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PARTICIPANTS:

Welcome:

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Vice President and Director
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Opening Remarks:

THE HONORABLE KEITH ELLISON (D-Minn.)
United States House of Representatives

Moderator:

CHARLOTTE HOWARD
The Economist

Panelists:

JOHN IRONS
Research and Policy Director
Economic Policy Institute

REED HUNDT
Co-Chairman, Coalition for a Green Bank

BEVERLY SCOTT
General Manager and Chief Executive Officer
Metropolitan Atlanta Rapid Transit Authority

ROBERT PUENTES
Senior Fellow, the Brookings Institution

Closing Remarks:

THE HONORABLE RAY LAHOOD
United States Secretary of Transportation

P R O C E E D I N G S

MR. TALBOTT: Good morning, everybody. I'm Strobe Talbott, and I work here. And I work here for Bruce Katz. And this is a first for me, in my experience at Brookings. It's the first time I've ever been at the Brookings podium without a necktie on.

And I gather from the laughter than everybody knows why I took my necktie off. It's because I work for Bruce, and he is trying -- what was the old Dean Witter ad? -- "one client at a time." "One Washingtonian at a time," he is trying to change the sartorial habits of Washington, D.C.

Reed, take your tie off.

In any event, I just want to just say a couple of words of welcome on behalf of not just Bruce and the Metro program, but all of us at Brookings, to this fourth Bernard L. Schwartz Form on Competitiveness. It could hardly be a more appropriate and timely topic. I think all of us in the room are aware of that.

And for us here at Brookings, the word "competitiveness" implies both challenges, which are very apparent, but also implies opportunities -- and, I would say, implies obligations, both on the part of our elected and appointed officials, and also on the part of the NGO community and the private sector who have some influence on the policies adopted by our government.

Among those opportunities is the need for investment -- investment in a whole range of issues and areas. That certainly includes technological research and development, innovation, education, new and imaginative ways of dealing with the rise of emerging economies around the world, and also ways of assuring a secure and truly modern 21st century future for U.S. manufacturing.

Now today, of course, the focus is going to be on reforms and initiatives that will lead to more investment in infrastructure. And infrastructure is not a new word in the vocabulary of the Brookings Institution, the Bernard L. Schwartz Forum, or the Metropolitan Program here at Brookings. In fact, a little over two years ago, when we had the third Bernard L. Schwartz forum, it was entitled "America's Infrastructure: Ramping Up or Crashing Down?" One of the featured speakers was Tom Vilsack, then the governor of Ohio, now, of course, the Secretary of Agriculture.

The point is that over two years ago, Bruce and his colleagues at Metro, and our economists here at Brookings, were locked on to the importance of infrastructure as a priority issue and challenge and opportunity for the nation. And that's just another way that, under Bruce's leadership, the Metro program here at Brookings has been, I think, ahead of the curve.

In any event, the news, the politics of the country, the debate over policy in the country, have all caught up with Metro -- if I can put it that way -- in this particular respect. The issue of infrastructure is now very much front and center, not least because it is so important to the challenge of rebuilding the U.S. economy in an era of fiscal restraint, and it also requires creative and new approaches to long-term investment.

This past Tuesday, as some of you may be aware, President Obama was here at this podium. He was wearing a tie. I was wearing a tie when I introduced him, I assure you. And he did talk about the importance of investing in infrastructure as one of three priorities that he laid out in his economic policy speech at that time.

We all noticed that in the press release afterwards that came out of the White House, it was noted that the President was calling for a range of new investments designed to get out the door as quickly as possible. There was say, I would say, implicit suggestion, both in the President's remarks here and in the press release afterwards that among those ideas might be a national infrastructure bank -- something that we have talked about in various forums and settings here at Brookings. And while he didn't mention it specifically then, it did come up very specifically at the White House jobs summit which was held around the same time.

And that's not surprising. In fact, I think there's some agreement among my colleagues -- and I'm sure there will be discussion of that today -- that something like a national infrastructure bank, perhaps even a "green bank" might be absolutely essential as we try to address, among other things, the challenge of unemployment at a time when the unemployment level is the highest that it's been in 25 years.

We have an absolutely first-rate lineup of folks to talk to you today -- people who will be able to take a very close and probing look and a very frank look at both the problems that we face with regard to infrastructure and investing in infrastructure, and also the solutions.

I know that Congressman Keith Ellison is going to be arriving here shortly to participate in the first panel. I would ask that -- I hope we'll maybe have a change to see him before I have to go out. He has been a visitor to Brookings before, and we regard him as a not only a particularly innovative and interesting Member of the United States Congress, but also an important part of the Brookings community.

And I know that Transportation Secretary Ray LaHood is going to be closing the event later today.

The last thing I would like to say before turning the program over to Bruce is to thank Bernard Schwartz. He is a personal friend of mine, personal friend of many of us here -- an extremely important benefactor to this institution, who has endowed a chair that bears his name, in economic policy development, which is currently held by Martin Bailey, who's down here in the front row. And he's sitting next to Jeanette Clonin, who I hope will convey to Bernard a full report of what transpires here today. We'll give you some help on that. Don't tell him how I was dressed. Tell him it was terrific, and tell him we're thinking about him and we wish him a happy holiday.

So with that, Bruce, I'll turn it over to you.

MR. KATZ: Good morning, everyone. I want to welcome Strobe to this new club--weddings, bar mitzvahs, Presidential occasions, that's the only time we should be wearing ties.

So, as Strobe mentioned, we're going to try to knit together three topics today: infrastructure, the economy, and jobs. And, as he said, we'll be joined shortly by Representative Ellison and then, ultimately, by the Transportation Secretary. And we've got a phenomenal panel here that will be moderated by Charlotte Howard of *The Economist*. And thanks to Charlotte for making it through the blizzard, or whatever is happening in the weather zone.

Two days ago, Obama stood here and laid out several priorities for the country in the near term: bolstering small business growth, providing emergency aid to people and places, advancing the energy efficiency of homes, and then expanding investments in transportation and communications infrastructure.

And what I want to do briefly -- this will take up the time before the Congressman arrives -- is to describe the fourth priority, transportation and infrastructure, but also think about these other issues that the President described as complementary and overlapping.

Let me make a couple of quick points -- and anyone who follows the Brookings Metro program will find some of this familiar.

First, we need to remember that the American economy, like most developed economies, is a network of metropolitan economies which envelope not just cities and suburbs, but a fairly large portion of our rural areas.

There are 366 metro areas in the United States. They house 83 percent of our population. They generate 88 percent of our GDP. And the majority of the GDP of 44 of our 50 states is generated by these metropolitan areas. So we do think of ourselves as a network of small towns, but we're not. We're a network of metros.

The top hundred metros, alone, sit in only 12 percent of the land mass. They're very energy efficient. They house two-thirds of our population, generate three-quarters of our GDP -- and then concentrate the assets, the advanced research institutions, the innovative firms and the talented workers, as well as the sophisticated infrastructure, that's needed to compete globally.

So, in short, we are a metro nation. It's high time we started acting like one.

The second point is that the metros vary considerably in size, assets, economy and how hard they are hit by the great recession. Metros like Austin, San Antonio, this one, have fared fairly well during this downturn, buoyed by education and health sectors and government. By contrast, the bubble real-estate economies of Phoenix, Tampa, Jacksonville, they've continued to lose jobs at two to three times the rate of the U.S. as a whole over the last quarter. And the motor metros, like Youngstown and Akron, have shed jobs two and three times faster than the United States, respective, over the last quarter.

So the bottom line is there is no single American economy. And even as economists talk about national recovery, and unemployment numbers' improving, a large number of our metro areas are still mired in recession.

Now, the third point is really what we're here to talk about today, is that federal efforts to bolster job creation need to connect the macro to the metro. More specifically, our research shows that the federal government must address the needs of metros and their contribution to the economy in two ways, both fundamentally related to the discussion of infrastructure.

First, the federal government must act quickly to stop additional job losses that are large and foreseeable. It does no good to bring new jobs in through the front door if we're losing old jobs out the back window.

Perhaps the best example of focusing exclusively on job creating and ignoring job preservation comes from our nation's transit systems. As the federal government's Recovery Act funds aim to create so-called "shovel-ready" temporary construction jobs, transit agencies are facing the likelihood of laying people off from stable permanent positions. No fewer than 51 transit agencies around the country are facing some combination of service cuts, fare increases, and layoffs. These systems, which are vitally important to move people around in major metros like New York, Chicago, Washington, Boston, L.A., Philadelphia, have all recently considered job cuts, service reductions, and/or fare increases to close millions of dollars in deficits. St. Louis Metropolitan Transit Agency had to lay off a quarter of its staff -- and this is at the same time when transit use is actually increasing in that metro.

The Recovery Act provides about $8.4 billion to be spent on transit this year. The federal rules stipulate that this money can be spent only on capital improvement projects, and not to finance gaps in day-to-day operating expenses for large transit agencies. So one of our recommendations in the short term is the federal government should step in and allow transit agencies to spend capital stimulus dollars on operating expenses during this emergency period.

Now, beyond these immediate interventions, metros also need the federal government's support in creating jobs that build an economy of the future: low carbon, innovation fuel, more export-oriented. Investment in the next generation of infrastructure is critical to this future endeavor. And we need a broad definition of infrastructure so that we can move people, goods, ideas and energy effectively and efficiently.

Now, we all know that the current programs and policies do not deliver the kind of infrastructure we need. The federal government has not only failed to invest sufficiently in next-generation infrastructure, but has also failed to allocate resources in a way that maximizes the return on investment. We have built bridges to nowhere precisely because many infrastructure efforts are dictated more by politics than by national priority and by a market logic. So we need to invest, but we also need to reform.

So here are some ideas that we also think should be taken up in the near term. And I know that others on the panel, and the Congressman, and Secretary LaHood will expand on this.

To build the next economy, we think Congress should dramatically increase funding for the U.S. DOT's Transportation Investment-Generating Economic Recovery discretion grants. Big mouthful. The acronym is "TIGER."

TIGER, as many of you know, as originally devised for the Recovery Act, and uses job creation as a key metric for evaluating applications.

But this $1.5 billion in funding in the Recovery Act also calls for projects that support national, regional or metro-significant efforts that link transportation, housing, energy and environmental concerns. This is the next generation of transportation infrastructure.

Now, TIGER projects are not going to be selected until February, but preliminary analysis shows that this program is stunningly popular. It's stimulating enormous demand. Close to $60 billion in applications have been received from every state in the nation. If even one-third of those applications are projects that adhere closely to the objectives of the program that represents $20 billion in high-quality projects that are literally ready to go.

So funding the qualified TIGER pipeline should be considered as part of any job-creation effort.

Beyond TIGER, we think the time is long past due -- Bernard Schwartz and others have been major proponents of this -- to authorize and capitalize a national infrastructure bank to serve as a targeted mechanism for financing infrastructure. We're going to hear more about this in a couple of minutes from one of the major sponsors of this. But this is the kind of step-change in innovation in national policy that we need to take on.

Today we're releasing a paper called "Investing for Success," authored by Emilia Istrate, among others, that examines the way the federal government invests in infrastructure today, and the extent to which an infrastructure bank would improve it.

In the end, we think this is the kind of approach that could be a vehicle for green-lighting those infrastructure projects -- a broad range of infrastructure projects -- that have the highest return on investment, rather than the greatest political reward in the near term.

So let me go ahead and stop there, and introduce our opening speaker, who will discuss this idea in more detail.

Congressman Keith Ellison has represented the Fifth District of Minnesota as a member of the Minnesota Democratic Farmer Labor Party. He previously served two terms in the Minnesota State House of Representatives, from 2003 to 2007. He currently serves on the Foreign Affairs Committee, as well as the Financial Services Committee, which provides oversight for the nation's housing and financial services sector.

He has led efforts to protect children from dangerous pesticides and chemicals. He promoted legislation to restore the voting rights of ex-offenders. He has successfully advocated for an increase in the State's minimum wage.

And he's here today to talk about the National Infrastructure Development Bank Act. That bill was introduced by Representatives DeLauro, Ellison, Weiner and Israel in May of this year, and is intended to finance a new crop of multi-jurisdictional or multi-modal projects with regional and national impact.

Congressman Ellison, the floor is yours. (Applause)

CONGRESSMAN ELLISON: Good morning, everybody. And thank you very much for inviting me here. Let me thank Brookings Institution, a place where we can count on good dialogue about issues facing America and the rest of the world. And let me just also say that it's really an honor to be in the same building where our own President, President Obama, was just here Tuesday, talking about jobs and infrastructure. So we're kind of on a roll, I think.

It was only a few years ago that in my own town of Minneapolis I got a call in which somebody said to me, "The 35-W bridge fell down." It was shocking. A bridge that I lived right next door to, because it's right next to the University of Minnesota Law School where I spent three tough years. And it's a bridge that I go over every day, my wife goes over every day, and my kids go over every day. And I think Senator Klobuchar lives within walking distance of that bridge.

And even more than this bridge being familiar to me and many people who I know, the idea that a bridge in the United States of America could fall is a shocking concept all by itself. The idea that infrastructure all over the country is crumbling, that we have failed to keep up and maintain our investments, and that the cost of doing so is high -- but not nearly as high as the catastrophic losses we could endure if we do not make these investments. The fact that we're missing an opportunity to put Americans to work in a bold, highly impactful way led me to think that we need a national call for a real commitment to infrastructure development. A national call, so that people can be safe on our roads and bridges and transit, so that we can put Americans back to work, so that we can maintain a world-class infrastructure system, so that we can be at the leading and cutting edge of technology, so that we could put broadband throughout America and give opportunity for people all over the land.

And the fact is that the American Society of Civil Engineers has estimated that at least $1.6 trillion gap over the next five years in just maintaining existing infrastructure. We've got some investing to do.

And with rampant, double-digit unemployment throughout our country, it's important to note that investing in infrastructure creates jobs at a very high multiplier. Every $1 billion in federal funds invested in infrastructure creates over 47,000 jobs and $6.2 billion in economic activity.

This is high-impact stuff.

And for these reasons, we need to make a new national commitment to infrastructure in this country. And I want to submit to you that it is a heavy lift. It is a political paradigm shifter. And this is why I'm proud to be able to work with my colleagues, led by Representative DeLauro, in introducing the National Infrastructure Development Bank.

As I said, it's a big lift. It is a change in how we have done infrastructure financing. But the time has come to do it.

And it seems like a great time to do it. Because wasn't it during the Civil War that Abraham Lincoln said we're going to build an intra continental, intercoastal -- cost-to-coast railway system? Wasn't it shortly after World War II that President Eisenhower said we're going to build an interstate highway system? Wasn't it during the Great Depression that we embarked on rural electrification?

When economic times are tough, that might be the best time to do something bold, to do something big, to think beyond the confines of the recent past.

So our legislation builds upon the tireless work of Representative DeLauro over the many sessions of Congress, and on a national infrastructure bank proposal that I introduced last Congress with Financial Services Committee Chairman Frank -- and which was a companion bill that Senator Dodd introduced in the Senate. This legislation would create an Infrastructure Development Bank modeled on a European Investment Bank and other development banks around the world.

Now, this is truly an American idea, but let me remind you that when President Eisenhower said, “You know, we need an interstate highway system,” he got the idea from across the pond. It was looking at the autobahn, and his assumption that it would be hard-slogging through Germany, but then finding an excellent highway system that made him think, you know, we could use one of these things over here.

And so this is modeled after the European Investment Bank and other development banks around the world. It would be a wholly-owned government corporation that would have the authority to issue new public-benefit bonds to finance loans and loan guarantees for regionally and nationally significant infrastructure projects. It would also provide a secondary market, a liquidity, for purchasing infrastructure-related securities.

The bank would provide financing for infrastructure projects in the following areas. It’s broad and comprehensive.

Transportation -- that includes highways, transit, interland waterways, rail and air travel.

The environment -- drinking water and wastewater facilities, and hazardous waste facilities.

Energy -- renewable energy transmission and building efficiency, transmission being a big challenge when it comes to energy, and linking where the energy is made and where it is used.

And, of course, telecommunications -- broadband development, in particular.

It would provide a stable and de-politicized source of infrastructure financing -- and this is important. Because I think earlier we mentioned bridges-to-nowhere.

This is because w do infrastructure as a result of a highly politicized, election-day driven process.

But what if it were de-politicized, and were really focused on the needs of the country and the region? The bank would objectively consider economic, environmental and social benefits and costs of major infrastructure projects.

Of course, to accomplish such an ambitious goal, the bank needs to be of sufficient size. And it would therefore be capitalized with $250 billion of subscribed capital. This is consistent with President Obama's budget proposal. $25 billion of that would be through appropriations of $5 billion a year for five years.

Another $225 billion would come in the form of contingent capital made available through the Treasury. The bank would be able to leverage this by issuing public-benefit bonds equal to 2.5 times its subscribed capital base, an amount equal to about $625 billion. Now we can really work with $625 billion.

Furthermore, the bank would have an even more far-reaching impact by financing projects that maximize private and other forms of investment. Moreover, in addition to being of sufficient size and scope, the bank would also utilize best practices in government and risk-management.

We envision a five-member Board of Directors with experience in both the public and private sectors to oversee the banks overall operations. And we would envision they would rely on an executive director and a nine-member Executive Committee that would focus on specific project proposals seeking financial assistance from the bank. In addition, the bank would be further buttressed by Risk-Management and Audit committees, with experts in those relevant areas.

As a member of the House Financial Services Committee, I've worked with my colleagues on the committee a lot over the last several months in working on a financial reform plan that fills gaps in the current regulatory system. This bank would not only fill in a massive gap in our current system of financing infrastructure, it has the potential to help rationalize and even reinvent existing models in a way that partners public and private investment capital.

And so this proposal, which is simple and straightforward, I think, offers a real opportunity for our country. I think it's the kind of thinking that we need to engage in. And I'm always reminded of this project every time I get to go home and drive over I-35, and I remember the awful consequences of neglecting our infrastructure -- where 13 Minnesotans lost their lives and 100 more suffered serious injury.

But it's not just about safety and security. It is about putting Americans back to work, and maintaining a world-class infrastructure built for the 21st century.

Thank you very much. (Applause.)

MR. KATZ: Maybe one question just for the Congressman? I know you're out there.

CONGRESSMAN ELLISON: See, I was so thorough that--okay.

MR. KATZ: Right over here.

SPEAKER: It's easy to say that we should de-politicize the process, but I'd like to know you think that that can actually be accomplished. Because it's taking the control out of the hands of Congress and putting it in board that would govern the bank.

How's that going to work?

CONGRESSMAN ELLISON: Well, de-politicizing something that is an instrument of government completely is obviously impossible -- even in the selections that are made there will be political considerations.

But I think that, you know, if we put a range of "completely politicized," to "not politicized at all," we can certainly move the knob from one end of the spectrum to the other. We can lessen the effects of just base political considerations when it comes down to making these decisions.

And, of course, Congress delegates all the time, doesn't it, you know? And so that wouldn't be new or even precedent-setting.

But I think that it would allow for these projects to be evaluated much more on their merit, and much more on whether they actually bring real value, rather than helping somebody to say, well, hey, I just put a bridge in the district, so vote for me next time.

I mean, I think you'd agree that we can fall short on the other end, as well, and have much more so, than we have on the end that I'm proposing.

o I think your question's a very fair one. And I have to agree with your essential point that you can't completely remove politics. But I think you can diminish their impact.

So -- I think I've got to run back to the Capitol. It's been a pleasure, everybody. Thank you very much. (Applause.)

MR. KATZ: We're going to ask the panel to come up now. And I think what's so striking about infrastructure policy and programs is how much it is politicized compared to other areas of domestic policy.

To moderate this panel we've asked Charlotte Howard to join us from Chicago. She first joined *The Economist* in 2004. Since 2007, she's been *The Economist*'s Midwest correspondent, based in Chicago.

As anyone who reads *The Economist*, that means she has to cover politics, education, agriculture, fiscal policy, urban development, the economy and also transportation and infrastructure.

She is one of the most astute and thoughtful reporters in this country on the issue of infrastructure

Charlotte, thanks for making it through the blizzard.

MS. HOWARD: Thank you for having me.

And we have a very diverse group of people on this panel today, with a wealth of experience and knowledge.

So we're going to try to hash out some of the questions that have been raised already this morning -- how do we make strategic investments in infrastructure that support economic growth over the long term? Also, how do we invest in infrastructure in a way that creates jobs now? Can you do both? Can you do this in an era of fiscal restraint?

So, on my right is Reed Hundt, the co-chairman of the Coalition for the Green Bank. He chaired the federal Communications Commission from 1993 to 1997, served on President Obama's transition team, and continues to wear many hats, including being a senior advisor to McKinsey and a principal at Charles Ross Partners.

Since he doesn't seem busy enough, he has also written several books, most recently, I think, *In China's Shadow: the Crisis of American Entrepreneurship*.

Next is John Irons, the Research and Policy Director of the Economic Policy Institute. At EPI, appropriately enough, he focuses on American economic policy, with an emphasis on federal tax and budget policy.

Before joining EPI in 2007, his prior posts included being Director of Tax and Budget Policy at the Center for American Progress, and a professor of economics at Amherst.

Next we have Beverly Scott who since 2007 has been general manager and CEO of the Metropolitan Atlanta Rapid Transit Authority, more affectionately known as MARTA. She's also been the chairperson of the American Public Transportation Association and has, over her 30-year career, worked for transit agencies in Houston, New Jersey, Washington and New York City.

And last, but certainly not least, is Rob Puentes, who is no stranger to most people in the room. He is a senior fellow at Brookings at the Metropolitan Policy Program, and a director of the Metropolitan Infrastructure Initiative. He's responsible for (inaudible) the bookshelves of lucid and fascinating reports on American transportation.

So, John, let's start with you.

EPI has just published a report on how to create jobs. And the third prong of this strategy is investment in infrastructure, specifically transportation and schools.

Can you talk a little bit about the report?

MR. IRONS: Yes. Sure.

The report has five main elements. I have a colleague who always says you should never have more than five points, because you need a hand free to bang on the table.

So we've got five main points, which include emergency assistance for unemployment insurance program benefits. The President talked about these when he was here on Tuesday.

The second element is aid to states. We know that state and local governments are facing huge shortfalls. And so filling some of that gap would assist states to prevent layoffs and create new jobs. It also helps on the infrastructure side, since states spend a lot of money on their infrastructures.

The third element is, as you mentioned, transportation and school infrastructure. We are very supportive of the transportation spending that was included in the first Recovery package, and we think that there are more investments that could be made if there were another effort. And school infrastructure is hugely important, too. We can't ask our kids to be the engine of future economic growth if we put them into schools that are below standard.

And we also talk about a tax credit for new jobs, as well as direct job creation -- perhaps through the majors. We think that this kind of an effort could create upwards of 4.5 million jobs. We know we've already lost 8 million jobs since the start of the recession. If you factor in population growth, we're over 10 million jobs short. So we need to really use every tool in our arsenal to get jobs back, and infrastructure is a way to kind of create jobs in the short run, but also create an economy -- create, the infrastructure needed for a growing economy for the future. So it addresses both the long-run goals and objectives, as well as the short-term need to create jobs.

MS. HOWARD: Beverly, you run a transit agency that, like so many, has had its share of budget problems.

Can you talk a little bit about what the Recovery Act has and hasn't done for you, and how the federal government might provide some more help in the future?

MS. SCOTT: Charlotte, what the Recovery Act did for us, specifically at MARTA, is that it kept us--we were on our knees, okay, literally. In fact, as I'm speaking right now, I'm looking at a $100 million shortfall and a $400 million budget.

Last year we were literally able to wind up plugging that gap -- admittedly, short term, but we kept people working, we kept people moving, by utilizing $45 million in stimulus funds, and using roughly about another $40 million out of reserves that we've been eating off of for the last 10 years.

So, the stimulus and what it has meant, and what it meant to our agency, what it meant for the roughly 250,000 people that are using our service on a daily basis, 54 percent of whom are using it to commute to and from work, was absolutely real. And without it, I can just tell you, we wouldn't be standing today.

So there is a lot of discussion in terms of the "ifs" in that, and whether or not we have stimulus dollars that are available for use for transit operation. I can tell you that it makes absolutely no sense to wind up having dollars come in for capital, if I do not, in fact, have the funding to be able to wind up doing the operations and the maintenance.

So I will not debate the issue as to whether or not that's the most appropriate use of dollars over the long term if these were not extraordinary times. But we need as much flexibility as we can on the local and the regional level to be able to try to navigate through this. And opening up dollars for flexibility for use for operations and maintenance is absolutely critical.

MS. HOWARD: Rob, you published a report today that's sharply critical of how the federal government invests in infrastructure.

Can you talk a little bit more about the report and some of your findings?

MR. PUENTES: Sure. Thank you.

Yes, the good thing about doing this work on infrastructure is that this isn't just something that we've cooked up, you know, here at Brookings. We've been working with this informal network of scholars and practitioners all across the country. And the reports we released today, led by Emilia Istrate of our shop, kind of highlights -- I think there's three big issues that folks, I think, coalesce around. We may disagree with the answers, but the problems, I think, are generally agreed about.

One is that the federal government does have a flawed kind of selection process. We don't really use things that many folks in the room have called for -- benefit-cost analyses that have a mix of quantitative and qualitative kind of pieces to them. We just don't do that when it comes to how we plan out our infrastructure. We heard this from both the speakers here earlier today.

There are legal requirements. There is an Executive Order from 1994 that requires that this be done, not just for things that the federal government owns, but also for infrastructure in which the federal government invests, so, like transportation. So things they don't actually own, but do invest. But this is -- the implementation is not so great. It kind of varies across the country. So the flawed selection process is certainly, I think, a big one.

And there is this bias against maintenance. And, again, the Congressman talked about this earlier. We see mundane reminders of this, and we see kind of tragic reminders of this. But the way the system is set up, we don't really prioritize the maintenance of what we have on the ground. We have incentives, we have formulas that are designed to build more -- the more stuff you have, the more money you get. But we don't do a good job at fixing the stuff we already have and taking care of the things that are on the ground.

So those are really about implementation, that the federal government sets up the rules, and the implementation is where we have some problems.

But the problem, I think, on the federal level is this issue of long-term planning. And I think a lot of folks are starting to kind of galvanize around that particular problem--that we don't, because we don't have this far-reaching vision for infrastructure, and we're kind of lurching from appropriations to appropriations, even when we do have multi-year authorizations -- they've got some problems which we can get into at some point -- but that there's an inability for the federal government to think long term has really hampered us, from a competitive standpoint, nationally. We don't make these investments that really do matter to the national government.

So what we talk about in the report, we try to hit on some things that have been talked about. There's a lot of discussion -- for 50 years, I guess, now 60 years -- about this issue of a national capital budget. We think that that's the right idea. It makes sense. In real simplistic terms, it's separating capital from the other parts of the budget.

But it probably doesn't get to those things that we've talked about that are problems. It really doesn't get you better maintenance, better project selection. And it's really a very, very small part of the overall federal budget. Just about 2 percent of federal spending goes for infrastructure.

So, again, maybe the right idea, but it's a real heavy lift, and probably not the right thing to get to what we want.

But this issue of a national infrastructure bank does kind of get that. It is kind of like the national- capital-budget-light, in some ways. It doesn't solve all of our problems, but it does get to this issue of targeting federal resources to projects that really do matter to the national government. We don't have this mechanism now. We have the states, the metros and locals in charge, but no ability to make investments in these things that really matter to the national government.

But the key thing about the infrastructure bank is that it is about reform. It's not using the same old systems. It is about making decisions based on merit, as the Congressman talked about, and making sure that those investments are based on some kind of facts, rather than on the political horse-trading that other folks have mentioned here today.

So it's not a panacea -- that probably should have been the title of the report -- or not a silver bullet, but it is going to get you somewhere, and someplace that's really missing right now, that's these targeted, nationally important investments we don't have.

MS. HOWARD: So, Reed, you have an idea for a Green Bank.

Will you explain how this is different from an infrastructure bank? And who else is supporting this idea?

MR. HUNDT: Yes. And thank you.

So, the Green Bank, in Congress is spelled CEDA, because Congress has its own distinct way of spelling things, and that stands for "Clean Energy Deployment

Administration." The Energy and Climate Change Bill passed in the House of Representatives actually includes the CEDA. It was first labeled "Green Bank" by a bill introduced approximately a year ago by Congressman Van Hollen, and then that bill was folded into the Waxman-Markey Climate Change Bill.

It actually is the only provision in the Waxman-Markey Climate Change Bill that was bipartisan. It was passed by the House Energy and Commerce Committee by a vote of 51 to 7, and everything else in that bill was almost completely Democratic supported, with almost no Republican votes.

What was the House trying to accomplish? And why do the hundred-some odd businesses in this voluntary coalition that I co-chair, why do they want this accomplished?

What the House would like to accomplish is to lower the cost of capital for the deployment of available, conventional clean-energy technologies: wind, sun, biomass, others. Almost every one of these projects, about 80 to 70 percent of the money to pay for the project is borrowed. And if you can borrow at a rate that is supported by the government, it turns out to be -- this is something *The Economist* has written about -- it turns out to be about 4-1/2 percent.

And if you have to go into the commercial market to borrow -- right now, in today's market, it's hard to borrow the money on any reasonable terms. "Reasonable terms" means you have a long enough time to pay it back that you don't have to charge the consumer an arm and a leg. So it's very hard to borrow it at any terms, but if you can get the money, roughly speaking, you have to pay about twice as high an interest rate in the commercial market.

This is a big problem in electricity. It is a show-stopping problem for a very simply reason. There isn't any state regulator in the country who wants to double the price of electricity to pay for clean energy. They actually get to decide.

So as everybody notices, if you live in a house where the electricity is provided from the telephone pole, you can go out there and look, and you'll see one line. That's called a monopoly. And that, in many states, is rate-regulated, so that's settled. You cannot raise the price and introduce clean energy. You can to industrial processes, you can to other parts of the economy. But fundamentally, most electricity, you really can't raise the price and bring clean energy in.

So you have to lower the cost. And the single biggest lever that you can pull is the cost of capital. So if we do want to convert from carbon to clean, if that's the decision of the country to any degree -- 10 percent, 40 percent, 100 percent -- if you want to do that, you have to make a fundamental choice as a country, "We're going to punish the consumers--" -- no state regulator is going to want that. And, right now, in the middle of a recession, it's pretty hard to imagine anyone voting for that. We can punish the shareholders of the utility, but shareholders of utilities are not making a lot of money. Utilities are regulated within an inch of profitability.

So here's your third choice and it's the only choice available. You borrow from the future, that's what it means to extend a government guarantee, and you pay the money back by the time you get to the future. That's what it means to protect the taxpayer.

Why is it legitimate, according to our view, to borrow from the future? Because what you're delivering to the future, to our kids, is a clean economy. So if we were to find a way -- let's talk total big-picture -- to have the entire electricity-generation capability of the United States over 20 years to be clean and independent and absolutely secure, and in no way subject to the vicissitudes of global commodity prices, that is about an $800 billion investment over a 20-year time period.

And if that is all financed, we can bring that investment on without increasing the price of electricity. And just let me make one statement about that: We did this before. This is, in fact, the arc of the communications build-out from 1997 to 2007. It was $850 billion of capital expenditure. And measured on a bit-per-second basis, we actually get communications cheaper than ever now at the end of that time period.

So this big, big number is well within the art of the possible for our economy. But we cannot travel this path without addressing the cost of capital.

MS. HOWARD: Right.

So when people talk about going back to not a Green Bank, necessarily, but to the broader idea of an infrastructure bank, they're usually talking about multistate, multijurisdictional, often intermodal projects.

So, Beverly, for an agency like MARTA, can you describe how an infrastructure bank might or might not help you? Do you see it as part of your long-term planning?

MS. SCOTT: Oh, when I read all these things about this infrastructure bank, I've got a project right now, I've got a western trunk, I've got CSX, I've got a problem in Atlanta. And that problem is that I've got two national railroads, I've got a constraint in terms of moving freight, and I've got a constraint that is absolutely related in terms of what you can do with passenger rail, with high-speed rail. Because if I can't figure out how to wind up making all of that move better, we're not going anywhere -- okay? And that has implications for the high-speed rail corridor and the whole nine yards.

So that is a multibillion dollar project, what I'm saying. But it's critical. It's critical not only from a local, regional standpoint, national competitiveness, as well.

We don't have a way of dimensioning that project, funding that project, in the current way that we do business, okay? So what I will say to you is that, not only intrigued by -- if there's anything that I think is a silver lining -- and I don't want to try to make lemonade our of lemons -- that is a silver lining out of the kind of crisis that we are dealing with right now, is that it forces transformative and innovative thinking and action.

And pray to God that that's what we do. Because the way that we have been handling infrastructure investment doesn't work anymore.

And so hopefully, what will wind up happening out of all of this -- and will it be perfect? No. Okay. But can we wind up getting to be a whole doggone lot better than the way we're doing it.

We are completely siloed. We don't have any type of criteria (inaudible) between the modes. Everyone's being parochial. There's turf-ism. There's no -- it's just nuts, okay?

And so the notion of not only having something that we could structure that would help us to look at bigger-picture, cross-mode, across different regions and all that, but also hold us to some type of a valuative component which will not be perfect, but to try to get the cost-benefit return on investment -- absolutely revolutionary, in terms of what we've been doing.

We would be in. Let me tell you how I really feel.

MS. HOWARD: So, there seems to be quite a lot of consensus about long-term planning and strategic thinking. There's also this urgency of "jobs now."

Maybe, John, you can talk a little bit about whether that's separate from this conversation about the infrastructure bank? You know, it would take a while for an infrastructure bank to get up and running, we need these jobs now.

Can you describe the relationship?

MR. IRONS: Yes, I mean, I guess the traditional, you know, economist view of how you do economic recovery or stimulus, or countercyclical macroeconomic policy is you want to have policies that have a quick impact and that are temporary. And it would seem like the investment bank doesn't really fit those criteria.

On the other hand, if it's a good thing to do, let's do it. Right? Let's do it now, so we can have the impact as soon as possible. And let's not wait on it.

I remember during, you know, the multiple debates about stimulus that we've had, starting back in 2007 before what might be called the "first" stimulus package was passed under Bush, in early 2008, and then the most recent one, there are criticisms on both sides of this debate. Some people said, "Infrastructure spending is too slow. It's not going to create jobs right away." Other people said, "It's too fast. You're not doing the right kind of long-range planning you need to do to really be effective at spending the money."

I think what we know, given the severity and the depth of the crisis we're in, is we need jobs now. We need jobs six months from now. We need jobs, you know, a year from now, and two years from now.

If you look at the last two recessions, it took between three and five years for employment to recover back to pre-recession levels. And those were mild recessions, right?

So we're looking at a really deep crisis that's going to last a long time. Suppose it takes six months to get this up and running? Suppose it takes another year to get money out the door? And that might be optimistic about how fast you could get it out. We're still going to need jobs then.

So the best time to do this is now. If you wait for it for another six months, in six months you're going to be sitting around and saying it's going to take too long to have an impact, right? So the sooner you can start it, the sooner you see the impact.

So, like I said, if it's good idea to do in six months or a year, it's a good idea to do now. We should just do it.

MS. HOWARD: Reed, do you see that as true for a Green Bank, as well?

That the sooner you get started, the better? And how does that relate to this conversation about creating jobs in the near term?

MR. HUNDT: So, a year ago, in the transition, as I think everybody knows, the economic policy decision was that the stimulus would be temporary, timely and targeted.

That was a good decision. But as you've just said, over the next three years what we want to do is return to full employment. We don't want to return to full employment five to seven years out, which is what the Fed is predicting for us. This is not written in stone. We don't have to accept this. We want to bring forward the arrival of full employment.

Well, we're not going to get to full employment by next Monday. But we can start by next Monday and have a three-year plan to get to full employment in three years.

Now, let me just say one thing about this up-and-running shibboleth. There seems to be, in the air, an assumption that, "Well, if you start something new in the government, it takes 6 to 12 months to make it happen."

MR. HUNDT: That's true, that's true. The reason is that the regulatory processes of government, the checks and balances of government, are actually purposefully designed to encourage a very prudent and anything but a pell-mell decision making process. That's purposeful.

But the National Infrastructure Bank that the Congressman was talking about, the Green Bank that our coalition is talking about, does not have those characteristics. It is like starting a startup business. I've started or been part of starting five businesses since I left the government in 1998. In every case, as soon as we had the money, within 60 days we were spending the money.

And so the structure that the Congressman was talking about is fundamentally a private sector structure. You won't be doing everything in 60 days, but you'll be putting the money out the door in 60 days, with one other caveat and it's an incredibly important caveat: If the things that you're funding actually haven't been designed yet, if they have been contemplated yet, if they haven't been -- if there's no one who's prepared to do them, then that's what takes time. Not the creation of the funding entity, but the time for the design project.

But here's an example. The Department of Energy is looking right now at thousands of designs, not tens, not hundred, thousands of designs. In their most innovative technologies, they approve 1 out of 100 and left 99 unfunded. I mean, we're not -- it's not a question of speed. We're not operating at the right scale to convert from carbon to clean.

SPEAKER: Going back, you know, continuing to talk about jobs, which is this week's big -- this year's big subject. As we talk about transportation being a way, and transportation investment being a way to create jobs, you know, this fall there was a lot of conversation about how reliable are these numbers? You know, Rob can talk a little bit about some of the reports from the GAO, et cetera, that questions the job creation.

And, maybe, John you'll want to jump in here, as well.

SPEAKER: Yeah, it's over-learning, a lot. I mean there's no doubt about it, this is -- the one -- one of the really good things about the Recovery Act was this emphasis on transparency and accountability. And, make no mistake, this is a real sea change for how we talk about transportation projects, particularly here on the federal level where there is no accountability. The reporting is very, very small. You have to report, did you spend the money? Yes, we spent the money, then you get reimbursed a little bit. But with really no emphasis on any kind of performance to the system at all. So, having this one performance measure for jobs created is a sea change and we think that that's certainly a good idea.

But there's going to be missteps along the way, I think, that will be seen as just how complex this country is. And we have these delivery systems that may or may not be up to the task of handling this. So what we did for the last two years before the recovery package was the steady drum beat of reform. There were national commissions. We put out reports, folks here in the room put out reports, hammering this point that we cannot pour money into a broken system. We need reform, we need reform, we need reform. And then, when it came time to talk about the economic recovery of the country, they basically put these systems in charge of how that money was spent.

So, the fact that we've had these missteps, I don't think, is much of a surprise. And the fact that we went from something very, very opaque to something that's designed to be more transparent is going to have some problems. But the one good thing is that, I think this is putting us on the path to something that is more empirical, more quantitative, and we're going to start measuring projects better from these mistakes that we've learned, I think, during the recovery package.

SPEAKER: Do you want to add to that, Beverly?

MS. SCOTT: Yeah, I was just going to say that, it's like what we're all saying, it's not perfect. But the point is that there's -- unassailably, I can tell you that when, in fact, transportation, in fact, is a jobs creator, okay? We had some recent work that was done at American Public Transit Association -- for every 1 billion invested, roughly about 36,000 jobs. So, it's not -- is there a hole in that somewhere? That's some here and there. It may not be completely perfect, but we know absolutely -- infrastructure, transportation, jobs creation.

I think, kind of linking into what Reed's talking about, I have no question about the jobs creation portion of it. It is just whether or not, over the long haul, we're actually making the sea change in terms of where we need to be with those jobs for next 20 or 30 years. That's the part that we weren't all ready for, because we just haven't been there. We can get there, but we're going to have to take action to begin to move transformatively where we need to be for the next 20 years or so.

SPEAKER: Yeah, I mean, I agree with all that. And just to make a couple of other points, and one is -- the headline numbers you often times see through the Recovery.gov and reported on through some of these recipient reports are only really the tip of the iceberg. That there are many more jobs that are created or saved or supported by transportation spending than besides people with the shovels digging in the ditches for the roads.

You have people who are supported as those workers go out and spend money at the local diner; they employ people that way. You have people -- when you buy asphalt from a company, you employ people who are producing the asphalt. Manufacturing goods, whether transit cars, or whatever. So the job impact goes well beyond what is simply reported by the federal government through this one mechanism.

So I think that's actually an important piece here. The other important piece, too, is not just about the jobs that are created when you are building the infrastructure. It's the jobs that come about as a result of having a better infrastructure in place. You are connecting people with jobs in a more efficient way. People have better access to more jobs. You have employers who have access to more employees. Getting better matches between employers and employees, where you get a better matching of skills and demands for those skills. So, we really need to think about this in a broader context than just jobs created through construction. What does the economy look like? What you have are more rational, efficient, effective transportation system. That's much harder to measure. But if you can't ask someone and say, hey, is this job a result of this spending, they're not going to be able to identify that. But it doesn't make it any less real.

It's still a real job. It's still an efficiency improvement. It's a little bit harder to measure, but it doesn't mean it's not real.

SPEAKER: Let's open up for some questions, because I know that the Secretary is going to be arriving soon. So, the woman in the black jacket, yes?

SPEAKER: (inaudible)

SPEAKER: I'm sorry, let me -- I'm sorry to interrupt you quickly, but would you please direct your question to one of the panel members? That usually works.

SPEAKER: Well, I'm not sure who's the best one, so maybe somebody can tell me.

SPEAKER: Or not.

SPEAKER: But the concept of a National Infrastructure Bank has been around for over 20 years and there have been a lot of calls over that time for it to be established, what do you think has been the obstacle to this getting established over time? And is that going to continue to be an impediment in passing the bill now?

SPEAKER: The question was the obstacles for the Infrastructure Bank?

SPEAKER: Yeah.

SPEAKER: Well, I mean, I think part of it is that this is a sea change. This is something different from what we're doing now. There are actual committees; there are other folks who hold some of these things very closely and, I think, would be loathe to give up some responsibility for those decisions.

Now, all that being said, I think we're getting to a moment, kind of what Dr. Scott talked about, that we've run out of money, it's time to start thinking. We've talked about this before, right?

SPEAKER: We talked about this earlier.

SPEAKER: Right. So, I think there is -- we're starting to get that kind of frustration that the system isn't delivering what it's supposed to be delivering now and that folks may be willing, as we said, to experiment with something different. Now, again, I don't want to be Pollyannaish about it, we just saw yesterday the appropriations bill booted out the President's marker for the Infrastructure Bank and said maybe the authorization process is a better way to go with this. And it's probably true, but I do think if start talking about reform, right, and it's not about the same delivery systems.

If we are talking about targeting, if we are talking about projects that do matter to the country and not just to Congressional districts or to certain places that it matters to the nation that certain ports are functioning places or that there aren't bottlenecks in the system in certain other places or that the electric grid and other things really do matter nationally. If we can have that kind of rational conversation, I think we might see something start to break loose in Congress.

I don't want to be Pollyannaish about, again, but I think we need to have that kind of conversation. It can't be within the realm of how we're talking about it today.

SPEAKER: Maybe I could answer that question about the electricity sector, if you don't mind? Just the electricity sector, which is this -- for approximately 50 years, the entire legal and regulatory system around electricity has been designed to minimize investment, to actually have no investment if it was possible to have no investment, in the electricity grid. And the reason is that every new investment dollar was a dollar that then had to be translated into a revenue increase to pay back the dollar. Or, to put it another way, everyone in this room had to pay a little more for electricity to compensate the monopoly utility for the investment.

So the entire regulatory scheme all across the country is built around having no investment, or as close to zero as you can possibly get. And another way to get to zero is to have it be that we all become much more efficient in our use of electricity. Again, minimizing investment. Now this would be just great, if we liked the way that we made electricity, but we don't. We don't like it because half of it is built on coal and because we have a climate change crisis.

So since we have a urgency of the most profound character that requires us to move our economy from carbon to clean, we are looking right at a regulatory structure that says, yes, that would be nice but we don't want any investment. So that's the reason why the reform movement runs right into a wall, and the wall is the whole existing legal and regulatory structure.

So, to repeat myself but briefly, the solution is not to say, we're just going to charge everybody much, much more. The solution is to say, let's get a hold of the one thing that we can really change and that is the cost of capital. Leave everybody paying roughly the same prices they're paying today -- by the way, it's 14 cents a kilowatt hour in California, but it's 5.7 cents a kilowatt hour in West Virginia. No identical good or service in our economy varies more by price, state by state, than electricity.

So if we want this great change to take place, we have to change cost of capital on a state-by-state basis and fund different projects in every state. Respect the consumer, protect the consumer. There's nothing good about having an economy where everybody pays more for an essential input, so let's have it be that we draw investment in to make the big change. And looking for the silver lining in the cloud, this is the best possible time in the world because we have 10 million people who want to go to work and can't find jobs and could do all the many, many, many different categories of jobs that are involved in this great change.

MS. HOWARD: We just have time for a couple more, so the gentleman in the back? Will you say your name, please?

MR. KING: Good morning, I'd like to thank you all for having this discussion. I'm Arnold King and I live in the Washington, D.C., area and my question to

Reed Hundt or John: I'd like to know, what is the difference between an Infrastructure Bank and a Green Bank? I'd like to know, how do they all function and what are the purposes of these two and how will it benefit everybody? And what will Congress do to keep both of these, the Infrastructure Bank and Green Bank, going and how will they get it started? What significant role are they going to play?

SPEAKER: Do you want to answer about the National Infrastructure Bank?

SPEAKER: Sure, I mean, there's lots of different ideas for the Infrastructure Bank; again, there have been several proposals. It is designed to really to talk about all kinds of infrastructure. There are mechanisms that are in place now. At the Department of Transportation there are programs like the TIFIA program, which is an acronym I can't think of right now, but it's really designed to fund transportation programs. The idea behind the Infrastructure Bank is that it gets you these merit-based projects of national significance that aren't just transport projects. So it's trying to recognize that this isn't -- that we take this very silo-driven approach to infrastructure. We have transport here, we have energy here, we have water/sewer here, but trying to have more of a holistic kind of look at these various components of infrastructure. And so the challenge obviously, I think, is going to be comparing investments in water/sewer to investments in energy, to investments in transport. And how we do that in a merit-based way, I think, is going to be challenging, but I do think that that's kind of where we need to go to break out of these silos.

The Infrastructure Bank, again, is designed to be broad, with all kinds of infrastructure.

MS. HOWARD: So maybe one more question? The gentleman in the left, in the blazer?

MR. ATHENSEN: Hello, John Athensen from Baltimore. You, Puentes, mentioned that we have a flawed selection process in federal investments and we don't have long-range planning. But we actually do have a system in place. We have the Metropolitan Planning Organizations, MPOs, in metropolitan areas all around the country, so where's the breakdown in that process? Could you comment on that?

SPEAKER: Yeah, I think some of this -- there's two things with the long-range planning. The part of this -- and that's just for transport. Some of this is that we just don't have the mechanism, again, for these nationally significant projects. Again, I think a lot of the frustration, the reason that folks have been talking about things like the Infrastructure Bank, and even the capital budget, is that there's a feeling that that's what we're missing right now are these major investments that only the federal government can be making because they span state and metropolitan and local borders.

Again, some of the things that Reed has been talking about. We talked about high-speed rail earlier. Investment in major ports, the rail system. There are all kinds of things that just are too big, frankly, for states and locals and metropolitan areas to deal with by themselves. So I think a lot of the reason that this is important now -- why there's a lot of enthusiasm behind this -- is those are the kind of investments that we're missing.

The other thing that we don't have is any kind of accountability in the system. So it's one thing to do long-range planning and talk about it, but there is no kind of feedback loop, particularly on transport. So if we don't hold the recipients of the money accountable for meeting kind of long-term goals and objectives, long-term planning is just kind of a collection of wish lists. And so that's what we've seen, particularly on the metropolitan level with metropolitan planning organizations, is that these are just kind of aggregations of local projects, really nothing that has a metropolitan focus. And really nothing that's connected back to any kind of long-term goals and objectives.

MS. HOWARD: Beverly, do you want to answer that?

MS. SCOTT: Yeah, I was just going to say that there are just so many chinks in kind of the standard rules of engagement, not a common level playing field. You get 80 percent of federal money if you're going to do this kind of project. You get 50 percent if you're going to do business over there. That's the kind stuff that just -- we fairly start out to be honest, nonsensically, and then we think somehow it's supposed to wind up looking better at the end of it, okay? When we're making the sausage.

And so, just -- let me just say that -- so there's a lot of layers in this. We have many, many opportunities in front of us that we can take advantage of and do better. And now that we know better, we should do better.

MS. HOWARD: On that note, I think that's a good place to end. So --

SPEAKER: That's a good place to end.

MS. HOWARD: Thank you to everyone for participating in the panel and we'll hand it back over to Bruce and the Secretary of Transportation.

SPEAKER: This is how events get pulled together. So they're almost ready. So I think my job is to stall for a couple of minutes. And I'm not really sure how to do that other than to say that when we started working on this project -- I'll talk about some of the things we're doing at the Metro Program. Because we -- there has been this year long kind of effort around talking about a National Infrastructure Bank and talking about a better way for the federal government to make decisions.

And when we started to do this about as year ago, it was kind of a very different world, as we've talked about -- as the President talked about here on Tuesday. You know, there were real concerns about the very structure of the American economy. So what's happened over the last year, I think, is this conversation about infrastructure has moved from this really short term -- these short-term priorities. We have to put people back to work right now. We're hemorrhaging jobs, we're hemorrhaging -- we have very major problems that we need to deal with and that this focus on short-term job retention or job creation was probably necessary at the time. Again, we forget just how dire I think the situation was.

Now, as the year has gone on and as we've seen, again, some missteps and we've seen some innovations and some experiments that have taken place over the last year, I think it's really important for us to start to learn from what we've had in the recovery package. And that this approach that we've taken over the last year of these shovel ready projects, particularly as it relates to transportation and getting things done very quickly, it might have been the appropriate thing to do a year ago. Replicating of this calendar year, this may not be the right approach that we need to take now. Again, we still have unemployment at an intolerably high level. It's come down just a tick -- it gets down to 10 percent now. But that this might be an opportunity to have this different kind of approach when it comes to infrastructure and we don't have to rely on the existing time delivery systems.

So I think John was exactly right in that we need to not just talk about jobs in the short term, but also jobs in the medium, jobs in the long term. That this isn't something that we're going to be able to solve overnight.

And I think a lot of the pushback around this Infrastructure Bank, as Reed or somebody mentioned, is that there is this assumption that it is going to take a long time. But it doesn't have to. We don't have to have this as something that does drag out for years and years, and months, and all that. So there is an opportunity, I think, right now to do something really different and that's certainly something that's very positive.

But there are other things that are going on right now and as Bruce kind of hinted to, there are some things we can do in the short-term because we are still -- we still have unemployment at some very high levels. We need to stop the hemorrhaging of jobs. Direct aid to states and localities, for municipal governments. I think municipal government makes up 11 percent of all metropolitan governments. So helping them plug the holes in their budgets to retain jobs would be something we could do.

The issue of transit operating, I think, is related to that. I think we often forget about these agencies as important cogs in the metropolitan employment scheme, as Beverly Scott can talk about. These are real permanent jobs that we could be protecting or retaining today.

But there are other things for the long term. And Bruce kind of mentioned these TIGER grants. I don't know if folks are that familiar with what they are and what they do. We at the Metro Program are pretty enamored with this. And I think that there's a lot we're still going to learn about these projects. We know they're not going to be awarded until February, but the fact that $1-1/2 billion in potential funding has turned into $60 billion in applications says something.

Now, I don't think that all these $60 billion dollars worth of projects are worthy. They're probably not meritorious projects, but there's probably, as Bruce mentioned, look, even a third, even a quarter. I mean, there might be something here that really taps into some hunger that's out there all across -- in metropolitan areas all across the country.

Talking about multijurisdictional projects. Talking about projects that link up housing and transportation, energy, environment, things that everyone here in the room knows are fundamentally connected. It's only in the stovepipe world of Washington bureaucracy where they're kept apart. They're kept distinct and kept separate. So I think tapping into that is an important thing we can do as it relates to the TIGER grants.

And I think that I have exhausted my time and have rambled on long enough, so I'm going to introduce Bruce Katz, bring him back up again, and he'll introduce the Secretary. Thank you very much. (Applause)

MR. KATZ: It's my privilege to introduce the Secretary of Transportation.

And I think when President Obama appointed him, he said what many felt around this town, few understand our infrastructure challenge better than the outstanding public servant that I'm asking to lead the Department of Transportation. We all know that Secretary LaHood has a lot on his plate. Not just the traditional prevue of the Transportation Secretary, but now with climate, now with the economic crisis, there are quite a number of issues that the Secretary has found himself really at the center of, from aviation and truck safety, new initiatives around the safety of our transit systems, efforts to stop distracted driving.

Just for a certain segment of this population here today, he will be on The Daily Show next week to talk about distracted driving. Now before becoming Secretary of Transportation, Secretary LaHood served for 14 years in the U.S. House of Representatives from the 18th District of Illinois, which includes the city of Peoria. During his time in the House, for purposes of this forum, he served on the House Transportation Infrastructure Committee, after that on the House Appropriations Committee. I think, most importantly, before his career in government, Secretary LaHood was a junior high school teacher, but he was also chief buyer for the Bi-State Metropolitan Planning Commission in Illinois. Secretary LaHood. (Applause)

SECRETARY LaHOOD: Well, thank you very much. It's an honor to be here with all of you today. I'll make a few remarks and then I'll be happy to take any questions you might have. I'm grateful to Brookings and to the Metropolitan Planning Policy Program for doing so much to help shape public debate on transportation investment and reform.

As you know, President Obama stood here Tuesday and delivered a very compelling story. He provided a striking contrast between the economic tailspin we were in 13 months ago and where we find ourselves today, as our economy begins to grow again. The President and his team took a number of aggressive measures to bring our economy back from the brink and put us on the road to recovery.

Only in hindsight, with nearly a year of this crisis under our belts, can we see just how effectively the administration's strategy has been. The American Recovery and Reinvestment Act, in particular, has been one of the best investments we have made in our future. The most sweeping economic reform package in our history has done more to offset the recession, help families in need, and modernize our infrastructure than many people have yet to realize.

Anyone who looks objectively at this program's ongoing economic impact will understand why the President has chosen to extend several parts of the Recovery Act. When you set something in motion that's working for the American people, the responsible thing to do is to refine it and improve it. And we hope Congress will do that. That's why the President has wisely made the decision to ask Congress to boost our investments in good infrastructure projects, as well as expand tax incentives for small business and beef up efforts to promote energy efficiency and green jobs.

The fact is, the Recovery Act is making a real and tangible difference in the lives of struggling Americans right now. The Congressional Budget Office has confirmed that up to 1.6 million jobs have already been created by the Recovery Act. From DOT's perspective, this program has been enormously successful. We've gotten $32 billion out the door to fund 11,000 projects so far. Over 7,100 of these projects are underway.

We're still in the process of obligating over $16 billion of our total stimulus funds. So, next year, as the money keeps rolling out to the states and thousands of new transportation projects will come on line, including major highway projects that will keep a lot of people on the payroll for quite a while.

For example, in New Orleans, major work on the I-10 Causeway will continue through the summer of 2012. And in San Francisco, the CalDOT tunnel, one of the largest recovery-funded road projects in the country will not break ground until January. Target investments like these are exactly what our fragile economy needs now to continue gaining strength. And it's what hard-working Americans like Rea Miolla need to achieve economic security.

Ms. Miolla, a divorced mother of three, living in Maryland, who was barely making ends meet on public assistance while working as a waitress and a bookkeeper. She heard that a construction company with Recovery Act money and a contract to widen a state road in her community was hiring workers. Because she considered herself just a waitress, Ms. Miolla was reluctant to apply, but she did. Today, this former waitress is off public assistance and working full time as a construction inspector. Her income has grown. She's acquired a new set of professional skills she can use for the rest of her career. And she's setting a positive example for her children.

This life-changing opportunity arose during the nation's worst economic crisis since the Great Depression. And we know there are many other good news stories waiting in the wings. I will tell you this, parenthetically, I've traveled to more than 30 states in this country -- I think it's up to about 33 -- and I've been to almost 80 cities. And this story that I just told you, I've talked to many, many people like that all over America because I've visited the projects, I've seen people at work. I've seen people that were on unemployment benefits in January, February, and March of this year that now have worked throughout the entire year and will continue working as a result of the Recovery Act in good paying jobs, rebuilding America's infrastructure.

This is a no-nonsense program that has put American's to work and benefited all Americans by the kind of infrastructure that's being done all around the country. And so, while the President and Congress work on keeping the recovery momentum going, we'll work on funding transportation projects that create jobs and fill factory orders immediately.

At the same time, we're planting the seeds for long-term renewal of our nation's surface transportation policy. In fact, the Recovery Act points the way forward as we prepare for Congressional authorization. I proudly stood alongside President Obama and Vice President Biden in April, when they announced that the Recovery Act would be allocating $8 billion to jumpstart our opportunities in America for high-speed passenger rail. Since then, nearly $60 billion in applications for rail projects have poured in from all corners of the country, unleashing a wave of creativity and excitement about passenger rail service not seen in generations in the United States.

After decades of sitting idly by -- and the story I like to tell is, for any of you who have traveled to Europe or Asia or other places in the world where they have the best passenger rail service and come back to America scratching your heads wondering why don't we have it here? Because we've never made the investments. We have 8 billion times more money at DOT than we've ever had for passenger rail, thanks to the vision of President Obama and Vice President Biden. And we're proud that so many people around the country think enough of this initiative to have submitted so many applications for so much money.

And I recently had a meeting with 100 CEOs and representatives from the rail industry. This was an important meeting. More than 30 of those manufacturing and suppliers, both domestic and foreign, committed to establish or expand their base of operation in the United States if they're chosen by states to build America's next generation of high-speed rail lines.

This is an opportunity to expand our domestic assembly work and reboot full-fledged manufacturing opportunity. The purpose of the meeting was to say to these folks, we have shuttered manufacturing facilities. We have many workers who are welltrained and well-prepared, particularly in manufacturing. And as you look to make investments in America's high-speed passenger rail, we want you to look in hard-hit states like Illinois, and Pennsylvania, and Michigan, and Ohio, and any number of other states. And we believe that as this kind of opportunity presents itself to the states and, as we get the money out to the states, there will be opportunities for shuttered manufacturing facilities and laid off workers to have opportunities to get America into the high-speed rail business.

So, instead of ordering our trains from Europe and Asia, I look forward to the day when they're built right here in the United States by American workers in American plants and we're shipping them abroad. This is a transformational opportunity made possible by the Recovery Act.

And there's still more to come. Early next year, DOT will begin awarding $1.5 billion in TIGER grants. This is the discretionary money that was included in our part of the recovery, $1.5 billion. Like our rail program, the TIGER program has spurred new collaboration and innovation throughout the country. We're received over 1,400 applications for a wide range of transportation projects, large and small, urban and rural.

We've created a brand new multimodal review process for this program involving staff from agencies all across the Department of Transportation. Lots of people are involved in evaluating these applications against desired outcomes: safety, livability, state of good repair, economic competitiveness, and environmental sustainability.

We think the TIGER program, as popular as it is, is also very popular with Congress. And as you see Congress coming out with initiatives, I think you'll see TIGER a big part of that. If this sounds familiar, it's because the TIGER program works to some extent like a National Infrastructure Bank, which I know Brookings has been way out in front on for a long time. And now, people in positions of responsibility and authority -- not only at DOT, but within the administration -- really think the Infrastructure Bank has the kind of legs for opportunities in the future.

We'll keep exploring this concept as we move forward on authorization, along with many of the reforms that Brookings has highlighted in recent years.

To achieve our priorities, we'll pursue more flexible partnerships with states, transportation agencies, and, most importantly, our citizens and the communities they live in. And will continue to break down the stovepipe approach to funding transportation programs, so we're free to invest in good intermodal, multimodal projects.

In closing, I want to mention a dinner I attended a few months ago, celebrating the impressive history of the House Transportation and Infrastructure Committee, of which I was once a member. I was reminded that night of America's extraordinary legacy as a nation of builders, problem solvers, and inventors. Over the course of two centuries, we created an infrastructure from scratch that became the envy of the world. One that promised safe, efficient freedom of movement for our people and our goods. The America we know today simply would not exist without the great railroads, canals built in the 19th century, and the super highways and airports built in the 20th century.

Let's look to the past as we plan for the future. Let's once again become a nation capable of inventing and making the goods we need to succeed. A nation committed to investing in the infrastructure and transportation systems that meet our 21st century needs for clean air, clean water, clean energy, and vibrant, accessible communities. We are committed to working together with all of you, government and industry, management and labor, Republicans and Democrats, and get this country moving and building again. And we look to all of you as our full partners in these opportunities. Thank you very much. (Applause)

SPEAKER: So we have time for a bunch of questions here, and we're going to start here and move around.

SPEAKER: Thank you very much. I'm (inaudible) with the U.S. High-Speed Rail Association. Secretary LaHood, thank you very much. Thank you for hosting us here at the Brookings Institute.

There has been some mention of high-speed rail during the panel and you mentioned it in your presentation. I have two quick questions, one is the status of the awards from the National Rail Administration? They've delayed it twice. I was in a hearing recently and they said that they were going to do it in early 2010, could you give me some specifics on that?

SECRETARY LaHOOD: Yeah, that's accurate. I think, probably, in January we'll be making some announcements.

SPEAKER: Okay. Second question, briefly. Florida recently passed -- just this week -- legislation providing some funding. Are you encouraged by that and --

SECRETARY LaHOOD: Well I'm encouraged by the fact that they took my advice.

SPEAKER: Yeah.

SECRETARY LaHOOD: I went to Orlando and, at the invitation of Congressman Corrine Brown and Congressman John Mica, and also both of the senators, Senator Lemieux and Senator Nelson, and the legislature -- I mean, it was clear that unless they, you know, were really willing to come forward and make the investments at the state level, and they've done that. And so I think we're all encouraged by that.

SPEAKER: Thank you very much and congratulations on your small business seminar a couple weeks ago at your agency. Thank you very much.

SECRETARY LaHOOD: Thank you.

SPEAKER: Other questions? I'm just going to ask Beverly either now, or as we go forward, to talk a bit about some of the immediate issues facing MARTA . So why don't we have Beverly Scott, who was on our panel before, just raise some of this because I want to make sure you hear this. And then we can move something else.

MS. SCOTT: Well, I was just going to thank the Secretary and let him know the latest. Thank you for the $45 that we use to keep MARTA rolling, okay.

SECRETARY LaHOOD: It was more than $45.

MS. SCOTT: Yeah, it was more than -- it was a whole lot.

SECRETARY LAHOOD: You want to put the dollar amount on that?

MS. SCOTT: You know, that was in the M and then there was some other, but Secretary, you will be so happy to know that C is continuing to bare fruits, okay. Because what wound up happening, we had a smaller operator that -- because there was a -- $45 million to me, a $2 million for somebody else is their $45 million. So, anyway, we sat down -- just finished with Region 4 the other day. Great. Your staff were wonderful -- have figured out how to be able to help Clayton County. But the biggest thing that's coming out of this is that Clayton county will be able -- we're going to help them leverage for some stimulus, but they're going to go to their commission to go to the state legislature this time to raise their cap so they can help themselves.

SECRETARY LaHOOD: Great. Good.

MS. SCOTT: So that it's not just a handout piece, it's the -- but you know, transit operating assistance flexibility for all of us is absolutely critical. So it's a MARTA story, but it's a national story.

SECRETARY LaHOOD: Sure.

MS. SCOTT: And if would -- I've heard you talk a little bit about the -- quite a bit about the operating piece, that maybe you would just share with the rest of the folks.

SECRETARY LaHOOD: Sure. Well, I mean, I've said it early on when I was asked about this. You know, Ken -- you know, we support the idea of using some of the money for operating. And the answer is, it's a little bit silly to be giving transit districts money to buy buses if they don't have bus drivers to drive them. Or if they don't have the money to keep the operation of their transit districts going. And so we tried to use a little common sense here and the Congress got it , they put a provision in a bill that allowed for up to 20 percent of the money to be used for operating and you all have done a good job of promoting this, for good reason.

Until ridership is up and until transit districts can begin to sort of see the light at the end of the tunnel financially, we think that the use of some of these funds for operating is absolutely critical to keeping transit districts viable and fiscally in a position to be able to run their districts.

SPEAKER: Another question, right at the back there.

MS. GOODWIN: Thank you, Secretary. Summer Goodwin , D.C. resident. And I've heard you mention several times a commitment to livability in the last few months and I'm wondering, how are you making sure that the new resources that the Department has is furthering that agenda?

SECRETARY LaHOOD: It's one of our top priorities. It's one of our top goals. When we're out speaking -- we were in New Orleans a week or so ago and talked about some money that we're making available for streetcars. That goes to the whole livable communities. When I was in Portland and helped them inaugurate their streetcar program, where they make -- these streetcars are made in America. They're made in Portland, Oregon.

You know, on our way to the event we saw over 100 people riding their bikes to work at 7:30 in the morning. I mean, this is the -- these are the kinds of things that people want to do. So we promote the idea of not only streetcars and light rail, but biking paths, and walking paths, and -- not withstanding the criticism we received yesterday from a Senator about our promotion of bike paths, we're not giving up on this.

Just because Ray LaHood likes bike paths, which I do -- I ride the C&O Canal with my wife on a regular basis on weekends -- it's because this is what the people want. You know, there are people who know that they can live without an automobile because there's good transportation in the communities or there's good walking paths or there's good biking paths. This is what the people in America want and we're promoting it because of that and if you look at the bill that Chairman Overstar's put together, it has a livability program. We like that and we're going to promote that wherever we go. Because it's what the people want.

And, you know, the definition of livability is that you don't have to own two or three cars. You may have to have one, but from time to time you may want to walk, take a light rail, take a streetcar, take a bus, ride your bike. And all of these opportunities are really where America's at today.

SPEAKER: Secretary, you made the connection between the infrastructure grants that the Department is providing and also the industrial economic policies that are going to be associated with it. My question is in example -- for example, the high-speed rail grants, the states are going to be very competitive with one another. Every state is going to want those plants. Is there any way you could establish order through that kind of process, or is that a good thing?

SECRETARY LaHOOD: Well, look at -- competition is what made our country great and continues to make our country great. We should think it's a good thing that there are many states that are going to be vying for this money and we think it's a good thing that the manufacturers are getting with the program here. The last thing we want is for our train sets and our infrastructure for high-speed rail to come from another place in the world.

We have very innovative people. We have very creative people. And we also have a very good workforce, and so the idea that Wisconsin may be competing with Illinois, and Ohio may be competing with Pennsylvania, is a good thing. And that's the way we should look at it. The $8 billion is the start; it's not the finish. It's not the final number. It's the first number; it's the beginning number. And we know that when the Interstate system was signed into law, not all the lines were on the map, but look at the kind of state-of-the-art interstate system we have today. And not all the money was there. Over time -- and Congress gets this. I think when you see the bill, the conference report that will be voted on in Congress -- today in the House, I think, the so-called THUD bill -- they get it. They actually put more money into high speed rail than the President requested.

So, we're on our way. Competition is good as long as it's American workers, American facilities, and built in America.

SPEAKER: Charlotte Howard, from the Economist, who actually moderated our panel.

MS. HOWARD: Hi, Mr. Secretary, I have two questions for you. You mentioned Chairman Overstar's bill and I was just wondering if you'd talk a little bit about the timing of that.

And then, second, the political viability of an Infrastructure Bank -- why on earth, if I'm in Congress, would I want to vest power in this apolitical body? Do you think that's realistic?

SECRETARY LaHOOD: Because Congress knows there's not enough money to do all the things we want to do. There just isn't. The Highway Trust Fund is deficient because people are driving less and driving more fuel-efficient cars. Congress is looking for alternatives to fund all the things we all want to do. And one of the ways to do that is through the Infrastructure Bank, which has worked in some states, where you set aside money and you do big things. And there are a lot of big things that people want to do with infrastructure and in the infrastructure arena.

And one of the ways to do them -- and you all know this that have been involved here at Brookings -- the Infrastructure Bank has caught on. Now most people understand what it is, how it can be used, and it is a good option, coupled with other options, to do the things we want to do in America with infrastructure and transportation.

And so I don't see it as Congress rendering any responsibility or any of their prerogative, I think the majority of Congress looks at it as another option to do the things we want to do in America. And we're pushing -- the President has asked the Congress for an 18-month extension. And it's not that the President doesn't want a robust, comprehensive transportation bill, he does. He gets it. If you saw the economic summit that the President hosted, he came to the transportation and infrastructure panel and sat with us for more than 40 minutes, and listened to people and talked about infrastructure.

President Obama gets it. He knows when you create these opportunities in infrastructure and some of the things we're trying to do, it creates jobs. Green jobs, and other kinds of jobs. So it's not that the President doesn't want a bill, it's trying to find 400- or $500 billion to pay for it. I mean, that's what the House bill would cost and we think 18 months gives us the time to do this. And the idea that we're ignoring infrastructure needs is nonsense. We have 70 percent of $48 billion out the door and obligated on highways and bridges, transit, at airports -- we will soon announce our high-speed rail and our TIGER grants.

So we've had plenty of money, and the states have had plenty of money, and the transit districts have had plenty of money. We know they can use more and that's why the President announced here his initiative to do more. But 18 months gives us the time to work with Congress on a comprehensive robust bill where we can find the money to pay for it. And that's what we're asking Congress to do.

SPEAKER: We've got one or two more questions. One back here -- back here, this gentleman. Raise your hand again, just so we can -- yep, perfect.

MR. KING: Hello, Mr. Secretary.

SECRETARY LaHOOD: Hello.

MR. KING: I'm Arnold King and I live in the D.C. area, Prince George's County, Maryland. I've got a question. I'm working with a lady that brings coffee service to the Washington Metropolitan Airport Authority. What is the state of the airline industry as far as airports are concerned?

SECRETARY LAHOOD: The state of the airline industry is hurting because business travel is down. The airline industry has suffered from the economic downturn. I've met with many of the airline executives, as have people at the White House, and we're working with them to try and be helpful in ways that we can help the industry come back.

The industry will come back when the economy comes back. We were able in the Economic Recovery Plan to spend more than the amount of money that was in there, which was a billion dollars, and that money primarily went to airports to resurface runways and do some other infrastructure. We actually spent $1.1 billion because the bids came in much lower, because there was a pent up demand by contractors to do this work. So we did more than what Congress asked us to do on that. And we know that there are still some infrastructure needs at airports. There's an FAA bill pending in the Senate which has passed the House, which addresses as many of the needs of airports, including the Airport Improvement Program and essential air service, and some of these items that are very important to our airports around the country.

So there's a lot of different things happening with respect to the airline business and also with airports, and we think more improvements are on the way.

SPEAKER: Why don't we do those two and then (inaudible)?

SECRETARY LAHOOD: Okay.

SPEAKER: I'm (inaudible) with the District Department of Transportation. My question has to deal with well, the job creation aspect the Infrastructure Bank and there's been comparisons with the European Infrastructure Bank -- or Development Bank, I should say. What type of considerations are you putting into place for prioritizing what types of investments you're going to be making through that Investment Bank?

SECRETARY LaHOOD: Well, look, we're going to work with Congress on the Infrastructure Bank. We think that there's a pretty good consensus that it ought to go for big things. It ought to go for big projects. Projects that either the federal government or state governments can't afford. But, you know, we haven't finalized any of these things, so if you have any ideas on this, we'd be happy to hear from you -- or anybody here if you have ideas. We know Brookings has studied this and looked at it and we're obviously going to take some of our cues from some of the work that's been done here, but this is going to be a collaborative effort between the think tanks, the Congress, and those of us at DOT. And, really, nothing has been finalized to any great extent. You get the last question.

MS. HANSEN: Hi, Connie Hansen from Planning and Design Department of K.C. Trees . I worked for a time with the Maryland State Highway Administration and while there I saw systemic inflation and padding over the past 5 to 20 years, in the actual construction prices for a lot of the contractors that were led to by various practices and changes in both the bidding and administration process. In the same manner that health care reform discussed meeting from the other end, are there any plans as far as infrastructure and transportation goes to do the same thing to kind of address those inefficiencies and overcharges?

SECRETARY LaHOOD: Well, I'm very proud to say -- and there will be, you know, GAO studies, and the IG will be looking at our portion of the $48 billion and how we've spent it; who's gotten the money. But all of that's very transparent right now. You can go onto Recovery.gov right now and find out where contracts have been awarded, how many jobs have been created, where the money has gone. And I'm proud of that fact that we -- I don't think we've had any missteps. I've not heard of anybody, you know -- somebody's uncle got a contract because they knew somebody else's cousin type of stuff.

And the other thing I'm proud of, too, is we have really worked hard to make sure that there's no bridges to nowhere. Look, we don't want that kind of criticism. This is a lot of money. It's hard earned taxpayer money. We want to make sure it's done correctly. We believe it has been done correctly. We've worked hard with the states and airports, and transit districts, to make sure it's done by the book. No boondoggles, no earmarks, no sweetheart deals. And I think when the reports are out, you know, when the IG does their reports, and the GAO does their reports, I think you're going to find that this money was spent correctly.

SPEAKER: I want to thank the Secretary for coming here today. And let me just try and pull the session back together. I think what we're hearing is a very different vision of infrastructure in the United States. And I think your tenure and, obviously, with the leadership of the President and the Vice President, it's really thinking about infrastructure as the means -- as the vehicle, so to speak, to achieve certain national priorities.

I think, for a long time, infrastructure investment was really thought about only about investment in projects. It was not really thought about as a means to competitiveness or as a means to environmental sustainability or as a means to social inclusion or other critical national priorities. So I think what is being described here, both from the panel -- when we had Congressman Ellison, but also with your remarks -- is a very different vision about how investing in infrastructure in new ways through new vehicles, like an Infrastructure Bank, through competition of the TIGER process, is a way to really achieve major national missions. And, frankly, to keep up with many of the competitor nations, whether in Europe or in Asia.

So I want to thank you for coming. I want to thank everyone for coming here today. Infrastructure is sexy again. Thank you.

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