will

1 move on to the next panel. Thank you.

2 (A recess was taken from
3 3:12 to 3:34.)

4 CHAIRPERSON CINO: Thank you
5 all very, very much.

6 The second panel is going to
7 be growth needs of the surface transportation
8 system, and we have an excellent group of
9 panelists who are going to present to us. I'll
10 just remind everybody of the five-minute clock for
11 your statements, and I would also ask that both of
12 the commissioners, and we'll take some of this,
13 and the panelists, if we could try to be as
14 concise with regards to questions and with regards
15 to answers, so we will be able to get in more
16 questions. I'm going to be a little more
17 heavy-handed on the clock for the questions and
18 the answers.

19 Let's start off the second
20 panel with Arlee Reno with Cambridge Systematics,
21 and he's going to talk about the assessment needs
22 of public transportation of highways.

23 Thank you very much for
24 coming.

25 MR. RENO: Thank you very

1 much, Ms. Chairman.

2 The commissioners have already
3 received briefings from the DOT staff on a lot of
4 the current sources of information about needs and
5 revenues and about some ongoing projects that are
6 going to add to the information on sources of the
7 information, on needs and revenues, so I will
8 cover some of those, but not all of those.

9 There is a lot of work now
10 underway that will add to the information. I want
11 to highlight just one aspect of it, which is the
12 impact of inflation on our transportation needs,
13 because this is really a recent phenomenon. I'm
14 also going to cover what are some other works
15 underway. There is a study of the interstate
16 system, the future of the interstate that will be
17 reporting to the Commission as of early next year.
18 There are several other studies underway.

19 You have received a briefing
20 on the 2006 condition and performance report by
21 the DOT staff. I want to highlight that there is
22 a gap between all the systems and needs and all
23 the estimates of revenues. My colleague, Gary
24 Marion, presented to you a graph that we had done
25 quite a while ago for the Chamber of Commerce,

1 which added up the needs and gave our best
2 forecast of revenues at all levels of government
3 for highways and transit. That showed a \$50
4 billion gap just to maintain the current system
5 for needs versus expected revenues, \$100 billion
6 gap per year to make the improvements to the
7 system that would support the nation's economy and
8 the mobility needs.

9 Now, that information is well
10 out of date. There have been two condition and
11 performance reports by the US DOT since that time,
12 and inflation has continued. Our estimate now, if
13 you look back at the last actually issued
14 condition and performance report, which used cost
15 information from 2002, compared to the current
16 time, as we sit here, we think there's been about
17 a 12.7 percent increase in consumer prices, and
18 alarmingly enough, over 41 percent increase in the
19 producer price index for highway and street
20 construction.

21 That price increase also
22 affects construction of mass transit. Normally,
23 mass transit costs are related, about 40 percent
24 to vehicles and vehicle replacement, 60 percent to
25 other assets, but those impacts are dramatic and

1 have to be considered in addition to the
2 information that you have available.

3 I gave you a graph that shows
4 the Bureau of Labor statistics producer price
5 index up to a few months ago. We think that has
6 dramatically impacted on the needs that we have
7 for our highway and transit system. Somewhere
8 between the consumer prices and the producer
9 prices would be the kind of adjustment that we
10 have to make when we get all our estimates
11 together, so that is a very dramatic situation.

12 We did not face that two years
13 ago in the beginning of 2004. Prices had been
14 fairly stable in terms of producer prices for
15 highway and street construction. Now we've had
16 that dramatic increase. That's, in my opinion,
17 all due to world market forces. It's not under
18 the control of anybody in our industry. So that
19 is something we have to take account of.

20 There's also in the report. I
21 included in your packet an estimate that not only
22 is the inflation cost very dramatic, but every
23 time we do not make an investment on time, we are
24 losing user benefits for the period of time up
25 until we make an investment to meet those needs.

1 Just delaying for 15 years, and this is a
2 calculation that is not well-supported by our
3 needs model system, so Susan Vinder has not caused
4 her staff to stick their neck out, but I stuck my
5 neck out and said: Basically, we are losing in
6 terms of user benefits just by the delay, about
7 half as much as we need to invest.

8 Well, you know, how bad is it?
9 It's pretty bad. We need to invest more with
10 regard to our infrastructure and our -- and
11 keeping our assets in place, and we need to
12 account for inflation and we need to make those
13 investments in a timely manner.

14 Thanks.

15 CHAIRPERSON CINO: Thank you
16 very much.

17 Our second panelist is Joseph
18 Giglio from Northeastern University.

19 MR. GIGLIO: Thanks for
20 pronouncing it correctly.

21 I'm going to be brief.

22 CHAIRPERSON CINO: Physon
23 [phonetic].

24 MR. GIGLIO: Pardon me?

25 CHAIRPERSON CINO: A fellow

1 Physon [phonetic].

2 MR. GIGLIO: Thank you.

3 Philasman [phonetic]. Philasman [phonetic].

4 I can see I fell in with a
5 tough crowd this afternoon.

6 CHAIRPERSON CINO: It's just
7 late.

8 MR. GIGLIO: I'm going to be
9 brief for two reasons: One, I believe I've
10 submitted written testimony; and two, I don't know
11 about you all, but it's pushing on Miller time for
12 me.

13 I want to share with you and
14 express my premise about the transportation
15 business, is that what keeps this country strong
16 and powerful is the economy. The purpose of
17 transportation is to provide sufficient
18 transportation capacity for the economy to grow.

19 I would hope that the
20 Commission would address four central upstream
21 questions. We have the transportation network we
22 deserve, maybe even entitled to in this country,
23 but is it the one that we need, especially given
24 what's happening globally and demographically?

25 Two, what are you ultimately

1 trying to do with transportation? And I would
2 submit to you that you start by asking the
3 customer. To me, those are the two principal
4 content questions.

5 The form questions are: How
6 will you do it? And what resources and means and
7 competencies do you need to do it?

8 Now, the answers to these
9 questions, from my perspective, begin to give rise
10 to a national strategy providing the strategic
11 context to judge the tactics and the structure.
12 The Chinese menu of how do you fill alleged
13 funding gaps? And from my perspective, the
14 structure follows strategy. You deal with the
15 basic content questions, questions such as the
16 role of the federal government. Public interests
17 fall out of that strategic discussion, which I
18 think is the really difficult, tough questions,
19 developing the overarching strategy.

20 And I guess for the umpteen
21 time, financial issues, such as the funding gaps,
22 need analysis, to me, are shaped by the answers to
23 the content questions, and I would be very
24 cautious about exploring the territory that's
25 populated by the usual group of suspects who raise

1 up the volume on the size of the funding gap
2 without considering the strategic questions. So I
3 would urge you to look for some fresh unaffiliated
4 ideas about strategy, and possibly that results in
5 the redefinition of the funding gaps.

6 I know these four unasked
7 questions and other unasked questions are
8 frequently beneath the line of sight to many of
9 the industry notables, primarily because it's
10 outside their transportation experience. It's
11 outside their job of delivering service on a
12 day-to-day basis. You-all have considerable
13 intellectual candlepower and political stroke on
14 this Commission, so I would hope that you would
15 not simply look away, hope for the best,
16 perpetuate the status quo, and leave basic
17 questions for others to address and for someone
18 else to take the good shot.

19 Thank you for having me and
20 listening to me.

21 CHAIRPERSON CINO: Thank you
22 very much.

23 And our third panelist is John
24 Sedlak from the Metropolitan Transit Authority of
25 Harris County, and that's the Houston metro area.

1 MR. SEDLAK: Madam Chairman
2 and members of the Commission, thank you.

3 I'm John Sedlak, executive
4 vice president of the Houston Metro Transit
5 Authority, and I'm standing in -- or sitting in
6 for Frank Wilson, our president and CEO.

7 This session is focused on the
8 growth needs of the surface transportation system.
9 I represent the Houston-Galveston region, and with
10 its current and projected migration and
11 immigration, we have experienced some of the most
12 rapid population and employment increases in the
13 nation. Our current -- currently, our region has
14 grown to 5 million residents today and is forecast
15 to add an additional 3 million in the next 20
16 years. That's better than 2,000 additional
17 residents a week, and that leads to transportation
18 system challenges on almost increasing demands.

19 It's not just Houston. The
20 same applies for Dallas and other cities in Texas
21 and across the region. And survey after survey,
22 transportation continues to be identified by our
23 various residents as the key issue to be
24 addressed.

25 In Houston, we're addressing

1 our local demand in multiple ways. I'd like to
2 cite a few examples. Interagency cooperation. We
3 work across modes. As a transit agency, we've
4 built highways and many city and county roadways.
5 It's a unique situation in our city. We've also
6 had the Texas DOT. We've worked in partnership
7 with them, with the Houston Metro, we built a
8 102-mile high-occupancy vehicle system. We run a
9 high-performance bus system on that HOV system.
10 It's been jointly managed, and it's operated and
11 secured by Houston Metro.

12 We've jointly built a
13 state-of-the-art traffic and transit management
14 system called TranStar. It was jointly funded by
15 FHWA -- FHWA, TxDOT, Houston Metro, Harris County,
16 the emergency management component and also the
17 City of Houston. Its value was underscored last
18 summer when we dealt with two hurricanes and
19 evaluation of millions of residents from the
20 Houston region.

21 We also have joint
22 partnerships established with Harris County Toll
23 Road Authority where we're jointly integrating
24 transit, highway and tollway facilities all
25 together in a joint corridor. We need to expand

1 all modes of transportation in our region
2 including rail transit in a significant way. It
3 works here in Dallas, and it's now working in
4 Houston. Our short seven and a half mile light
5 rail line opened just two years is now carrying
6 43,000 riders on an average weekday. That's
7 12 percent higher than the 20/20 forecast. And we
8 were told that no one would ride light rail
9 transit in Houston.

10 We have a multiyear expansion
11 program of our transit system now underway, and
12 we're implementing this with an aggressive
13 public/private partnership via a hybrid design
14 approach, and we're working to shift the risk to
15 the private sector, accelerate the program
16 delivery so we can bring it in on time and on
17 budget, and also embrace the public sector's
18 creativity in bringing forward new ideas and new
19 ways in which we can deliver to the public a
20 better product for our transit system. We believe
21 this approach will be an important one for future
22 transportation development of all modes.

23 Our economy is dependent on a
24 viable multimodal transportation system. The
25 investment in the growing regions of our nation

1 will provide long-term national benefits. We have
2 a chance to do it right the first time by building
3 a balanced multimodal system in many of our
4 growing cities.

5 And we thank you for your
6 attention and time here today, and we ask you for
7 your continued support. Thank you.

8 CHAIRPERSON CINO: Well, let
9 me thank all of you. This is unprecedented. We
10 are ahead of schedule, which means we are right
11 back on schedule, so I thank you-all very much.

12 And now let me open it up to
13 the commissioners for any questions that they
14 might have of our panels.

15 Commissioner Schenendorf.

16 COMMISSIONER SCHENENDORF:

17 you for being here. It's very, very helpful.

18 The question that I have is
19 the Commission obviously is going to be looking at
20 long-range solutions, long-range ideas, hopefully
21 in an innovative way. But part of our mandate is
22 also to look at short-term issues that are coming
23 out. And one of the short-term issues is that the
24 highway trust fund is in significant financial
25 difficulties. There's a good chance the program

Thank

1 will have to be cut back in the order of 20 to
2 25 percent. And I would ask the panel basically
3 for what options do you think are available in the
4 short-term as we identify the long-term solutions
5 and eventually transition to those long-term
6 solutions? What do you see as the solution that's
7 short-term for the program over the next five to
8 seven years? From a financing point of view.

9 MR. RENO: Yeah. The best
10 solution, of course, is to find some additional
11 revenue, either through indexing of the motor fuel
12 tax or some adjustment to the other taxes on heavy
13 vehicles. If that can't be done, I would just
14 note, as I've done almost facetiously, that this
15 program is probably the only federal program that
16 is on a pay-as-you-go basis, and that we look at
17 the trust fund accounts as the amount of money
18 that we think we should spend. We apply that rule
19 to Social Security, and we apply that rule to the
20 highway and transit accounts in -- in the highway
21 trust fund.

22 The rest of the federal
23 government is not financed on a pay-as-you-go
24 basis. I'm not sure that the world would end if
25 suddenly, for a short period of time, the highway

1 and transit programs were funded the same as other
2 federal programs were funded with the provision
3 that somehow, some funding solution would be found
4 in the long-term to make up for that.

5 But you know, it's really
6 strange. If I explain the highway trust fund
7 accounts to anybody else who follows the federal
8 government, it is a strange mechanism because no
9 other agency is held to a pay-as-you-go basis.
10 The federal government, its current operations are
11 funded on the basis of borrowing. If you ask me
12 as a public policy person: Should we pay as you
13 go for current operations? I would say: Yes.
14 And should we borrow for capital needs? I would
15 say: Yes. The federal government does the
16 opposite. It funds capital investment pay as you
17 go, and it funds current operations on the basis
18 of borrowing.

19 So as you contemplate what you
20 might do in the future, I don't mean that entirely
21 facetiously, but the best thing is always to find
22 an adjustment that saves in 2008, 2009, 2010
23 period, no matter how temporary it might be in
24 terms of a revenue adjustment, but, you know, we
25 are funding this program on an entirely different

1 basis than we fund the rest of the federal
2 government. States borrow for capital needs.
3 Localities borrow for capital needs. They fund
4 current operations pay as you go. So we might
5 consider that as a federal program also, to look
6 at a borrowing program, for example.

7 COMMISSIONER SCHENENDORF: The
8 other panelists care to briefly comment?

9 MR. GIGLIO: I think you're
10 right. You don't get to go long-term unless
11 you're short-term.

12 Let me just follow up on that.
13 I think one could look to leverage off the highway
14 trust fund by issuing transportation
15 infrastructure bonds, assuming one believes that
16 the federal fuel tax is a steady, dependable,
17 predictable, revenue stream. One could also
18 consider revisiting the issue of increasing and
19 indexing the federal fuel tax. What every penny
20 increase is a billion eight, a billion nine.

21 I'm hesitant about the number
22 because, quite frankly, I don't think we should
23 trust any number with nine zeros behind it, but
24 it's on that order of magnitude.

25 One could also, if you're

1 interested in leveraging, if you want to join the
2 parade to a privatization is simply change the
3 funding format and make it a third, a third, and
4 you go figure out the other third.

5 One could also revisit the
6 expenditure side. I mean, isn't that what every
7 business person does? I look at both the revenue
8 side and the expense side. And maybe I have to
9 downsize the spending sculpture to my available
10 cash flow.

11 But it seems to me that those
12 are the options that are available to you, as well
13 as possible going with some kind of lock brick, as
14 I believe Mr. Williamson, the chairman of the
15 Highway Commission, suggested.

16 It seems to me you don't
17 have -- you have a series of options to deal with
18 the issue short-term, and then at the same time,
19 in parallel, move to a different strategy over a
20 5, 10, 15-year period, which you probably heard
21 what monotony is. How do I use technology to move
22 toward market-based pricing, although I don't have
23 the same confidence in willing buyers and sellers
24 as others do.

25 MR. SEDLAK: Okay. I agree

1 with my colleagues here, particularly what Joe has
2 just outlined, the predictability of funding is
3 very important. Even if it's stretched out over a
4 longer period of time, even at a lower level, if
5 there's a predictable funding source that can be
6 leveraged, if that's available. I think the
7 private sector in the way many of our projects now
8 are being looked at, to be leveraged with private
9 funds and private investment that can be brought
10 in. They're looking at a predictable partner,
11 both from a local basis, and in the case of a
12 project that involves the federal government, that
13 partner being the federal government.

14 So if we can have that
15 predictable partner from all sides, I think we
16 have the best chance for the best long-term
17 success.

18 CHAIRPERSON CINO:

19 Commissioner Skancke.

20 COMMISSIONER SKANCKE: Thank
21 you, Madam Chair.

22 Dr. Giglio, you made an
23 interesting comment in fuel tax being dependable,
24 flexible and reliable. Is it, from your point of
25 view?

1 MR. GIGLIO: Despite the --
2 the concerns that people have expressed over the
3 last couple of years about the loss of purchasing
4 power, I still think it's a very robust source of
5 revenue in the transportation program, and I think
6 that you want to treat it as a cash capital
7 foreseeable future while you're developing a
8 parallel strategy that reduces your dependency on
9 a fuel tax, but I would argue that in a corporate
10 private setting environment, it would be a mistake
11 to jettison your reliance on fuel tax, and you've
12 got to leverage it and milk it until you're in a
13 position to develop other revenue sources or
14 different project delivery systems.

15 CHAIRPERSON CINO:
16 Commissioner McArdle.

17 COMMISSIONER McARDLE: Yeah,
18 I'd like to examine, if you could for a minute, in
19 the Houston environment how the air quality issues
20 set against national standards have impacted your
21 program choices, and does that suggest on the
22 transportation side that we should be, in fact,
23 following much that same model, setting
24 transportation standards for you, and handing the
25 money to you in the kind of grants, you know, the

1 revolving loan fund you get on the environmental
2 side, and then leaving it to the
3 Houston-Beaumont-Galveston region to decide how it
4 wants to, in fact, you know, deal with its
5 capacity issues against all those standards that
6 are implied? Because you certainly have the air
7 quality standards impacting on decisions that are
8 made every day within your area. Should there be
9 transportation standards as well that you have the
10 need to define what you do?

11 MR. SEDLAK: Commissioner,
12 it's a tough issue for us in Houston, because from
13 a transportation standpoint, the mobile sources
14 make up only a -- less than 30 percent of the
15 problem. The problem is the stationary sources,
16 industrial base is the -- is the real bulk of
17 the -- of the problem. And just the sheer
18 geography of where we are and prevailing wind
19 patterns, but we live within the regulations that
20 have been established, so we must work within --
21 within that.

22 Our strategies have certainly
23 been aligned towards reduction of vehicle miles
24 traveled, use of the cleaner fuels, et cetera.
25 Every strategy that we could possibly employ,

1 we've been employing, and there have been a lot of
2 efforts by the industrial base to clean up
3 their -- their component, which is really a major,
4 major component. Progress has been made, I'm glad
5 to say that. There has been -- has been progress
6 made.

7 But I think the transportation
8 system has probably paid an unfair burden on
9 its -- on its efforts to do more than it probably
10 rightfully should be doing. We've -- we've had to
11 really, really pull a stronger share of the load
12 than probably should be.

13 COMMISSIONER SCHENENDORF:
14 Arlee, listen, when you opened, you talked about a
15 little bit about the gap, the needs gap for the
16 revenue gap. When you were researching this, did
17 you also have inner city passenger rail and, you
18 know, other commuter rail and things like that?
19 Was that part of your needs assessment, or was
20 that not in your needs?

21 MR. RENO: We -- we included
22 commuter rail and all public transit, but not
23 anything about inner city passenger rail or
24 Amtrak, so it was highways and public
25 transportation.

1 COMMISSIONER BUSALACCHI:

2 Okay.

3 MR. RENO: Which is the normal
4 topic of the condition and performance reports.

5 COMMISSIONER BUSALACCHI:

6 Okay. I just wanted to get that out there because
7 in making the needs assessment, I mean, it's just
8 my personal opinion that if we're talking about
9 the needs for the country, we should be talking
10 about what's going on with freight rail and
11 passenger rail, and I think that's -- that should
12 be part of the needs assessment, because it could
13 be huge. Those dollars and those needs could be
14 huge, so I just wanted to make sure.

15 MR. RENO: I agree. And ASHTO
16 has commissioned a freight rail bottom line report
17 as part of a freight bottom line report that
18 includes those kinds of needs for freight rail,
19 and also, through NCHRP, is assessing inner city
20 rail issues, so that should be available to you as
21 well.

22 COMMISSIONER BUSALACCHI: So
23 it would be safe to say, without putting words in
24 anybody's mouth, that if your number is correct,
25 it could indeed grow, if -- if those two items are

1 put in there.

2 MR. RENO: There's a variety
3 of reasons why that number could grow, including
4 the continued inflation. Hopefully, that will
5 subside and reverse, but that's not a given.
6 However, all the updates almost always show that
7 the needs continue to increase, and partly, that's
8 due to the change in the dollars in which they're
9 estimated. But also, in some cases, it might be
10 due to the fact the backlog has got end greater.

11 COMMISSIONER BUSALACCHI:

12 Thank you.

13 CHAIRPERSON CINO:

14 Commissioner Heminger.

15 COMMISSIONER HEMINGER: I had
16 a question for each of the first two panelists.

17 Mr. Reno, you mentioned the
18 chart you put in our packet on construction
19 inflation, and my understanding is that
20 historically, construction and regular inflation
21 have tracked each other pretty closely, but
22 recently, they've separated pretty significantly.
23 And if you can comment on what's going on, and
24 whether it's a blip or whether it's a trend.

25 And for Mr. Giglio, I'd rather

1 not let you off by just asking you four questions,
2 but get you to answer one of them. The one that
3 especially interests me is the fourth: How do we
4 measure our success in making transportation
5 systems better? It's really getting at
6 Commissioner McArdle's questions about whether we
7 ought to have transportation standards or
8 performance objective against we can measure
9 progress, instead of just reporting that we laid
10 this much asphalt and this much rail this year.

11 MR. GIGLIO: Do I have the
12 right to remain silent?

13 COMMISSIONER HEMINGER: No,
14 you don't. But you can think while Arlee is
15 giving his answer.

16 MR. RENO: I'll be brief, even
17 though Joe needs a little more time to think about
18 that answer.

19 The construction costs have
20 been increasing so much more dramatically than
21 consumer prices recently, and that is really an
22 anomaly. When we used to do this in the past, we
23 used to see numbers that were slightly better than
24 consumer prices, and so we were perfectly happy
25 that nothing was out of control.

1 My own belief, and I haven't
2 done a study of this, is that these things that
3 are steel, aggregate, asphalt-rated, these are all
4 due to world market forces, and the thing that
5 would change those would be the ability of those
6 world markets to catch up with what has been the
7 rapid increase in demand for those things in
8 China, India and other places. As soon as the
9 world market catches up and is able to supply
10 that, hopefully, those prices will moderate or
11 even go down. We have seen in the past some
12 adjustment backwards after periods of more than
13 usual inflation in producer prices. So hopefully
14 that will occur again, but it is really outside
15 our control.

16 COMMISSIONER HEMINGER: And
17 just to follow up. I mean, is it likely, though,
18 or possible that even though the market may catch
19 up and supply may catch up, that supply will be
20 produced in an environment where it's simply going
21 to be more expensive, and so that inflation is
22 going to persist in some way? I mean, I'm
23 thinking of pollution control and those sorts of
24 things.

25 MR. RENO: Yeah. We may not

1 see prices moderate back down, and, you know, we
2 could expect, you know, a couple of percent
3 increase just because that does happen with world
4 prices and domestic prices for everything all the
5 time. But, you know, there's no crystal ball.
6 Nobody thought gas would go to \$3 a gallon.
7 Nobody thinks it will go back to \$2 a gallon, but
8 maybe that will occur. We certainly would have
9 looked a few years ago at gas at \$2 a gallon,
10 that's an incredible terrible situation, and now
11 we're looking at it as: How fortunate can we be?
12 So maybe just a little bit of moderation back
13 downward would be very, very helpful with these
14 prices.

15 COMMISSIONER HEMINGER: Time's
16 up, Joe.

17 MR. RENO: Okay. Joe.

18 MR. GIGLIO: So it is. You
19 all are putting me in a cranky mood. I can't deal
20 with this stress. I left my students in Boston to
21 come here thinking I would get some relief.

22 I think, Steve, the
23 marketplace is going to tell you. The customer is
24 going to tell you when you're successful. Without
25 unbundling the contribution transportation makes

1 to economic growth, because that's been studied
2 with monotony, that in running all sorts of
3 regulations about every dollar increase in
4 investment, increase that the economy by the
5 following. I think the customer is going to tell
6 you. I think we've been pitifully poor in
7 transportation on identifying this aggregating and
8 talking to customers.

9 I made the point this morning:
10 When is the last time the Secretary of
11 Transportation spoke to the head of the UPS or
12 FedEx, or major third-party logistics provider?
13 When's the last time we've gone out and talked to
14 Triple A or customers? Why isn't Triple A sitting
15 up here? There are 49 million subscribers. You
16 want to get direct proxy? Customers will tell
17 you. Because if you're not offering them the
18 product, they won't use it. And you live with
19 that every day, because unlike a lot of other
20 people, your performance is evaluated every day.

21 As to Commissioner McArdle's
22 point, I think that if you want to start going to
23 an increase in pricing, that notion I had about
24 regional mobility corporation, you want to go to
25 concessions? You're asking people to pay a

1 greater public price -- a higher price, pardon me,
2 for a service or a good, that if you want to be
3 credible, you want to be plausible, you have to
4 deliver a better service. And just as
5 Commissioner McArdle made the point that EPA holds
6 people to standards, to accountability. Why is it
7 that when I drive in from Western Pennsylvania to
8 Boston, I'm paying either increased taxes, fuel
9 indirect or toll, why is it that the Department of
10 Transportation -- well, the Executive Office of
11 Transportation and Construction can't assure me
12 that I'm going to be able to travel within 35 to
13 45 miles an hour, so I can make my meeting in time
14 to go to the class on time. Why is that
15 unreasonable? We know why it's unreasonable.
16 Nobody likes that kind of accountability.

17 On the other hand, you're
18 asking the customer to pay more. How does this
19 translate for a third-party logistics provider
20 into saving costs per revenue miles, per operating
21 mile? You're asking me to pay greater. There's
22 got to be the notion of accountability.

23 And you certainly have the
24 technology to measure that. Just as technology
25 changes your need in funding gaps and

1 productivity, it also gives you the ability to
2 measure and to manage against that. And I know
3 I'm talking to the choir, but somebody who is
4 providing service every day, twice a day in a very
5 transparent way.

6 CHAIRPERSON CINO:

7 Mr. McArdle.

8 COMMISSIONER McARDLE: Does
9 that suggest, Arlee, that the way we now collect
10 the numbers really should itself be turned so that
11 we are collecting the numbers on condition and
12 performance from the customers, whether it's
13 freight or otherwise, so that the dominant numbers
14 we look at are not the conditions of an
15 undifferentiated system, but really, the
16 experience and expectations of the customers, both
17 commercial and otherwise? Because all the numbers
18 we seem to get now are all focused on the
19 condition of a thing, as Mr. Giglio says in his
20 paper, but not on the satisfaction of a customer.
21 We don't even put them in the equation of the
22 numbers that we gather at this point, it seems to
23 me.

24 MR. RENO: Yeah. The model
25 system goes to some lengths to calculate

1 performance from a point of view of a customer in
2 terms of calculating what the hours of delay are,
3 what the travel time costs are, what the operating
4 costs are, what the safety costs are. But as you
5 say, it's all based upon the data that we gathered
6 from the system. We're not asking the customer,
7 you know, as often as we should, the
8 characteristics of their trip. And that's done
9 only very periodically with censuses of
10 transportation, which are always in danger of not
11 being funded, so that we won't even have any data
12 about how a customer perceives things from the
13 point of view from the freight industry or the
14 individual consumer. And having that information
15 would give us a much richer source of information
16 to use to develop policies and programs and
17 evaluations of actions of both capital investments
18 and operating actions to figure out how to
19 maximize customer satisfaction, because as some
20 people said, you know, if -- if you don't care
21 about the customer and you just want to minimize
22 your budget, stop spending any money on highways
23 of public transportation. That's the budget
24 minimizing solution.

25 So everything you're doing is

1 for the customer. We need some better ways, as
2 you suggested, to say: Okay. How is the customer
3 doing? What's the trends in customer
4 satisfaction?

5 There are some market research
6 techniques that are now being used by some of the
7 transit agencies, but we also need to get highway
8 agencies to start to use some sophisticated market
9 research and say: Okay. How are their customers
10 really viewing the system? What should be done
11 with the system?

12 Thanks.

13 COMMISSIONER McARDLE: In
14 essence, in the long-term, you have to focus on
15 the customer and the customer satisfaction
16 because, again, customers are mobile. If they
17 don't like what you're doing, they can choose to
18 leave your area or come to your area, and that can
19 be a commercial customer, as well as just an
20 average citizen, so to speak, like you and I,
21 making choices about location.

22 CHAIRPERSON CINO: Mr. Odland.

23 COMMISSIONER ODLAND: You
24 know, we have all of the data that you've laid
25 out. We know -- let's assume we know there are a

1 lot of problems, there are funding shortfalls,
2 price is going up, demand is going up, supply is
3 in shortage. But you started on Page 2, Professor
4 Giglio, by saying: What should the transportation
5 system look like in the future? And I guess, you
6 know, if I think about all of the major things
7 that our country has done, it started with an end
8 in mind, and we always seem to find ways to fund
9 it and to build it.

10 So the question is to all of
11 the panelists: In 2050, which is roughly 50 years
12 out, what should the transportation system look
13 like? I'm -- I'm asking physically: What should
14 it look like? Take into account all the factors
15 that you've described in your testimony.

16 MR. SEDLAK: I'll take a shot
17 here. I think it needs to be far more integrated
18 than it is today. Some portions of our country,
19 the Northeast, I believe, of our system is more
20 integrated in terms of the integration of the
21 modes. We need to do a far better job across the
22 rest of the country. So multimodal
23 transportation, and not just passenger
24 transportation, but the integration of both
25 passenger and freight and goods movement that is

1 fully integrated.

2 I believe some of the modes
3 that we've left fall short, particularly inner
4 city rail for passenger travel. The Northeast is
5 about the only segment in the country that still
6 has some inner city connectivity relative to rail
7 with the Northeast corridor. There are certain --
8 certainly areas of the country where connectivity
9 can be provided by inner city rail. I would have
10 a vision of that sort of connectivity being
11 provided by high-speed service as a secondary mode
12 to air service and roadway service, but again,
13 integrated with both of those modes so that we
14 would have the ability for users to make choices
15 and also get the most effectiveness out of these
16 systems.

17 Again, connection between both
18 passenger and freight movements as we look at
19 these systems so that they're really doing more
20 than just one particular functional -- functional
21 job. So I see that as a vision. We've got to do
22 far much -- we've got to do a lot more with all of
23 the modes, bringing them together comprehensively.

24 MR. GIGLIO: I -- you'll -- I
25 hope I wasn't misunderstood. I wasn't asking the

1 question that I know the answer to, reminiscent of
2 being in the classroom. What I was concerned
3 about is that we don't substitute means for ends.
4 And what I was hoping to suggest in the paper was
5 that there's a methodology that one could use to
6 be able to answer the question: What are we
7 trying to accomplish? What kind of system network
8 do we want?

9 And I started out by
10 suggesting that one should look at the external
11 world, and there were a series of classifications
12 I recommend to you. It seems pretty obvious to me
13 that there's a big difference between the
14 interstate 50 years ago being the dominant
15 transportation component. I think we've got to
16 catch the joke. That when you look at what's out
17 there, we're outsourcing global trade patterns,
18 that it's pretty evident that our transportation
19 network is really a component, a subset of a
20 global transportation data.

21 What are the implications of
22 that for us over the next 5, 10, 15, 20 years?
23 Perhaps the interstate is not part of a global
24 network. Perhaps the interstate is part of a
25 Pan American highway that goes from Argentina to

1 Alaska, because of what emerges over the next 10
2 or 15 years because of evolution and free regional
3 trading blocks. The Americans, Europe, North
4 Africa, Asia. I'm just outlining that as one
5 possible scenario.

6 What kind of a system
7 economic -- what kind of transportation network do
8 you want under that set of conditions when you
9 examine the environment? And I used the economic
10 classification, strongly urging you to look at
11 what's happening with global trade and moving
12 goods and freight, and the implications for the
13 movement people, and information domestically.

14 I also urge you to look at
15 what's happening in technology. Technology has
16 improved productivity, reduced cost, improved the
17 quality in practically every industry in the
18 United States. Why isn't that taking place in
19 transportation? Maybe the federal government
20 should become a consumer, that when they start
21 pricing the interstate highway system, they ought
22 to think about equipping it with the latest in
23 transportation system, and there's some ways of
24 dealing with that.

25 Final point is I urge you in

1 the paper to talk to customers, not to talk to
2 academicians, not to talk to the usual group of
3 the beltway consultants, but go out and start
4 talking to customers. Talk about your current
5 customers and future customers, but they will
6 change over a period of time in response to
7 demographic changes and in response to global
8 trade patterns. Those, to me, are the content
9 questions. I apologize -- I would like to be able
10 to give you the answers full-blown, out of Zeus's
11 Head, but I think you-all recognize those are
12 really tough, difficult questions to deal with,
13 and I would suggest that those are the first order
14 of questions.

15 COMMISSIONER ODLAND: Okay.
16 But let me push back, because we are out here
17 talking to customers and doing all these hearings
18 to talk to these customers and to listen, and
19 we've got reams and reams and reams of data, but
20 we'd like the solutions.

21 So let's assume that you're
22 right, that it's going to become a global
23 marketplace and a global trade. Let's assume that
24 there are these sectors, and it's going to become
25 more competitive economically, and that the

1 purpose of the transportation system is to drive
2 the economy much. That's what you said in the
3 paper. Therefore, what should it look like?

4 MR. GIGLIO: Which of the
5 physical transportation?

6 MR. WILLIAMSON: What should
7 the physical transportation system look like?
8 You're asking the question, and I don't mean to be
9 impolite, but you've thought about it a lot.
10 What's the answer? What should it look like?
11 Because the funding -- everything else should
12 follow from that, right? The funding should
13 follow. The form should follow. You've set it up
14 really well. What should we -- what should we
15 create?

16 MR. GIGLIO: First of all, you
17 have a network in place. Let's start with that.
18 You have a transportation network in place. That
19 by and large, on the East Coast and Mid-Atlantic,
20 you're not talking about additional capacity,
21 you're talking about improving the quality of the
22 transportation network. And I would suggest to
23 you that if I look at the Northeast, mid-Atlantic,
24 some of the urbanized centers, independent of blue
25 states, red states or agenda states, that I'm

1 looking at qualitative improvements, and I would
2 submit to you that the technology that you have in
3 place and that is emerging will make incremental
4 improvements to that network.

5 When I come to the state of
6 Texas, when I come to Florida or when I look at
7 states that have the environmental conditions in
8 which to grow new capacity, I am looking at
9 incremental expansions off existing networks. I'm
10 not going to start building access to South Dakota
11 if there's not economic activity there. So I'm
12 going to be looking at a system that is going to
13 have grown incrementally. This is my crystal
14 ball. I don't know which astrologist somebody
15 else is using, but it's going to represent
16 incremental growth.

17 But the way I manage this
18 network is going to be a lot different. As John
19 suggested, when you use technology to operate on
20 an integrated basis, I think you're going to
21 manage a portfolio vastness, not just transit and
22 highway, but you're going to be managing a
23 portfolio and financing assets and delivery
24 systems. I don't think that I want to push the
25 envelope beyond that and steal your upside because

1 I'm really looking forward to your responding to
2 the question.

3 MR. RENO: One of the things
4 for the commissioners to think about, too, is not
5 just current customers, but what will customers be
6 like in 50 years? Alan Pisarski and I are kind of
7 like a broken record. You know, 50 years from
8 now, they'll be 50 percent more population. If
9 things go as we think they're going to go,
10 everybody will be two or three times as wealthy in
11 real terms on average as they are today. Those
12 are the customers that you are planning for.
13 That's what happened every 50 years. If we go
14 back to 1956 and 1906, what kind of transportation
15 system did we have in 1906? We didn't get around
16 very well. We didn't have very much mechanization
17 except for railroads and incipient urban
18 transportation systems that weren't really there
19 yet. In '56, we dreamed of an interstate that we
20 could drive at 60 or 65 miles an hour instead of
21 20 miles an hour or 30 miles an hour on our local
22 roads.

23 What is the aspiration of
24 people going to be 50 years from now? Are they
25 going to want a lower level of service than what

1 we have now? Is the aspiration just for a level
2 of service that looks like the best of what we
3 have now in particular places, or is it something
4 else? You know, we -- we went from spending
5 2 percent of our gross domestic product on
6 highways and transit infrastructure and operations
7 in the 1970s at the height of the interstate
8 construction, and we're down just below
9 1.4 percent now. I would say maybe getting back
10 up to 2 percent is enough. Maybe if we find some
11 ways of doing it, staying at 1.4 percent might be
12 enough. Continuing to drop as we have been,
13 because our revenue sources have not kept pace
14 with economic growth, that is a prescription for
15 continuing lower and lower performance.

16 So it's not hard. I mean,
17 if -- if the economy is growing in real terms,
18 2 percent per year, we don't have to do much. We
19 don't take anything out of the rest of the
20 economy. We put it right back in, as a matter of
21 fact, in terms of extra benefits.

22 These should not be hard
23 decisions if we look at the future world and say:
24 What does that future world look like? Do we have
25 a transportation system that's serving a much more

1 prosperous society than we have today? And maybe
2 that helps to guide the vision that we want to
3 create.

4 CHAIRPERSON CINO: Dr. Giglio,
5 I hate to pick on you, but it's so seldom we get
6 to pick on a professor. I read your paper of
7 great interest, and it -- being a student of
8 voters more than customers, I'd like your approach
9 with regard to figuring out what the customer is
10 saying.

11 Suppose we actually had
12 conducted focus groups and we had done survey
13 work, and what we found were that the customers
14 were concerned, and I think it was somewhat
15 validated by Commissioner Williamson, and I
16 believe also if you remember the Virginia races,
17 the governor races of last year, and New Jersey
18 governor races. What the customers were saying is
19 they wanted us to reduce congestion, and
20 congestion continues to be even above the economy,
21 and sometimes health care, one of the number one
22 problems. The problem is people don't believe
23 that we can, in fact, reduce congestion.

24 So I throw that particularly
25 at you having done the focus groups and having

1 done survey research and having run the campaigns,
2 how then would we look, perhaps, at how the
3 network should look?

4 MR. GIGLIO: I'm glad you
5 found the paper to be of value. I did my best to
6 make certain that it was academically voluminous.
7 I don't know.

8 CHAIRPERSON CINO: Don't grade
9 me.

10 MR. GIGLIO: Pardon?
11 The covers were set too far
12 apart, I'm certain.

13 In measuring demand, the
14 demand that I'm accustomed to measuring is
15 whether it's latent demand, dormant demand, vocal
16 demand, induced demand, derivative demand. I
17 don't know what the survey instrument was, the
18 validity of that is, because in certain ways, we
19 all know that just as polling data is a black art,
20 market research can be a black art. I don't know
21 if you went out and asked the community, as we had
22 in Massachusetts: You want the following
23 transportation services? What are you willing to
24 pay for it?

25 And I think, to me, that

1 becomes the operative question. And it doesn't
2 always take place, that response and that question
3 where you have a willing buyer and seller. That,
4 to me, is the operative question: What are you
5 willing to pay for reduced congestion?

6 My own view is that this is
7 not a kitchen table or a corporate boardroom
8 issue.

9 Steve, we talked about this
10 this morning. It may have been a poor choice and
11 metaphor on my part, but just as nobody in this
12 country really gave less than a damn about AIDS
13 when it was confined to one segment of the
14 population. It was only when the rash had
15 considerable publicity of contracting it from a
16 transfusion that we began to see the larger
17 implications and people got vocalized to deal with
18 it.

19 I don't see this on a national
20 priority list. I'm certain in Northern Virginia,
21 having once lived in Northern New Jersey, I
22 understand people would come home and talk about
23 it for five minutes, and then it's just business
24 as usual. What are they willing to pay? What am
25 I willing to give us for better service?

1 COMMISSIONER SKANCKE: Thank
2 you, Madam Chair.

3 I couldn't agree with you
4 more. The American public has become -- they've
5 adjusted their lifestyle to a two-hour commute.
6 They have compromised their economic well-being
7 and their quality of life for a two or three or
8 four-hour commute. If you live in Los Angeles,
9 basis, four or five is not an interstate. It's a
10 surplus road on any given time, any given day,
11 it's three to four hours to get to where you want
12 to go. And so we've created these corridors,
13 we've created this interstate system, and I think
14 we're kind of using the words networking system
15 almost interchangeably, but they're not. A
16 network is -- is something different from a
17 system. We've created a highway system and in
18 that system, there is a network, and the network
19 may be broken. And so if we look at this, our
20 goals and responsibilities of the Commission, you
21 know, to go back to what my colleague said at the
22 end, you know: How would you design it? What
23 would it look like? There's a significant amount
24 of economic input into this, and I think it's a
25 mindset of the public that you can't compromise

1 your quality of life and just agree to a two-hour
2 commute. Time is money. Transportation is a
3 commodity.

4 We've sat through hour after
5 hour after hour of testimony, not only here, but
6 in Washington, D.C. as a panel, and every
7 conversation they've had comes down to everything
8 you gentlemen or gentlemen in the earlier panel
9 talked about, which is the economic lifeline of
10 this country's transportation, and it's about
11 fifth on people's list. So looking at this --
12 I'll get to my question in a second, because the
13 next portion is a public comment, and I have
14 something to say on that too.

15 Just kidding. They are.

16 So looking at that from an
17 economy standpoint and looking at the customer,
18 which is, I think our charge here is what Congress
19 has said: Look at the customer. And I think,
20 Joe, you hit it right on the head. So how do we
21 design this system for the customer? If they're
22 willing to pay more, whatever that number is,
23 whether it's toll roads or it's an increase in the
24 gas tax, or it's indexing the gas tax, whatever
25 that solution is, whether it's transit or it's

1 rail or it's busses or it's bicycles or it's
2 walking or a combination, what does that ultimate
3 transportation system -- better yet, what does
4 that network look like? Not just from an economic
5 point of view, because you know what? We can all
6 slip off and say: What is the customer willing to
7 pay? That's an excuse. I think the customer is
8 willing to pay whatever they can to get from
9 point A to point B in a -- in a faster mode.

10 In 1996, Dr. Giglio, you put
11 together a document, which I don't recall the name
12 of it, but you made a statement before that
13 reauthorization at that time that in the Iced Tea
14 Act of 1991 and the 1995 highway system bill, and
15 you made a prediction that in 1997 that nothing
16 would change. But you were hoping something would
17 change. And I told you the other day when we
18 spoke, I was going to put you on the spot about
19 this. What -- what has and what hasn't changed?
20 Is it the system? Is it the ideology? So from
21 your point of view from '97 to 2001 or from '96,
22 where are we?

23 MR. GIGLIO: You know, I never
24 thought that paper would come back and bite me on
25 the tuckus.

1 CHAIRPERSON CINO: It is that?

2 MR. GIGLIO: You don't mind if
3 I shrink my pelvis under the table?

4 I -- I remember the -- quite
5 honestly, I don't remember the article. I think
6 the only thing that has changed apart from people
7 beating their chest and running around the table
8 more about it is that you've seen the reemergence
9 of finance and delivery tolls that were very
10 prevalent in this country up until the 1930s, the
11 old wine/new bottles, which I'm sure you heard
12 presentations about with monotony being the
13 private capital market, privatization, design,
14 build, operate, finance, transfer, concession,
15 sale, and so forth. I think you need leadership
16 here.

17 Now, there was leadership at
18 one time. There were people like Senator Moynihan
19 out of New York that understood the linkages that
20 we're talking about. There's no ideologically one
21 way to do this, but he caught the joke. You had
22 the ability to create coalitions to develop
23 visions and then look at: How do I manage those
24 visions? Finance them? Answer the second part of
25 the question. Where are the champions for this?

1 Where are the champions for increasing the fuel
2 tax and considering indexing it as an intrameasure
3 so that you can migrate it over to another
4 strategy, the funding transportation? I don't see
5 the leadership. I think that people's hopes, and
6 I hope correctly, are embedded with this
7 Commission that you will come up with some fresh
8 unaffiliated ideas, then you have the job of
9 marketing it. I don't beat my chest and run
10 around the table as others do about earmarks.
11 Does this mean that I have to put an extension on
12 Congressman's Don Young's house? Or maybe you
13 ought to catch the joke -- and it's been around
14 since the Venetians -- that perhaps, that we have
15 to recognize that whether five earmarks or a
16 hundred earmarks, that this is one big trading
17 machine and you have to leave something on the
18 table for Congress to deal with as long as they
19 don't muck around with your basic vision and your
20 basic programming.

21 But I think people getting in
22 on the soapboxes and running around the table
23 about earmarks doesn't work. You need some
24 champions. You need some leadership. There's a
25 body of literature as to how you go about doing

1 that.

2 CHAIRPERSON CINO: I was going
3 to ask the question.

4 COMMISSIONER McARDLE:
5 Dr. Giglio, taking you all the way back to an
6 earlier career that you had in health care --

7 MR. GIGLIO: What is this?
8 This Is Your Life?

9 COMMISSIONER McARDLE: We want
10 things to come back and haunt you.

11 How do you deal with the --
12 the financing of transportation, which seems as
13 fractured as the health care financing is, where
14 you confine a lot of people to no choice at all,
15 as your experience in the public hospital system
16 in New York City, left large numbers of people
17 literally with no other access but to a public
18 health system that had competitors saying: You
19 know, never expand, never make the quality better,
20 never do it right. Even though internally there
21 were lots of motivations by people to do it, there
22 were external forces saying: Don't do that
23 because you'll take people away from us.

24 And it seems to me that that's
25 what we always have in the transportation world to

1 contend with. How would you, in fact, suggest
2 that, you know, we, in fact, get past that point
3 so that the choices aren't just for the Cadillac?
4 Somebody goes to you Memorial Sloan-Kettering, if
5 you've got the coverage, but you're confined to
6 going to Bellevue/Kings County if you don't have
7 it, two facilities that two of us both well know
8 from our past.

9 MR. GIGLIO: Wow. I'm having
10 an attack of nostalgia. You'll have to forgive
11 me. Let me catch my breath. Okay.

12 I think that the way to run an
13 integrated portfolio, an integrated system, is to
14 align the funding with the management of the
15 operation. Let me, if I may, give you an example
16 in the Commonwealth of Massachusetts, the peoples
17 republic. I sit on the Massachusetts
18 Transportation Finance Commission. It's becoming
19 readily apparent for us that for us to upgrade our
20 transit program that we're never going to be able
21 to charge the price that enables us to
22 sufficiently recover principal and interest,
23 operating and maintenance, and enables us to deal
24 with the State good repair. Yet we're very
25 dependent. Mr. Skancke used the expression

1 "lifeline." That transit system to us is
2 our economic lifeline, and I would also submit to
3 you to the region.

4 So we're looking seriously at
5 the issue of managing a portfolio of assets so
6 that we look at our transportation resources as
7 one pull. If we want to make a determination that
8 we increase the price on Mass. turnpike or start
9 open-road tolling on certain components of the
10 highway system, in the bridge and the tunnel
11 system, we want to take a portion of that and use
12 that to strengthen our transit system, I think
13 that as recognition, when we do that, Commissioner
14 McArdle, that there are folks in parts of Boston
15 and in Massachusetts who are transit-dependent.
16 They don't have the luxury of choice. It's not a
17 willing buyer and seller. They don't have an
18 automobile.

19 For us to run our system as a
20 network and to accommodate the needs of those
21 people, not the demands, we're going to have to
22 subsidize by running a portfolio of assets. That
23 means that there are certain assets that are
24 income-producing, others that are not.

25 Now, I know that gives great

1 offense to certain economic political ideologies.
2 The reality is if you'd ever read a payroll in a
3 business, that you run a portfolio of assets and
4 you will subsidize certain products and certain
5 services because the costs of marketing and
6 building that market share is too expensive to
7 lose.

8 So I think that it's not a
9 mortal sin to allow a state or region of multiple
10 states to say: I decide, based on the ballot box
11 and what we think our economy requirements are for
12 our community, that we're going to subsidize
13 certain modes. I think that's good, common sense
14 business practice.

15 COMMISSIONER McARDLE: You're
16 also -- you'd also presumably gain other
17 objectives for you because Boston, like Houston,
18 is dealing with an air shed, and it's got to
19 manage a carbon and pollution budget such that the
20 luxury of somebody driving their Lamborghini into
21 downtown Boston at whatever pollution it's
22 producing, has got to be managed against the total
23 budget and charged its proportionate cost, maybe
24 even a greater proportion cost of that budget,
25 which is what everybody is running into going down

1 the road.

2 MR. GIGLIO: But isn't that
3 the challenge of running a portfolio of assets,
4 some of which are income-producing, some of which
5 are not, some of which are break-even, is to
6 manage it in a way that are maximizing leveraging
7 the network as a whole, not the individual
8 components? And that is a real challenge.

9 We also have to ask
10 ourselves -- I'm sure you're considering it: How
11 much of our management at the State and local
12 level is capable of doing it?

13 COMMISSIONER McARDLE: And
14 it's the pricing phenomenon. Would you not agree
15 you have to price those components as well as to
16 manage those portfolio of assets?

17 MR. GIGLIO: Yes, I'm a big
18 believer you price to create customers.

19 COMMISSIONER SCHENENDORF: Can
20 just ask a follow-up question on this particular
21 question?

22 CHAIRPERSON CINO: Last one.

23 COMMISSIONER SCHENENDORF: If
24 you made that decision to manage a portfolio of
25 assets and you are going to -- to subsidize the

I

1 transit system, let's say, I think you suggested
2 toll facilities and the Massachusetts turnpike,
3 why is that fairer than -- than the gas tax where
4 you would be subsidizing from across all the
5 highway users? I mean, why is it fairer to have
6 the users of mass turnpike pay for it as opposed
7 to the automobile users in the whole Boston area,
8 all of whom benefit from the transit system? It
9 seems to me, if you follow what you were saying,
10 it would make more sense, to me at least, to
11 subsidize it through the gas tax dedication as
12 part of the gas tax than through similarly now one
13 road and taxing those users for it.

14 MR. GIGLIO: You're absolutely
15 right, Mr. Schenendorf. I could also say that
16 now, 20 percent of our sales tax, 5 percent sales
17 tax, goes for transit, and there's also a local
18 assessment. There are an array of funding sources
19 for me to use. I happen to use the example on the
20 turnpike because, quite candidly, you get that
21 done very, very quickly without having to
22 traverse -- navigate the legislature in -- in
23 Boston. But you're absolutely right. There are
24 four or five different funding sources. As usual,
25 what criteria do you use to select them? That

right

1 one, to me, was administratively very easy to do.

2 CHAIRPERSON CINO: Thank you
3 very much. You're welcome. You all have been --

4 MR. GIGLIO: Thank you for
5 having me.

6 CHAIRPERSON CINO: Very, very
7 kind and generous. It's fruititious that
8 Mr. McClellan was not here, but it appears that
9 the professor took his time and Mr. McClellan's
10 time as well.

11 MR. GIGLIO: Now you're
12 putting me in a -- you're crushing me. You're
13 crushing me.

14 CHAIRPERSON CINO: You've been
15 a very good sport, all of you. Thank you.

16 Okay. Now, if we might, is
17 our opportunity to take testimony from the general
18 public. We have two people that have, in fact,
19 submitted cards, and the first person is Ed Regan.
20 And if you'll just come to the microphone. Thank
21 you very much.

22 You're making yourself
23 comfortable. That's fine.

24 MR. REGAN: Thank you.

25 CHAIRPERSON CINO: Can you

1 just tell us who you're with and --

2 MR. REGAN: My name is Ed
3 Regan. I'm a senior vice president of Wilbur
4 Smith Associates.

5 CHAIRPERSON CINO: Thank you.

6 MR. REGAN: I've just prepared
7 a few notes here so I can stay within my assumed
8 five minutes' max. Is that okay?

9 CHAIRPERSON CINO: That would
10 be great.

11 MR. REGAN: This Commission is
12 well aware of the growing crises we face in
13 transportation finance. The motor fuel tax has
14 been the primary source of revenues for decades,
15 but it's ability to provide adequate revenue for
16 the future is coming to question. Given the
17 extreme reluctance to increase tax rates by our
18 elected officials and increased fuel economy of
19 our vehicles, the purchasing power of the gas tax
20 today is about one-third of what it was in the
21 early days of the interstate system.

22 We are also inevitably moving
23 toward increased use of hybrid vehicles, in the
24 future, moving toward fuel-cell vehicles, and
25 that's good news for reducing our dependency on

1 foreign oil. It's great for our environment, but
2 as long as we remain on a revenue system that is
3 based on gallons of fuel consumed, it's terrible
4 for transportation finance, and it's only going to
5 make matters worse.

6 In view of this, I envision an
7 increased use of more direct user fees in the
8 future. In the short-term, user fees or tolls
9 will increase the views to supplement the gas tax
10 as a leveraging tool. Texas, of course, as you
11 heard today, is well aware and is leading the way
12 in this area. In the short-term when it comes to
13 tolling, the primary federal policy challenge, I
14 believe, is to simply get out of the way.

15 I would hope this Commission
16 might consider recommending a further reduction of
17 federal restrictions on the use of tolling,
18 including on existing toll-free roads. The
19 Commission should keep in mind that our biggest
20 costs of the future are likely to come from
21 rebuilding our crumbling existing system, not on
22 new highways.

23 In the longer term, say, 10,
24 20 years, I would envision a shift away from the
25 gas tax, a move from the per-gallon basis of

1 taxation to a per-mile basis of taxation. I
2 envision a future in which every vehicle is
3 equipped for mileage-based road user charging in
4 lieu of the gas tax, not in addition to it. You
5 probably already heard of this idea. I hope it's
6 on the Commission's radar screen already, but I'd
7 like to suggest five key synergistic benefits that
8 would come along with it.

9 One, a mileage-based system
10 would eliminate the issue of double taxation where
11 vehicles paying tolls are not also at the same
12 time paying taxes as they consume fuel.

13 Two, it would sharpen the
14 linkage between revenue and the usage of our
15 transportation assets themselves. This means as
16 demand grows, revenue grows, no matter how much we
17 improve fuel efficiency and air quality in the
18 process.

19 Three, because of this better
20 linkage, such a system would also provide
21 dramatically improved opportunities for demand
22 management through strategic pricing initiatives.
23 If we move to a mileage-based system, we can
24 maximize the efficiency of our transport system
25 through strategic pricing, plus that same

1 technology that's used to accumulate mileage
2 charges can be designed for -- to assess premium
3 changes on selected routes for driving in peak
4 hours and so forth.

5 Four, by providing a uniform
6 basis for 100 percent electronic tolling moving to
7 a mileage-based system and equipping every vehicle
8 would greatly facilitate the further use of
9 public/private systems, delivery systems for new
10 capacity.

11 And five, I think this is an
12 important one that I haven't heard a lot of people
13 talk about: By equipping every vehicle in America
14 for revenue collection, if we're smart, we'll
15 design that technology to become a conduit for a
16 full range of safety and route guidance ITS
17 applications. The ITS community has long been
18 seeking that killer application that will inspire
19 Americans to equip their vehicles with onboard
20 devices that are needed for ITS. What better
21 killer application could there be than having it
22 become the primary bases of transportation revenue
23 collection? That same device that collects your
24 user fees could also provide a means of avoiding
25 accidents or getting to your destination in the

1 fastest way possible.

2 This clearly will not happen
3 overnight. It will probably take 10 to 20 years
4 to refine the technology, build consensus among
5 the states and equip the vehicle fleet. It's not
6 the short-term solution, but the decision to begin
7 the move needs to come now before the spigot
8 completely runs dry while there's time to have a
9 well-planned transition, a comprehensive solution.

10 This Commission has an
11 opportunity now to truly reshape the future of
12 transportation finance, or it could come up with a
13 short-term stopgap solution which will just delay
14 the inevitable upcoming financial train wreck. It
15 will take courage and a long-term vision and a
16 desire to provide a comprehensive solution to the
17 long-term problem. I sincerely hope the
18 Commission will take the long-term view and begin
19 the process of moving toward direct user fees now.

20 Thank you for this
21 opportunity.

22 CHAIRPERSON CINO: Thank you
23 very much. And might we get a copy of your --

24 MR. REGAN: I'm going to come
25 tomorrow. Can I just type it up and bring it to

1 you tomorrow?

2 CHAIRPERSON CINO: That would
3 be great. Thank you very much. I appreciate it.

4 MR. REGAN: Thank you.

5 CHAIRPERSON CINO: The next --

6 COMMISSIONER GEDDES: To what
7 degree are we allowed to interrogate members of
8 the general public?

9 MR. REGAN: No problem.

10 CHAIRPERSON CINO: Now that
11 the professor is gone, we needed a new victim. I
12 think that would be fine.

13 MR. REGAN: We could be in
14 trouble if you started asking questions.

15 COMMISSIONER GEDDES: Is that
16 okay?

17 CHAIRPERSON CINO: Yes.

18 COMMISSIONER GEDDES: I'm
19 sorry, sir. I didn't catch your last name.

20 MR. REGAN: Regan, Ed Regan.

21 COMMISSIONER GEDDES: Yes.

22 Mr. Regan, that was an excellent presentation.

23 MR. REGAN: Thank you.

24 COMMISSIONER GEDDES: Thank
25 you very much. I would like to extend some of the

1 points that you made there if that's okay.

2 MR. REGAN: Sure.

3 COMMISSIONER GEDDES: I -- I
4 think that your points about using this type of a
5 tolling system are fascinating, and it obviously
6 is heavily dependent on technology to make that
7 happen, to implement that. And one of the things
8 you normally hear is that it's difficult to
9 implement that type of system for user fee that
10 you described until we have that technology in
11 place. Perhaps you've heard that argument.

12 I'd kind of like to turn that
13 logic on its head, and I actually wanted to ask
14 Mr. Schuster this same question. To what degree
15 do you think the adoption of that technology is
16 dependent upon the type of tolling system that is
17 in place? And what I mean by that is: Do you
18 think that people running this system would have
19 any incentive to adopt this technology, which I
20 presume -- which I believe --

21 MR. REGAN: The other system
22 functions besides the revenue, you mean?

23 COMMISSIONER GEDDES: Well,
24 like the per-mile --

25 MR. REGAN: Right.

1 COMMISSIONER GEDDES: --
2 charge that you implement. To what degree does
3 that depend on the type of system that we put in
4 place? In other words, would you expect to see
5 that type of a technology adopted more rapidly if
6 that were the system in place?

7 MR. REGAN: Well, first thing
8 is the ultimate system for user-based charges is
9 going to have to be -- involve smart cars and dumb
10 roads, not like the system that we use for
11 electronic toll collection, DSCR-type systems
12 today. The reason I say that, it wouldn't be
13 practical to equip every street with electronic
14 toll readers on every street and local road and
15 every block in every city to accumulate mileage
16 charges. We have to put the devices in the
17 vehicle, GPS-type devices to accumulate those
18 charges, which means it is different than what is
19 there today.

20 That would require significant
21 investment. The technology -- unpinning
22 technology is already there. It is not a big
23 challenge to do that. Certainly the GPS part is.
24 The biggest challenge is probably that of
25 maintaining, ensuring a level of privacy, which is

1 certainly not an unimportant issue.

2 The problem is it will take
3 major investment; it will take major consensus
4 building, years to have it happen, and I think
5 that the decision that this Commission makes in
6 terms of setting forth the future revenue-raising
7 mechanism, the revenue-raising foundation will
8 drive industry to develop the technologies, define
9 the technologies to make that happen.

10 My only point was: We also
11 should be smart enough as an industry to basically
12 at the same time as doing that design those
13 onboard devices to provide additional new
14 information to the users so that in addition to
15 charging them fees to use the facility, we're
16 giving them increased benefits back in return,
17 such as improved guidance and safety information,
18 where the ITS community can capitalize in the same
19 vehicle as the roadside communication.

20 I do think that the ultimate
21 system in the future will require both a GPS
22 component and direct roadside communication
23 component, but in the grand scheme of things,
24 that's going to be a very small challenge compared
25 to the policy challenge that your Commission

1 faces. I don't think that technology should be
2 considered a stumbling block for this Commission
3 to change the way we collect revenue in the
4 future. It will be there if the will is there to
5 do it.

6 COMMISSIONER GEDDES: Thank
7 you.

8 MR. REGAN: Thank you.

9 CHAIRPERSON CINO:
10 Commissioner.

11 COMMISSIONER McARDLE: Yeah.
12 You're presuming in this that the marketplace is
13 relatively undifferentiated, and some of us would
14 experience, and state and local government know
15 that state and local governments often exempt
16 themselves from basic rules of physics and other
17 things when it comes to implementing policy.
18 Their trucks can be overweight and not impact the
19 bridge where the private sector is carefully
20 regulated, which of course, is owned by the
21 public.

22 What is it, in fact, in your
23 system that is going to change that conduct such
24 that you really do have effect/demand management,
25 because as we have observed in New York City, you

1 could, in fact, substantially effect the
2 congestion issues in the New York City subway
3 system if you simply started the schools at 10:00
4 in the morning rather than at 8:30, when everybody
5 else is trying to get to their jobs.

6 MR. REGAN: Are you saying:
7 What's the guarantee that the state and locals
8 will come along with the whole system?

9 COMMISSIONER McARDLE: Well,
10 exactly. What allows this system, as you envision
11 it, still in public management, to, in fact,
12 maintain an undifferentiated circumstance as to
13 this, when we run it, we take ourselves --

14 MR. REGAN: All I'm
15 envisioning is a system in which the framework is
16 established, to change the basis in which revenue
17 is collected, which will then, in turn, allow
18 these other functions to occur, such as demand
19 management; strategic pricing, for example, that
20 would permit and facilitate strategic pricing to
21 manage demand.

22 I would envision also that the
23 decision on strategic demand management pricing
24 would become the local and state issue, not the
25 federal issue anyway. So if you had certain areas

1 that -- that did not want to do congestion
2 pricing, they didn't need to do congestion
3 pricing, but you would have a system in place that
4 would facilitate because all the vehicles would be
5 equipped for it, facilitate that, and it becomes a
6 local decision.

7 I think that's probably the
8 beauty in it, that everybody would probably have
9 to come along for the ride in terms of this is a
10 revenue-collision mechanism, but different states
11 and localities can use it in different ways beyond
12 the basic user fees and roads in the first place.

13 COMMISSIONER SCHENENDORF: If
14 this system is going to raise the kind of revenue
15 we're talking about today where we need to have
16 significant increase in revenue, then essentially,
17 government is going to be imposing a tax or fee on
18 people. Why is that going to be politically
19 easier than dealing with the gas tax?

20 MR. REGAN: Well, first of
21 all, think of what it is. I mean, we're talking
22 today our gas tax is equivalent to two to three
23 cents a gallon, depending on your fuel efficiency,
24 two to three cents a mile, probably closer to two
25 cents per mile anyway as it is. You just change

1 to a new system of collecting that. And let's say
2 it was established at three cents a mile. It
3 wouldn't necessarily be significant anymore.

4 It is not necessarily a
5 solution to the problem of political resistance or
6 reluctance to raise taxes, but at least it will
7 deal with the declining purchasing power, the
8 declining revenue that comes in as a result of
9 increasing fuel efficiency. At least that part of
10 the compounding problem can be eliminated.

11 But more importantly, it
12 establishes a direct framework, a linkage between
13 the use of the asset and the revenue collected.

14 So therefore, even though it
15 may turn out to be still politically difficult to
16 do it, you actually still can raise the revenue,
17 more equitably raise the revenue needed to meet
18 certain demands on certain facilities for certain
19 times of day, et cetera, two people, you know, the
20 certain people that cause the congestion,
21 et cetera, in a way that you can't do for the
22 broad-based gas tax, or you can't control that.
23 But you're correct, it doesn't actually change the
24 political factor, the political reality to raise
25 tax rates might not be able to do that by having

1 some kind of indexing that comes along with it.

2 It just basically will at
3 least eliminate the compounding of that problem by
4 increasing fuel efficiency in the future, which
5 could double again in the future. Fuel efficiency
6 of vehicles could easily double with hybrid
7 vehicles and fuel cells vehicles.

8 Thank you very much.

9 CHAIRPERSON CINO: Okay. Now,
10 if we haven't scared our second -- second
11 observer. I believe it's Kevin Feld.

12 Thank you, Kevin.

13 MR. FELD: You want me here?

14 CHAIRPERSON CINO: Wherever
15 you're more comfortable. The closer you get, the
16 more danger.

17 MR. FELD: If it will help me
18 interrogate, I'll probably be better sitting down
19 than standing up.

20 Again, my name is Kevin Feld.
21 I am a transportation planner by trade, not an
22 engineer nor an economist, so I may have some
23 different perspectives, hopefully, to offer you in
24 your deliberations as you continue your work.

25 One of the things that I have

1 not heard throughout the day today, and do not
2 know if you'll get to tomorrow is the fact that in
3 my opinion, travel behavior tends to be the key to
4 the transportation system. Why do we travel?
5 Where do we go? When do we go? Those types of
6 issues.

7 I'll give you an example of in
8 1960, we were predominantly a one-worker
9 household. The other member of the household
10 stayed home with the children. There was one car
11 in the family. We went to work, we came home, we
12 walked to the grocery store, we walked to school.

13 By 1990, and into this
14 century, we have a two-worker household. If we
15 have a one-worker household, it's typically a
16 single parent household. Kids play soccer. They
17 go to ballet, they go to gymnastics, they go to
18 piano lessons, they go to violin lessons. There's
19 a whole different paradigm of the family nuclear
20 unit now than there was 30 and 40 years ago.

21 The other things that I would
22 like to bring to your attention is I listened with
23 interest earlier this afternoon was, in my
24 opinion, the planning of our future transportation
25 systems is entirely -- and this again is my

1 personal opinion -- too democratic. We tend to
2 focus all of our decision-making on individuals
3 who may not have expertise in a particular field,
4 and such, make decisions based on other agenda.
5 I'm not suggesting that we do not listen to the
6 public or anything of that nature. I'm simply
7 suggesting that more weight be placed upon those
8 individuals that may have some more expertise in a
9 particular field. You would not particularly go
10 and do heart surgery or direct a doctor on how to
11 perform heart surgery, and I think in a lot of
12 cases some people who have other expertise should
13 be allowed to make decisions as well.

14 What I'd also like to say
15 along that same line is that some of the -- the
16 term pork barrel politics, and we heard earlier
17 about bringing home the bacon, and that the
18 constituents in their elected official district
19 would be very happy as long as the bacon was
20 brought home.

21 I agree with that. I'm
22 suggesting: Bring home the bacon in the form of a
23 block grant so that local decisions can be made by
24 local officials.

25 Part of the interaction with

1 transportation is with land use. That was
2 mentioned earlier as well. Land use decisions are
3 local decisions. They're not made at the federal
4 level. I'm suggesting that in the transportation
5 decisions, which also affect land use and vice
6 versa, where land use does affect transportation.
7 Both decisions should be predominantly local
8 decisions.

9 One of the things that we in
10 the planning arena look at is a comprehensive,
11 coordinated and continuing process. What I would
12 submit to you is that maybe the identification of
13 a vision would be appropriate, and then you can
14 work on how to fund that vision and how to set up
15 the particulars of the vision.

16 I've heard a lot of talk
17 regarding very particular and very specific
18 solutions and very specific ideas. What I've not
19 really heard a great deal of is: What is the
20 vision? What are we shooting for? In the early
21 1950s, former President Eisenhower had a vision of
22 a limited access network through the country, for
23 defense purposes, as well as for economic
24 development. I've not heard any type of 50-year
25 vision.

1 Commissioner Geddes did
2 mention the 50-year horizon, I believe, just a
3 minute ago, and I've written down what our -- I
4 submit to you is a possible vision would be to
5 create a self-sufficient transportation system by
6 the year 2050, self-sufficient in that whether it
7 was tolls or whether some other type of fee, but
8 in a nutshell, the idea is to create a
9 self-sufficient transportation system, much like
10 you talked earlier about utilities. The water
11 systems are basically self-sufficient; electrical
12 systems are basically self-sufficient; and I would
13 submit to you that we can also make our
14 transportation systems self-sufficient as a quasi
15 utility, if you will.

16 And I'll leave you with one
17 other food for thought, and this came up just a
18 moment ago with the indexing of the gas taxes
19 again. The more our government regulations
20 encourage fuel efficiency, the less that the gas
21 tax should become a major source of our funding
22 for transportation systems. The more fuel
23 efficient the car gets, the less it's paying per
24 mile; therefore, in my opinion, it should not
25 become the primary source of transportation

1 funding.

2 With that, I thank you for the
3 opportunity to speak to you today.

4 CHAIRPERSON CINO: Thank you
5 very much.

6 Any questions from my fellow
7 commissioner?

8 Commissioner Geddes.

9 COMMISSIONER GEDDES:
10 Mr. Felt, thank you very much for your input on
11 this. It's greatly appreciated.

12 I wanted to follow up to try
13 to flesh out your notion of your vision statement,
14 which is self-sufficiency in 50 years. I assume
15 you mean financial self-sufficiency of the system,
16 right?

17 MR. FELD: Yes, sir, I do.

18 COMMISSIONER GEDDES: So
19 you're basically saying that the system should
20 break even over that time, or are you
21 suggesting -- is this more in the vein of what
22 we've heard from others today about the users of
23 the system should pay for the system?

24 MR. FELD: I don't -- I've not
25 fleshed it out myself, quite honestly, but my --

1 my intent of the statement is that there will
2 be -- some other sources may be needed. And I
3 know that in a lot of areas. In some places I've
4 lived in the six different states, they've used a
5 lot of sales taxes as a funding of transportation
6 systems. It seems rather odd that you could go
7 out and buy a shirt or a bowling ball or an
8 automobile and -- an automobile wouldn't be an
9 example, but you buy things, and then that pays
10 for the road system that you may not use if you
11 don't own an automobile, for instance.

12 I'm suggesting that
13 self-sufficiency would be, on a financial basis,
14 such that we would not need to rely upon other
15 sources outside of the transportation arena,
16 whether they be sales taxes or property taxes or
17 other types of funding sources.

18 CHAIRPERSON CINO:

19 Commissioner Heminger.

20 COMMISSIONER HEMINGER: Madam
21 Chair, I didn't want to interrogate the witness,
22 but I did want to comment on this notion.

23 CHAIRPERSON CINO: What's your
24 point?

25 COMMISSIONER HEMINGER: No,

1 I'm not. I'm going to make a statement because
2 he's, I think, the second witness today to talk
3 about this notion of a block grant, which I think
4 is potentially the death mill for the federal
5 program.

6 First of all, you know, the
7 notion of a block grant doesn't really get the
8 blood boiling, and if we've got a revenue
9 constraint program, we're liable to see that
10 revenue source not grow if all folks are fighting
11 for is a block grant.

12 And secondly, I'll certainly
13 predict that if a block grant approach is where we
14 go, and to some extent it's where we are, the only
15 thing folks in Washington are going to fight about
16 is how much their block grant is. And I can
17 assure you that folks in my state of California
18 are not going to be all that excited about paying
19 extra money into Washington to give somebody else
20 a larger block grant.

21 So I do believe that a major
22 challenge before our Commission is to, in a sense,
23 find a way out of that box where the only thing we
24 talk about is -- is money and return to source,
25 and we don't talk about the purpose of the federal

1 program.

2 If we don't want to have a
3 federal program, we ought to be honest about it
4 and just turn it back to the states and let them
5 do their thing. If we're going to have one, it
6 seem to me it ought to serve some federal
7 interests.

8 CHAIRPERSON CINO: Thank you.
9 Commissioner Schenendorf.

10 COMMISSIONER SCHENENDORF: Just
11 to follow up on that. In the '50s, '60s, '70s,
12 '80s, really, until the interstate system was
13 completed, you did not see a big debate on
14 donor/donee. You did not see individual projects,
15 because Congress was building a system that all
16 members could go back and say: This is what the
17 federal government is bringing home. Once the
18 interstate was finished, the program has really
19 lost its mission, and to the extent that it
20 becomes a block grant or revenue sharing or just
21 give your money back to the states, it's the local
22 politicians, it's the governor, it's the state
23 officials that get the credit, political credit,
24 for how the money is spent, and the federal
25 official doesn't get any credit for that. Therein

1 is the reason that they want to earmark projects
2 in a bill so that at least there are a few
3 projects in this district that they can say, you
4 know, they brought home. And so that gets back to
5 your vision statement. If you can once again get
6 the federal government a vision which members of
7 Congress say: This is what the federal government
8 is doing, that would take a tremendous amount of
9 pressure off the need to bring home projects in
10 the individual earmarks.

11 CHAIRPERSON CINO:

12 Commissioner McArdle.

13 COMMISSIONER McARDLE: You
14 will be asked to submit some written comments, and
15 when you do, I'd like you to consider carefully
16 and kind of make some recommendations to us as to
17 how in a block grant system with local decisions
18 tied to local land use decisions, you actually get
19 a regional and national dimension injected into
20 the local decision-making. As we've all seen in
21 the ultimate local decision-making circumstance,
22 which is school systems, school systems with local
23 decisions are often quite willing, you know, to
24 beggar their neighbors if they have a choice.
25 States where you have votes on school budgets,

1 quite often, people without an interest in the
2 school system will continuously vote those school
3 systems down to the detriment of the children in
4 the school systems, and localities can, in fact,
5 if given the choice, you know, kind of: Now that
6 I'm here on Staten Island, I want no one else to
7 come from Brooklyn, as I did, to live on Staten
8 Island, or anywhere else. You know, the long
9 scope of the bridge phenomenon. And that clearly
10 aggregates up from the local decision to a
11 regional decision to a national perspective. And
12 if you would address that as you see it as a
13 transportation planner, I think we would all
14 appreciate that.

15 Thank you. Appreciate your
16 taking the time.

17 MR. FELD: Thank you.

18 CHAIRPERSON CINO: Thank you
19 very much. And if you would not mind submitting
20 your -- your notes for the record, we'd appreciate
21 that. Kevin, you're very kind.

22 Let me, again, just thank all
23 of our co-hosts for helping us put this on. This
24 is really terrific, and it's been a great first
25 day.

1 I also want to thank all of
2 the commissioners who are up here. We get volumes
3 of information, and as you can see, I think we've
4 all tried to read as much as possible, and we
5 continue to try to keep up on all of the
6 information that's given to us.

7 I'd also like to thank the
8 staffs of all the organizations. They're always
9 the last ones to be thanked, but they're the ones
10 that really make this thing happen day in and day
11 out and try to keep us on time, and I thank them
12 for all their efforts, as well as our own DOT
13 staff who've put a lot time and energy into this.

14 And of course, the witnesses.
15 I hope we didn't badger them too much, but we
16 appreciate, certainly, their expertise and their
17 experience that they've brought to us as always.

18 Last, but certainly not least,
19 the most important, as I think we've all learned
20 today, and that's the customers of the general
21 public. I appreciate you all being here and
22 lasting throughout the day, and I hope perhaps
23 that even some of you will come back tomorrow.

24 Everybody have a very, very
25 nice night. Thank you.

Also,

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COMMISSIONER SCHENENDORF:

I think also we ought to thank you, Madam
Chairman, as the acting Secretary of
Transportation, you have a lot on your plate. For
you to come down here for two days is a real
tribute.

(Off the record at 5:12 p.m.)

- - - - -

1 THE STATE OF TEXAS X
2 COUNTY OF DALLAS X

3
4 This is to certify that I,
5 Jamie K. Israelow, a Certified Shorthand Reporter
6 in and for the State of Texas, Registered
7 Professional Reporter, Certified Realtime Reporter
8 and Certified LiveNote Reporter, reported in
9 shorthand the proceedings had at the time and
10 place set forth, and that the above and foregoing
11 pages contain a full, true, and accurate
12 transcript of the said proceedings.

13
14 GIVEN UNDER MY HAND on this
15 the _____ day of September, 2006.

16
17
18 -----
19 Jamie K. Israelow, CSR, RPR, CRR, CLR
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