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P R O C E E D I N G S

MR. O'HANLON: Good morning, everyone.

I'm Mike O'Hanlon here at Brookings, Director of the Opportunity 08 Project that we've had a lot of support from many of you about so far. Melissa Skolfield and Bill Antholis and others here are running the project with me, Ken Duberstein and Tom Donilon, and we've tried to help spark some debate on substantive issues in the political season of 2008.

What better way to do it than with a speech today by Secretary Mary Peters of the Department of Transportation. We're delighted to have her here. After she speaks, she'll take some questions and then we'll have a panel discussion thereafter on issues in transportation and infrastructure and the broader American economy.

I just want to say a few words of welcome to Secretary Peters, and again we are absolutely thrilled to have her here. She has been the Secretary of Transportation now for almost two years. She had a distinguished career in the State of Arizona, working there in the Department of Transportation for about 15 years, prior to working to working in a previous position in the Bush Administration on the Federal Highway System.

She is noted for a number of priorities and ideas and initiatives focused largely on new uses of technology in transportation, on public-private partnerships and, not least, on safety. In that regard, I was just the told the story of how, as an avid motorcyclist, she is a personal proponent of the value of helmets. As a person who is out there on the Washington, D.C. highways frequently, I am just delighted to have a Secretary of Transportation who is thinking about safety as much as anything else.

Certainly, we could not have asked for a better moment to have transportation issues be the focus of a speech by Secretary Peters here at Brookings. She has certainly been getting her fair share of press, and we hope there will be a lot more, given the importance of the issues. I think today she'll emphasize surface transportation issues but again will happily take questions on many topics thereafter.

So, please join me in welcoming to Brookings, Secretary Mary Peters.

(Applause.)

SEC. PETERS: Mike, thanks so much and good morning, everyone and thank you for being here on this rainy Washington morning where we have a little bit of a challenge with transportation this morning as we have -– it defies logic to me –- we have some commercial vehicle drivers driving around the Capitol and the White House this morning to protest the high cost of fuel all the while burning fuel and pumping pollutants into the air, but I suppose that there's some good reason for that.

I want to congratulate you, Mike, and Brookings on Opportunity 08, this program, and especially for organizing this session on transportation.

I have some prepared remarks, and I'll go through those, but I think the conversation that we're having today on transportation policy is particularly relevant because the confluence of several factors. I want to talk about that, but most of all I want to engage in a little discussion with you as time allows. So I will go through my remarks, and then we'll open it up for questions, as Mike said, and take a few.

As we talk about the confluence of factors, the first are the obvious political implications. If transportation isn't high on the agenda of various candidates for public office this year, it absolutely should be and, in fact, in many, many cases it is. A look at public opinion polls confirms that transportation issues are our top concern for people in virtually every part of our country.

A Harris poll taken last year found that one in three Americans surveyed found that traffic congestion was a serious problem in their community and that rises from one to two in the West, much more even so in the West.

Now, locally, in Washington, D.C., a *Post* poll taken last fall, 33 percent of Virginian voters statewide and 52 percent of those in Northern Virginia ranked transportation issues including traffic, roads and transit as the number one or number two issue that is facing the state.

A more recent this month of Bay Area residents found transportation was a close second only to the economy, 22 percent to 18 percent, as the biggest problem in the region.

The fact is that our transportation systems in America today are simply not performing as well as they should. The American people recognize that, and they know that it's a problem. Exploding traffic congestion, unsustainable gas taxes, and spending decisions that are based on political influence as opposed to merit are eroding the confidence in government and threatening our mobility, our economy and our quality of life.

You know some say that we just simply need to raise the gas tax, and everything will be fine. I would suggest to you not only is that not true, but if the American people were clamoring for a gas tax increase, we would have had one by now. We would absolutely have had a gas tax increase since 1993, but we have not, which I think is a reflection of a lack of investor confidence, a lack of consumer confidence in what we're doing today, and I think they're right.

The second issue is reversing the transportation policy failures that cause Americans to spend 4.2 billion hours a year stuck in traffic and the far-reaching consequences that that has. We can reduce our dependence on foreign oil by clearing traffic congestion that wastes 3 billion of gasoline a year. You heard me right. We can reduce our dependence on that oil.

We can cut greenhouse gas emissions and help the environment by getting idling vehicles moving again on our city streets and on our nation's highways.

We can promote economic vitality by eliminating the $72 billion drain on our economy that results when workers can't get to their jobs and when inefficient transportation systems make American goods less competitive in the global marketplace.

And, we can support family values by relieving the stress that comes from unpredictable commutes by allowing Americans to spend more time with their families and in their communities and less time stuck in traffic.

Finally, there's an opportunity, I think a unique opportunity, before us today. Our next President will most certainly sign into a law a new surface transportation bill. If we, together, can get the policy right, that bill has the potential to be as far reaching as the interstate highway system was when President Eisenhower envisioned it in 1956. We have a way to revolutionize the American economy and the American way of life.

Now, let me be clear. If we just content ourselves with figuring out the funding formula, how to divvy up among the states who gets what and what's left over at the set-asides and the earmarks, we will have failed, and we will have failed this country tremendously. We're operating a system today that's very efficient at giving out money -- so efficient, in fact, that the balance in the highway account of the Highway Trust Fund will probably run into a shortfall before year's end -– and it's wildly inefficient at delivering results, results that improve commutes and reduce congestion.

We simply can no longer, as a nation, afford to congratulate ourselves for spending record amounts of money on infrastructure but not asking whether or not that money, the public's money is being spent wisely and well, if it is being spent on the best projects, those that most warrant investment. The time has come for us to move beyond the superficial discussions of how much money we're going to spend and start talking about a policy, a policy foundation that fits our current circumstances.

It's something that I call, as I have discussions with my colleagues at the U.S. Department of Transportation 21st Century solutions. It's an issue that we have an opportunity to face head-on and do something about transportation than we have done for the last 50 years and find solutions that are responsive to today's challenges and today's circumstances.

What I want to do in my talk today is to lay out a few principles that I believe should define the federal role in surface transportation as we move forward. These aren't Republican ideas. These are not Democratic principles. They're just simply, I believe, good public policy principles that are designed to promote accountability and to deliver results, results that the American people want and the American people deserve.

Now these principles should hold true not just for our transportation programs but for other government programs as well and, in fact, not just for surface transportation programs but for other transportation programs as well. But, as Mike said, I'm going to focus on surface transportation today, recognizing there are linkages to the other modes.

The federal surface transportation program needs to be refocused on the areas of greater federal interest. That was the intent when President Eisenhower envisioned the interstate program back in the mid-1950s, a unique federal responsibility to build the interstate highway system and funding that would be collected that would support that based on a fuel tax that was increased incrementally over time to equate to the cost of completing the system.

Now that program was over 50 years ago. Today, we have a program that tries to be all things to all people all the time and, in fact, at the end of the day, it's risking being nothing to anyone.

The interstate program was created 50 years ago, well defined, as I said, and well suited to its time. The goal was very clear, a very, very clear federal goal, build the interstate highway system and connect the country, and we did. This country completed that system.

But since that mission was accomplished more than a quarter of a century ago, our federal surface transportation programs, I would argue, have lost their sense of direction. What these programs have become is a breeding ground for earmarks and burdened by a proliferation of special interest programs, goals and requirements.

You know when I began working first in this field in the Arizona Department of Transportation in the mid-1980s, we only dealt with a handful of such programs. Today, states navigate more than 108 different programs administered by 5 different agencies within the Department of Transportation. It simply belies coherent policy to have all of these programs and all of these reporting relationships and all of these modal silos.

In fact, the Government Accountability Office issued a report last month, condemning this maze of programs and noting their numerous and their conflicting goals, their ineffectiveness at addressing transportation challenges and their stovepiped approach which can impede effective planning and project selection. In fact, our programs today, our federal surface transportation programs, are far more focused on process than they are on performance.

The time has come that I would argue to eliminate the earmarks and the set-asides and to refocus our programmatic structure and the funding that follows primarily on three different areas that I think are of greatest federal interest. First, transportation safety, Mike mentioned it and I want to talk more about that in just a few minutes, but safety. The second is the interstate highway system and other nationally significant corridors, and they really do need to be nationally significant. And, finally, mobility in our metropolitan areas –- 3 as opposed to 108.

Now we have taken ownership of safety at the department, and we have made measurable progress together with the American people in reducing traffic fatalities, but we still, regrettably, have over 42,000 deaths on our roads every year which is clearly saying to us that we have unfinished business. Using a data-driven approach, we are focusing and must continue to focus on stubborn issues, issues that put drivers, passengers and pedestrians at risk including the highest priority areas based on what the data tells us: crashes involving drunk drivers, motorcyclists, work zones and rural road safety. If we focus on those four areas very clearly with programs, I believe we can cut that 42,000 deaths substantially, but it is very important that we focus on those areas.

Now the federal government should similarly take ownership of improving and maintaining the condition and the performance of our interstate highway system and other major corridors. When I say major corridors, let me qualify that a little bit.

Back when I was with the Arizona Department of Transportation, the National Highway System came about. This was the successor, if you will, to the Interstate Highway System. Each of us was asked in our various states to identify those routes that were most important to the nation in terms of the National Highway System. So, in Arizona, we dutifully set about that, always mindful that the more of those roads we had on our program, the more money we would stand a chance to get back to Arizona.

I want to particularly mention a little road called the road to Holly Lake. Now Holly Lake Road was on the National Highway System according to the planners at Arizona DOT. That road, conservatively, carried about 20,000 vehicles a year to a fishing hole that was a dead end. It made no sense at all to include that road, but yet there was must discussion about doing that.

So, whenever I think about the National Highway System and all the routes that are on it, when I say other significant federal corridors, I don’t mean roads like the road to Holly Lake.

Roughly, a quarter of all highway miles traveled in the U.S. today take place on our Interstate Highway System, and these roads are vital to interstate commerce. They are vital to global trade and our ability as a nation to compete in the global marketplace. We must keep them in good condition but as importantly, perhaps I would argue even more importantly, we must keep them operating at peak efficiency.

Finally, the massive congestion problem in our urban areas, this problem demands immediate and strong federal focus. As was reported by a 2007 Brookings study, America’s top 100 large congested areas, metropolitan areas rather, are key drivers of prosperity. They are key drivers of generating three-quarters of the U.S. domestic product, but growing gridlock threatens to stall this economic engine in our major metropolitan areas.

We need to use federal dollars to encourage state and local officials to pursue more effective and sustainable congestion relief strategies. There are technologies and there are models that can provide almost immediate relief if we are willing to use them, if we are willing to have the political courage to try them. For example, Cliff Winston, right here at Brookings, has estimated that using congestion pricing in the largest 98 metropolitan areas alone would generate approximately $120 billion a year in revenues -- $120 billion a year, Cliff estimates.

Cliff, right now, and you recognize this only too well, the last 6-year surface transportation program was $284.6 billion. So, keep in mind that if we were to use congestion pricing in the largest 98 metropolitan areas alone, we could generate well in excess of that, $120 billion a year. But, as importantly as generating that revenue, we would simultaneously solve the recurring congestion problems in those areas.

We have seen, through urban partnership agreements that the department was able to negotiate last year, how a relatively small amount of federal money can serve as an important catalyst for strategies to fight congestion using an innovative combination of technology, pricing and transit. We are also seeing that effective integration of public transportation and highway investment strategies is central to the success in fighting urban congestion.

In fact, just last Friday, I was in Los Angeles with Mayor Villaraigosa and Governor Schwarzenegger to announce a new congestion relief project in that area. The L.A. plan features dynamically-priced HOT lanes that will deliver faster commutes, cleaner air and better transit in our nation's most congested city.

So, here's the plan, a bold plan: Dynamically-priced HOT lanes generating faster commutes, cleaning the air and solving transit issues in our nation's most congested city. It isn't rocket science. This is something that we can do and we can do very quickly in America.

In addition to refocusing our programs, we ought to make sure that the federal government is making rational and accountable investment decisions. We can strengthen the basis of our investment decisions by insisting on benefit-cost analysis for projects that receive sustained federal funds. Now we can improve the accountability by having states and having metropolitan areas set meaningful performance goals and then documenting their progress in reaching those goals.

We don't do that today. We're all about process. We're not about performance. We should ask benefit-cost analysis, performance goals and charting progress toward meeting those goals as an exchange for federal dollars.

Flexibility must also go hand in hand with performance management. We can increase state and municipal flexibility and allow those areas to fund their greatest transportation priorities by consolidating the dozens of stovepiped highway and transit programs today into multimodal programs.

One of the areas I found most frustrating as a State DOT Secretary, you had to spend the money with the color of the money that it was. If it was highway money, if it was transit money, whatever it was, you had to spend it where the money came from, in that specific program with some flexibility, some ability to flex. But I always thought that we should have money that was fungible and could be used on whatever our highest goals in terms of our transportation issues, not determined by Washington and these stovepiped and earmarked programs.

It's much the same thing that we as a Nation did with welfare reform in the 1990s, and it's time now for transportation reform. Just like, as we as a Nation agreed back then, that simply throwing more money at welfare programs was not going to solve the issue, throwing more gas tax dollars at transportation programs is not going to solve the issue either.

In fact, it's very similar to education. Some people think we're just not spending enough money while others, and I think many of you in this room agree, we're not spending in the right ways today. First, we have to satisfy ourselves and the American people who are paying these taxes that we're spending the money that we're collecting today in the right ways before we dare go back and ask the public for any more money.

We have to encourage innovation, not stifle innovation. We have to be encouraging and promote processes that will attract private sector investment, not be hostile to it. Process requirements that are not producing outcomes are simply not worth keeping, and we must move the federal focus away from this process oversight and, instead, demand accountability and demand results.

We need to define success in terms of increased travel time reliability, decreased delay hours and improved condition of our bridges and our pavement in the United States today.

Finally, federal transportation dollars should be used to incentivize, to leverage new investment by the states, the localities and the private sector. Too often today, federal dollars diminish other investments instead of encouraging more. We've heard testimony from GAO and others about this substitution effect that as federal revenues go up, oftentimes state and local revenues go down proportionately.

If we shape our programs right, every dollar we spend can bring three to four additional dollars to the table, dollars to from the private sector, dollars from other public areas. Here, in the United States, we are only just beginning to tap into the $400 billion in private sector capital that is available for infrastructure today, $400 billion, again dwarfing the last 6-

year federal surface transportation program.

There are several proven strategies that are available to us to encourage this type of leveraging including removing federal restrictions by preventing tolling of interstate highways and other major highways and encouraging and expanding the use of public-private partnerships. We can expand investment by broadening the availability of the Transportation Infrastructure Financing Innovation Act or TIFIA, credit assistance as well as private activity bonds. We can also do so by allowing jurisdictions greater flexibility to create and use state infrastructure banks.

The role of the federal government in transportation should not simply be to hand out the cash and all of the process requirements. The role of the federal government in surface transportation must, instead, be to encourage new investment, to stimulate new innovation and to produce real results for the American people.

Just imagine where we would be today if the $286.4 billion in SAFETEA-LU were leverage 3 or 4-fold and those funds had been targeted to goals that are moving goods faster and making our transportation network safer. There is no question that our Interstate Highway System and our bridges would be in even better condition than they are and that congestion would be decreasing in our cities rather than increasing in our cities.

There are few things that affect Americans more on a daily basis than does congestion, few things that are as important to our nation's economic vitality as the efficiency and performance of our transportation network.

Our next President has the unique opportunity to put our transportation network back in the fast lane by creating coherent federal goals, encouraging wise investment strategies and delivering a higher level of performance for the American people, but it is very important that that discussion start now. If we wait until after the election and we wait until calendar year 2009 when the new President takes office and if we wait until almost time for the expiration of the current act, we won't be as successful as if we start this important dialogue and start it now -- start agreeing on principles that are important for the next surface transportation authorization, rather than waiting for the end of that period and only then teeing up that discussion.

I would suggest to you that we cannot afford to squander this opportunity. We have the opportunity. I think it is probably an opportunity that we will only ever have in a half-century, to set these programs right, to set these programs forward looking for America's transportation challenges in the 21st Century. We need to take this opportunity.

Let me close with a story that my father used to tell me when I a young girl about opportunity. He said, you need to prepare yourself as you go through life to grab the gold ring. What he meant by that is a merry-go-round in our local town would go around and had one of those sleeves that you would grab a ring every time you came around. If you got the gold ring or the brass ring, you got a free ride on the next merry-go-round. We didn't always get that ring.

Well today, folks, the gold ring, the brass ring is in the chute. It is ours for the grabbing, and we dare not pass up this opportunity to set our nation's surface transportation programs right.

Thank you all so much and, Mike, with you moderating, I'd be pleased to take questions. Thank you.

(Applause.)

MR. O'HANLON: Thank you very much, Secretary Peters.

We'll take questions from the audience in just a second. I am going to just ask one if I could, a little bit of clarification on the congestion pricing which I know we may hear about from Cliff and others in the panel as well. To me, as a generalist, it sounds like a very big idea, especially to hear a cabinet official proposing it's a $100 billion a year idea.

SEC. PETERS: Yes.

MR. O'HANLON: It would presumably involve doing, in Washington, what London has done but other American cities haven't yet been able to for one reason or another. Is this really a viable concept in American politics? At least that's question one.

Then question two: What would it look like in a city like

Washington? Would you just have more toll roads or would you essentially have to pay a fee whenever you came in on one of the major avenues into central Washington?

SEC. PETERS: Mike, it may be a little bit more difficult because of the various jurisdictions here in the Washington area to do a cordoned pricing scheme very similar to what London has done and Stockholm and Singapore, although I wouldn't rule that out entirely.

I think more accurately what could happen here and what could happen in other areas is major commuter corridors coming into the city such as has been proposed on the Beltway, on the new express lanes on the Beltway and on 395, where you would be able to use these express lanes, perhaps in many cases formerly or newly built High Occupancy Vehicle lanes but priced dynamically by time of day to keep the traffic flowing and allowing those of us who are single occupant drivers or smaller car pools to buy into the use of those lanes by paying a fee.

Again, the fee changes dynamically through technology that is on overhead road gantries. There are no toll booths. There is no stopping. To pay, you simply mount a transponder, like you do the E-ZPass, on that corridor and pay by time of day.

Why that would work is important, and I know Cliff will expand on that a little bit later.

But the latest household travel survey tells us a couple of things about who’s out there driving during peak periods of time. We can’t call them rush hours anymore because they’re not just a rush hour in the morning and an hour in the evening. They’re extended periods of the day. In fact, when I go out to go somewhere during midday here in the D.C. area, I wonder who these people are out, driving around in the middle of the day and don’t they have jobs to go to. Increasingly, you have extended periods of day.

But who’s using the roadways during those peak periods is an interesting phenomenon. Only about half of them are commuting to work and back. Twenty percent of them are retired, according to our surveys.

That tells me that if we price the use of those lanes or those roadways dynamically based on the level of congestion and, frankly, the impact that one is putting on those roadways, we can substantially reduce congestion and get those roadways running at speeds, variable speeds in the neighborhood of 45 miles an hour, predictably, consistently, so that you don’t have to add that buffer time to your commute every day.

MR. O'HANLON: Thank you. That’s a huge help.

Ma’am, please. Please identify yourself if you wouldn’t mind.

QUESTIONER: Thank you. I’m Peggy Orchowski and I’m with the Hispanic Outlook. I’m the congressional reporter.

Last week, President Bush met with the presidents of Canada and Mexico and in their meetings prior to this, they have talked about a super highway, super corridor going from Mexico up to Canada. I think going through the Midwest, kind of parallel to the Mississippi or something. I'm wondering if the Transportation Department has had some input into any plans for that.

Similarly with the controversy, on ending controversy about Mexican trucks coming in beyond I think it's a 20-mile limit, if the Transportation Department has had a policy as far as verifying their safety mechanisms.

SEC. PETERS: Peggy, I'd be happy to answer those questions.

First of all, while Mexico and Canada are among our largest trading partners and I believe, and the data support that, that NAFTA has been very good for our countries, our three countries respectively, there is no plan for a NAFTA super highway to run from Mexico through the United States up into Canada. As I tell people, I would know. I'm convinced that I would know if there were such a plan, and there is not such a plan.

There are corridors, major trade corridors. They run north-south and do connect Mexico to parts of the United States and Canada, but there is no NAFTA super highway. There is no plan underway to give away our sovereignty and become a North American Union in spite of rumors to the contrary and several talk show hosts who get their ratings up by talking about those issues.

The second issue is about the trucking pilot program that allows for the first time ever, importantly, U.S. trucks to drive into Mexico and allows a limited number of Mexican trucks to come into the United States as well under a demonstration or pilot program. That program is ongoing and has been since last September.

Yes, indeed, there are very strict requirements in terms of safety requirements, driver safety, recordkeeping, vehicle inspections, a whole host of issues to ensure that those trucks that come into the continental United States beyond the free trade zone are safe. In fact, the data indicate that they're even safer yet than the American commercial driving fleet. Of course, Mexico has some of the same requirements for our trucks that are, again, for the first time ever going into Mexico.

But, thank you. Good questions.

MR. O'HANLON: In the back, please, sir.

QUESTIONER: Cha Chen (ph), freelance correspondent.

Madam Secretary, I have two questions. The first is this: When would the metropolitan cities' performance gold start?

SEC. PETERS: I'm sorry, sir. I didn't catch your first question. Do you mind repeating it?

QUESTIONER: Madam, you talked about gold for metropolitan cities, the gold ring.

SEC. PETERS: I'm sorry.

MR. O'HANLON: We're not hearing you very well up here.

QUESTIONER: The gold ring.

SEC. PETERS: Oh, the gold ring.

QUESTIONER: Yes.

SEC. PETERS: Okay, got it.

QUESTIONER: The second is this: In order to empower states, maybe we should pattern the income tax and so give the states some money for the gasoline tax. Maybe we have some split, for example, two to three for the state and the federal.

Thank you.

SEC. PETERS: Thank you.

Well, let me talk about the gold ring first. What I met by that, and perhaps didn't communicate as clearly as I should, is we have a gold ring opportunity before us today for several reasons. One, the highway account, the Highway Trust Fund is running out of money and will likely go into deficit spending. Congestion is at its worst ever in the United States today and only predicted to grow worse if we don't do something about it. Americans are no longer willing to pay an unresponsive, unsustainable, unpopular gas tax, or certainly not to increase that gas tax.

That is the gold ring opportunity that we have before us, to substantially change that system and move it forward in the future to something that is more user responsive and more market-based. Let me use that as a transition into the second part of your question.

I believe that the fees we pay for using our nation's transportation infrastructure should as closely as possible be related to the use of that system. That's why I would be concerned about income taxes or other taxes that are not necessarily related to the use of the system in providing the funding because the more market-based we are and the more we have those fees correlate to the use of the system, the better we're going to be about collecting the appropriate amount of revenues to meet the needs of those systems.

Thank you.

MR. O'HANLON: Yes, sir, in the back, in the middle.

QUESTIONER: Tim Heitmann, Horn and Associates.

What's your opinion of the legislation proposed by Senators Dodd and Hagel for the creation of a national infrastructure bank?

SEC. PETERS: I think that good ideas are out there, and I certainly have talked to at least Senator Hagel recently and plan to talk to Senator Dodd. I also talked to Senators Wyden and Thune as well about their project.

Here's where I see a problem with that. One, it increases indebtedness, in the case of the Wyden-Thune, at least the debt of the United States to be repaid and bonded, of course, with container fees. So I think they do have some ideas that it would pay those fees back. But again, it removes from the user of the system, payment of the system and it doesn't take advantage of the many, many opportunities that there are out there today to bring private sector investment to the table to fund transportation.

So I think that they're ideas that are worth talking about, worth exploring, but my preference would be not to have significant indebtedness, to take advantage of the private sector investment opportunity that is out there today and, again, as closely as possible correlate funding or expenditures for the use of a system from the actual use of that system.

MR. O'HANLON: Yes, ma'am.

QUESTIONER: Good morning. Sylvia Brown, Seyfert Siskel National Partnership (ph).

I wanted to ask a question about the metropolitan mobility and U.S. DOT's role of land use, i.e., smart growth to enhance the use of alternative transportation modes like walking and bicycling and transit while also enabling value-added goals like congestion reduction and greenhouse gas emissions.

SEC. PETERS: Sylvia, good question. I think the many goals that you talked about, whether it's land use planning, whether it's various modes of transportation including walking and bicycling, and also correlating the goals that you would want to achieve in an area such as better environmental goals, less air pollution, things like that are very appropriate to consider as what the performance outcomes should be from investments in transportation.

I do think that the federal government should never, never, ever get involved in land use planning. I think that those are strictly state and local decisions and should be decided in that way. The way the federal government could help with this metropolitan mobility program, Sylvia, would be to incentivize the type of investment and the type of goal-setting for these attributes that communities would want to achieve.

Thank you.

MR. O'HANLON: Please, over here.

QUESTIONER: I have sort of two related questions, I guess. One is that the State of Virginia believes that one of its highest priorities is to build a connection via rail line to Tysons Corner and Dulles Airport and that that would generate substantial private investment and a lot of the things that you mentioned as far as magnifying the investment of dollars. Yet, recently, the Department of Transportation determined that this was not a good idea for reasons. At least the stated reasons had nothing to do with whether it was or wasn't cost efficient but rather thing that maybe were actually about process. I'm curious what you think about that.

Then related, you mentioned that outside of the metropolitan areas, your highest priority was improving the Interstate Highway System. I'm curious if you think that there's any role for intercity rail transit of any kind as well in enabling mobility between cities.

SEC. PETERS: Sure. Let me answer the first question that has to do with the rail project that's proposed initially to go to Tysons Corner and then subsequently in a second phase out to Dulles Airport. In fact, the department raised significant concerns about the viability of that project from a statutory criterion basis in late January and relayed those concerns both to the State of Virginia as well as to the Virginia congressional delegation and WMATA and the Metropolitan Washington Airport Authority. In fact, we have not made a final decision on that project and are continuing discussions about that particular project and whether or not it merits funding as a full funding grant agreement from federal transit funds.

An important thing to remember about the allocation of those funds is they actually are, in some ways, along the lines of what I've suggested needs to happen for highway funds which is to help invest funds in the most meritorious projects and the most cost-effective projects. But, again, no final decision has been made on that particular project yet. There are still ongoing discussions.

As to the second issue, when we look at the performance of the Interstate Highway System, are there ways that other modes of transportation could relieve traffic? Absolutely. That is one of the concerns I have with the modal silos that we have today is that we have to spend highway money on highways, again, with some exceptions and flexing, transit money on transit, aviation money, et cetera.

Let me give you an example of the Northeast Corridor. For example, between here and the Boston-New York City area, significant congestion on the highways, a significant amount of commercial vehicle traffic, and there is also a passenger rail link along those lines as well as aviation connections.

I think as we make passenger rail more effective and more timely, and that is very important, on-time performance, more and more people would be willing to use the rail lines instead of traveling by air or by highways along those major corridors. I think, again, there's an opportunity to incentivize investment in other modes and pull some of the passenger loading or cargo loading off into other modes of transportation. It is not unique to that corridor.

In fact, it's one of the reasons why we, in addition to our urban partnership program that we carried out a competition for last year, also held a competition for what we call Corridors of the Future. We have selected six major trade and transportation corridors in the United States today with some incentive money to try to, again, find ways to solve congestion and move people and products more efficiently along those major corridors. The I-95 Corridor is among those.

So, good question and a lot of the reason why we need to be flexible with funding.

MR. O'HANLON: Sir, here, please.

QUESTIONER: I'm Bruce Fisher, former Deputy County Executive of Erie County which is Buffalo, New York, taking a break and writing a book about policy challenges for declining Great Lakes urban regions.

As the chief operating officer of a big county, I can tell you that we were stuck for at least my eight years there in dealing with infrastructure and planning decisions that had been made by the federal government and by the state government in an area, in a region that stretches from Albany to Chicago, where there is declining population but increasing sprawl.

I would suggest that nothing that I've been hearing from any administration so far or any of the candidates so far really addresses this peculiar but very broad regional challenge of transportation infrastructure that is then overbuilt on a sprawl pattern that is very expensive to maintain but that really doesn't seem to serve the economic future of the broad region.

I hoped that we could all have a discussion about this. I know it's a very limited time today, but it is a big challenge that stretches for hundreds of miles with a pattern of land use that has been incentivized by the federal government at the expense of regional economic vitality.

SEC. PETERS: Well, Bruce, while I can't speak particularly to the development in the Buffalo and into the Great Lakes area, specifically, I can tell you that I think it is representative of some of the problems that we've had with federal governments making decisions about how and where money can be spent as opposed to letting state and local government officials, and particularly within a region, make decisions about how that money can best meet the transportation challenges and achieve the goals, goals like Sylvia talked about earlier today, earlier in the session, achieving those goals.

I think the very wrong place for making all those decisions is on a federal government level. More of those decisions need to be made on state and local government levels and in keeping with whatever their plans for growth and vitality are into the future.

I will tell you from my experience in Arizona, when local governments received federal funds, the hassle factor was so high that they almost were not useful to them in terms of having to meet all the process requirements and everything associated with using federal funds. We actually defined a program and had it adopted by state statute where we swapped out, gave them instead state highway funds or state transportation funds, and we would use the federal government funds at the state level instead, thereby allowing local government officials a lot more flexibility for their growth plans.

We do need to as a nation and regions need to also realize that we need to have trade and commerce move as efficiently as possible, as I said earlier, if we are going to be competitive as a nation. But beyond that, I believe that there should be a lot of autonomy for local officials to make these decisions, and the federal government should incentivize getting transportation solutions in place.

MR. O'HANLON: Tony?

QUESTIONER: I'm Tony Downs, with the Brookings Institution.

If the American people are opposed to raising the gas tax, what makes you think they will be willing to pay tolls on roads that they now travel on free, particularly in those corridors where you could not add additional lanes to make those sort of HOT lanes, but you would have to put tolls on all the existing lanes since there is no room for additional? It seems to me that the politics of that aren't very promising.

SEC. PETERS: Well, Tony, first of all, thank you for engaging in the discussion on these issues over the years. Your books, *Stuck in Traffic* and *Still Stuck in Traffic*, I think, is representative of some of the challenges that we deal with in America today.

Here's why I think that Americans might be more willing to pay fees or tolls than they are to pay an increase in gas tax. Today, Americans across the nation collect through their state governments an 18.4 cent federal gas tax which is collected and then remitted to Washington. Then Congress, through an allocation process and a healthy dose of earmarking and special programs, and administrations ultimately come up with, in most cases, a six-year highway bill.

Americans who are paying those taxes today don't see the relevance of what they're paying in any improvements that they're seeing on their system. Now I think that's why Americans are not willing to pay more national gas taxes because they fear that they will go into this black hole and come out to build museums and lighthouses and other things like that that really bear no resemblance to what their transportation challenges are today.

In fact, more and more polls, and I'd be happy to share these polls with you, tell us that if Americans are faced with the prospect of either paying more gas taxes or paying fees or tolls locally to see transportation improvements locally that have been identified and they know what they're buying, they are much more willing to invest in those types of investment decisions.

Also, and especially with variable pricing, many people -- and I talked about 50 percent of the people who are out using roadways today during peak periods of time -- have some discretion, one would argue, to move their trip outside of the peak periods. So they might pay no toll or a very reduced toll, whereas if they chose to drive during a peak period of time, of course, they would pay more tolls to do that.

So it gives people some options. In many cases, there are free options, not tolled or not priced roadways nearby, but they take a little longer in some cases.

Newt Gingrich told me that I should quit calling it a congestion fee and start calling it a convenience fee. I think he's right because Americans will pay for convenience. They will not pay to send their money to Washington and not know whether or how they're going to get any of it back.

MR. O'HANLON: Yes, sir.

QUESTIONER: Scott Dennis, Congressional Budget Office.

Just as a follow-up to that question on congestion, many of the larger congestion pricing systems right now, like London and the Port Authority of New York, have requirements that the money that is gained from congestion tolls be spent to improve alternative transportation methods. Would you envision that as a requirement of the federal involvement in these projects to make it more politically palatable?

SEC. PETERS: I think it's a great question. In fact, several of the proposals that we've been looking at, most recently the congestion pricing plan in New York City which ultimately was not authorized by the state general assembly and we're in the process of reallocating that money today, but many of those plans do take that investment and turn it through what has come to be known as the virtuous cycle.

So you're using congestion pricing to reduce congestion to improve air quality and to generate funds for transportation investment that can then be plowed into transit improvements, more park and ride lots, things like that, that make it easier for people to use public transportation and incentivize people to make their trips, if they have to make them via automobile or truck, outside of a peak period of time.

Many of us live here in Washington. How many of you have observed the phenomenon here in Washington in August? Traffic is appreciably better in August, appreciably, amazingly better. The fact is there is probably only about a 5 percent reduction in actual traffic but enough to make the roads run significantly better. Then reality hits us square between the eyes the Tuesday after Labor Day when everybody comes back, and it's back to gridlock again.

That's what pricing can do. It prices a modest number of people off a roadway and into alternative means and get us actually, according to studies done in California, 40 percent greater throughput for the same roadway configuration. That's amazing.

Without building, to someone's question earlier, without building more roadways, you can get 40 percent greater throughput from the roads you have today if they are priced appropriately.

MR. O'HANLON: Yes, sir.

QUESTIONER: Josh Voorhees with Greenwire.

My question is with these express lanes. Do you see them as the final step or are they a stepping stone to full cordoned pricing which seems as though the public is little less likely to embrace, at least early on?

SEC. PETERS: Josh, I think they're a stepping stone. Because of several attributes with these so-called express lanes, people have a choice. They can use them or they cannot use them or they can use alternative routes, and it also gets people acclimated to paying a fee for use of a section of roadway at a peak period of time.

Again, back to something that we do here in the D.C. area, if I use the transit system, the metro system during peak periods, I pay more for my trip than I do during off peak and, if I have discretion, I can adjust my trip to that. So it gets people acclimated to it.

I believe that eventually here in America we will go to a vehicle miles traveled form of pricing. Some sections will be congestion pricing or convenience pricing, I should say, convenience priced for the time of day that you're using them. Others may be a flat fee, particularly in rural areas. But I see us moving away from the gas tax at some future point, probably almost entirely. In the near term, it's a transitional strategy.

Let me take the opportunity, if I may, at your question to talk about why not a gas tax. I talked about the fact that Americans are less trusting of the gas tax, less trusting that it will be invested in a way that makes a positive difference in the way they use the transportation solution.

But we also have a very heavy dependence on foreign oil here in the United States today, that we as a nation have agreed that we want to move away from. One of the very important ways we can do that is getting more mileage, more efficiency from the vehicles that we use today. Hence, a rule that I announced just last week to increase substantially, by 40 percent, the fuel efficiency of our cars here in America.

There are ancillary benefits to that as well, and one is the environmental improvements. We as a nation, I think, have made a decision or are making a decision to move away from fossil-based fuel and the internal combustion engine to preferably alternative fuels, renewable fuels or different modes of transportation.

So, for us to continue a gas tax, we perpetuate a system that depends on that gas tax today to fund it, and yet it is contrary to our environmental goals. It is contrary to our energy goals. It's contrary to our security goals. For all of those reasons, we need to move away from the gas tax.

Thank you.