

**NATIONAL SURFACE TRANSPORTATION POLICY
& REVENUE STUDY COMMISSION**

ATLANTA FIELD HEARING

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P R O C E E D I N G S

8:15 a.m.

COMMISSIONER SCHENENDORF: I'd like to welcome you to this hearing of the National Surface Transportation Policy and Revenue Study Commission. It is a pleasure for us to be here in Atlanta. Atlanta is one of the nine locations around the country that we will be going to have hearings on our surface transportation system and what needs to be done over the next fifty years.

Let me start by thanking our hosts the Atlanta Regional Commission, the Georgia Department of Transportation, the Georgia Regional Transportation Authority, the Metropolitan Atlanta Rapid Transit Authority and the State Road and Tollway Authority for hosting this event today. If it weren't for the generosity of organizations like this we would not have been able to go around the country and hear from the regional perspectives and the different kinds of experts we're going to hear from today. So we very, very much appreciate their willingness to host this event.

I would like to introduce the Commissioners. I'm Jack Schenendorf. I'm with the firm Covington and Burling. I'm from Washington D.C., but more importantly I spent twenty-five years on Capitol Hill for the House of Transportation Infrastructure Committee working on transportation legislation. But we also have today joining us -- we're very honored to have the Deputy Secretary Maria Cino who is in my experience one of the best public servants that this country has had. In the transportation area she has been absolutely impeccable. She will be stepping down from this position shortly. I believe in March; is that correct?

COMMISSIONER CINO: Yes, sir.

COMMISSIONER SCHENENDORF: So this is one of her last official acts, but she will be staying on the Commission and we're very, very fortunate to have her and very appreciative of her service.

We also have Commissioner Rick Geddes who is a professor at Cornell University. He is one of our commissioners. Commissioner Pat Quinn

who is the president and CEO of the U.S. Express Trucking Company. He is also a commissioner. He is under the weather but hopes to make it here later today. And we have Commissioner Steve Odland who will be joining us momentarily. He is the president and CEO of Office Depot one of the great users of our national transportation system.

Again, we want to thank you for being here. The challenges for transportation are enormous. Our population has grown from 130 million people in 1955 to 295 million today and is anticipated to grow another 140 million people in the next fifty years for 435 million. In 1955 we had 65 million cars and trucks on the road. Today we have 246 million and it's projected we will have 400 million in the next fifty years. Vehicle miles traveled is 600 billion vehicle miles traveled in 1955. Today it's three trillion vehicle miles traveled and some estimates indicate that it could be as high as seven trillion in 2055.

Truck freight is expected to grow by one hundred percent between now and 2035 and rail by

sixty-three percent by 2035. So the needs of transportation are enormous as we look forward and what we have today is a system that is already stretched to its capacity. Much of it is aging and will need to be replaced. Our funding sources have not kept up with these needs and so we have a real clash between the needs for the system and the current system itself and the funding sources that we've had in the past. And this clash is really why Congress created the National Surface Transportation Policy Study Commission.

Our goal is to look at and create a division for what transportation needs to look like over the next fifty years; to look at the various levels of government and the private sector; how are we going to organize these groups and set up a system to allow all of them to collectively address this problem; and then how are we going to finance it; who is going to pay for what we discover will be needed. And that basically is the challenge for the Board of Commissioners.

We've been tasked with looking at all

modes: highways, transit; inner-city freight rails; inner-city passenger rails; inner-city bus transportation. So we have to look at all surface transportation. But we've also been asked to look at the entire timeframe of fifty years but also look at the short-term problems of the Highway trust fund and then come up with a medium range strategy for transitioning from how we do things today and how we're going to do things in the future.

So we have a very, very big task ahead of us and we're very fortunate to have a number of experts who have come to talk to us today. We very much look forward to your testimony. Before we get to the panelists themselves I would like to recognize the Commissioners and anything they would like to say. Madam Secretary.

COMMISSIONER CINO: Jack, I'll make this very brief. First of all, thank you all very much as our host for having us here. It's always a pleasure to get out of Washington D.C. Transportation as you know is the backbone of our economy and Jack has done a great job of I

think laying out really what transportation means for so many of us. But I think even more important is looking at the challenges we have ahead and as I said being in Washington in this case is a good thing to hear from our users what the needs are not only today but what the needs are well into the future.

So, again, I just want to thank you all for coming out early this morning, the panelist for being here and the audience for helping us out. We look forward to hearing from everybody today. Thank you very much.

COMMISSIONER SCHENENDORF: Commissioner Geddes.

COMMISSIONER GEDDES: Thank you very much. I think you've done an excellent job of laying the ground work and I think what a lot of people have heard from you are the problems -- severe problems facing the nation with regard to our surface transportation system going forward. And we're looking forward to your testimony and I just want to underscore how important and valuable this type of testimony is to us.

The Commission is all about gathering

ideas and trying to get a simile of those ideas and perhaps suggest policy on some of those ideas. So we're very open minded to very friendly and open discussions about the best way to proceed so the testimony that you present really does have an impact. And I want to thank you for that as well as for hosting us here. Thanks.

COMMISSIONER SCHENENDORF: Before we get started I would like to acknowledge that we have the FTA administrator, Jim Simpson, here in the back so if you have a transit grant pending. Jim, raise your hand. We're very happy to have him here today as well as the true experts of the transit industry.

Now, what we're going to try to do is we want to have enough time for interaction so we ask that your oral statements be five minutes. There's a time keeper over here who will kind of keep track of that and if you hear this (knocking) it means it's time to wrap things up. So let's start by going down in order that we have here on the agenda here and go with a true pro that we've worked with for many, many years

William Shackelford, our first witness. Thank you.

PANEL ONE - OPTIMIZE THE CURRENT SYSTEM:

WAYNE SHACKELFORD: Thank you very much Mr. Schenendorf. Mr. Schenendorf and Members of the Commission, it's a great source of pride for me today to be here. It's a great source, Mr. Schenendorf, for me to see you in your new responsibilities. What you and your chairmen did with the firewalls return to the Highway Trust Fund in 1995 and the points of order that gave us the aviation bill the next year will long make a difference in America and I salute you, sir.

Mobility is a freedom that has been enjoyed by most Americans and has given us the capacity to compete in the global market and added to our quality of life. Our growth in our population and in vehicles miles traveled is endangering both our global competitiveness and that quality of life. In 1958 two years after passing of the Interstate and Defense Highway System Act creating the Highway Trust Fund metro Atlanta reached a population of one million

people in what was then a five-county region. There are four million people today in the ten-county region and the Atlanta Regional Commission projects that a twenty-county metro area will reach seven million people by 2030.

Current average commute times now exceed 31 minutes each way. This morning in the rain it took me one hour and nineteen minutes to travel twenty-eight miles to this event. But with the projected population of growth and the expected trip generation growth we can reasonably expect that the commute times will double even more quickly than our population. Congestion has grown particularly worse outside I-285. Morning and afternoon peaks are becoming longer in duration and greater in volume. In short our quality of life and our economic competitiveness are suffering. The ability to move people, products and goods through the Atlanta region is costing a great part of our nation, not just those of us who live and work here in the region.

As a nation we need a strategy that shifts a much greater number of our local trips to

transit. A commuter rail; bus rapid transit; MARTA, the Metropolitan Atlanta Rapid Transit Authority; a fledgling rapid express bus system, Cobb Community Transit; Gwinnett Transit; planned Peachtree Street Car; and the beltline all deserve strong commitment from local and state governments and strong support from Secretary Peters and the modal administrators: FDA, FRA, FHWA and NHTSA.

The proposed commuter rail line from Atlanta to Athens called the brain train because it would provide connection to institutions of higher learning in Atlanta, Lawrenceville and Athens could provide an alternative to the car for 28,000 people who travel daily into the Clifton corridor where Emory University, the national headquarters of CDC, the V.A. Medical Center and other medical facilities including Atlanta Child Healthcare are located. Highly congested freeways are several miles away on four sides of this complex and the state highways and local roads that serve the region are totally overwhelmed.

Emory is the third largest employer in our

state. It is the only one that isn't immediately adjacent to an interstate. A commuter rail alternative would provide more reliable service than the road alternative as well as the opportunity for the rider to read, work or sleep and free up critical capacity on those four interstates. It deserves the attention of local and state government and support of the U.S. Department of Transportation.

Our port in Savannah is now the second highest volume container freight port on the East coast and the sixth highest in America. Congestion in the Atlanta region is effecting the ability of a large part of the American population to send and receive goods and products to and from that port. Accurate funds are not available to ensure America global competitiveness and ensure our citizens the quality of life we deserve. A major influence of private capital is essential and new sources of public funds must be found.

Dedicated truck lanes are critically needed if America is to maintain it's global

competitiveness. Use of these lanes must be optional. If we seek to make them mandatory there will be major resistance. Public/private initiatives must be used if such a system is to be built. Tolls will be necessary for their success. Truck only toll lanes would provide a separate roadway for trucks giving them benefits of a predictable travel time through a metropolitan region. Value pricing or time of day pricing should also be used to charge tolls based on the impact to road capacity that truck provides. Managed lanes with both trucks and cars may be needed in some cases to make the project feasible if it's to be done without public funds being used.

In either case the lanes would be separated from the general purpose lanes by a barrier. HOV lanes need to be able to accept paying customers making them HOT lanes, high occupancy toll lanes. They should provide the basis for development and expansion of bus rapid transit for our region. This is critically needed in our Atlanta region.

Intelligent transportation tools will be

critical for the effective operation of HOT and TOT systems. Interoperability should be achieved and U.S. DOT should continue to lead this effort. Such as ITS tools in America's cars and trucks would offer the opportunity to consider time of day and distance travelled as a means of charging for the impact on local and state roads as well as our interstate system as an alternative to the motor fuel tax or as a companion to motor fuel tax. Time of day and distance travelled need the attention of this commission.

Local and state governments must make major capital commitments to transportation funding in our state and in our nation. Special purpose local option sales tax referendum have provided major funds to counties and cities in Georgia to meet a broad list of capital needs including transportation. The Georgia Constitution was amended in 1984 allowing such referendums. In many cases those funds have been used to match state and federal funds advancing projects many years earlier than would have been the case if only state and federal

funds were to be used.

Regional cooperation is needed to assure adequate funds to get regional solutions. Sources being considered at this time by the Georgia Legislature include special purpose optional sales taxes and special purpose optional motor fuel taxes. In either case counties would join together to accomplish regional capital improvement.

In our state the constitution only allows taxing authority by the State, counties and cities. The counties would have to ask their citizens in referendum to tax themselves for reasonable solutions marveling such a case today. In addition legislators are considering a proposed constitutional amendment to allow statewide general purpose sales tax for capital improvements and operational funds for all modes of transportation. The issue of where the operational knowledge would come from down through the years has been critical. This constitutional amendment would provide that answer. America must remain mobile.

Your challenge as a commission is to

provide to Congress evidence of the needs and the tools to assure success in dealing with congestion. I thank you for your service and I thank you for the opportunity to be with you.

COMMISSIONER SCHENENDORF: Thank you very much. I would just note that all of the written testimony that you've given us will be in the record and it has been sent to us in advance so we have had a chance to take a look at it so if you could just more or less summarize in your comments would be good.

Mr. Dallas.

ROBERT F. DALLAS: Yes, sir. Thank you, Commissioners. My name is Bob Dallas. I'm a Governor's rep and director of the Georgia Governor's Office of Highway Safety. I report directly to the Governor and I'm also here as a member of the Executive Board of the Governor's Highway Safety Association. In other words, the fifty-plus governors throughout the country.

Let me just first say one thing that hopefully you all will recognize that we in the highway safety business absolutely believe in mobility. We look at mobility, frankly, as the

ultimate objective, but it's a two-sided coin. It's a coin on one side that says we've got to get the people there but on the other side it says we have to get them there safely. Because we firmly believe that if we don't get them safely we have not met the first objective. And in discussing mobility and highway safety, you know, we are fully aware that gridlock and that discussion irrespective of the needs of transportation is highly related to its advance. Like the weather, everybody is affected by the traffic.

It should come as no surprise to us in Atlanta that we have a serious traffic problem. But I dare say I don't know where you hail from but I do know this: Wherever you are from in this country you have a traffic problem because it's pervasive throughout the United States. But let me just add one thing as we consider spending not only billions, but perhaps trillions of dollars over the next twenty or thirty years to improve mobility: We will never ever in this country fix mobility until we fix safety because safety is broken.

When the United States loses more than 43,000 people a year to crash tests in this country we have not a problem, we have an epidemic that is second to none. You all have heard the presentation by the U.S. Department of Transportations, specifically NHTSA, that talks about all the data, but there is one thing clearly missing from that discussion and that is the discussion of one of the major causes that both Congress and most states fail to address on an effective way and that is speed. This country has a speeding problem. And you can look at the data consistently showing in most every state and throughout the country that in excess of thirty percent of our crash tests involved excessive speed.

And let me just say one thing about those tests and those crash reports that support those tests: They are under reported. Data is rarely ever correctly captured on our crash reports because it's sometimes so hard to ascertain. And in that regard when we look at fixing the speeding problem we say that we have to develop a national agenda. We knew twenty-five years

ago we had a drinking and driving problem, this nation chose to fix it, but it's taken us that long to get where we are today. It took us educating the public and then coming out with enforcement strategies.

We knew twenty-five years ago that we had an occupant protection problem. In other words, that folks had to wear safety belts if we wanted to maintain their safety in that vehicle. But it's taken us a very long time to get to the point of educating the public and then to implement our enforcement strategies.

However, the same is not true of speed. I don't think that this nation understands and recognizes that we have a speeding problem. In fact, most people if you ask them they're going to simply say that speeding, oh, that's just the money generated when you buy a ticket for it. It's just like a parking ticket. Well, that is flat out wrong. It is inconsistent for us as a nation to say that we're going to spend billions of dollars to improve and fix our transportation system when we know that because we're excessively speeding we're burdening the system.

In the Atlanta region we have studies that consistently show half of our congestion is due to incidences on the roadway. If thirty percent of those at least involved excessive speeds then we need to do something about that.

Now, how do we fix it? Well, the first thing we do is we take the time to educate the public about the problem. But secondly, and this is critical, we know that we're going to have to do more than just count on more law enforcement officers out there. You know as well as I do that we will continue to grow in this nation, especially the Atlanta region, both in population and miles ridden, the trips are longer, but we're not going to increase our law enforcement to that same degree. It's just not going to happen. We don't have that kind of money. The only way we're going to effectively achieve our results is to start considering electronic enforcement strategies.

We know for sure that in Europe when they did that their crash rates went down significantly. In fact, they did not go down until they did it. And that's what I'm

suggesting to this panel. That when you start considering the strategies and start realizing that you don't have enough money to get the transportation infrastructure expanded as the growth would suggest you have to consider safety.

And let me just sum up and mention one other item when it comes to where other funding sources should come from and that's Homeland Security. We know that our nation has a strong desire to maintain the security of it, but you know what Homeland Security is not recognizing that a key component of our safety is that lonely traffic officer out there who knows the streets and sees the people around there. And in that regard that officer ought to be considered as a tool for Homeland Security.

This coin I showed you this, it's not your average coin. On the front side it has the logo of our office, on the back side it has the names of the fallen officers from 2005 in the state of Georgia. There are ten. Sixty percent of them, six out of those ten, died due to traffic incidences involving enforcing our traffic

safety to make our roads safer. You know what, that's the exact same number that exists throughout this nation.

So ask yourself this question: If we choose to deal with safety without considering electronic enforcement what are we really saying? Cops go out there, stand in front of a car and get killed. That kills more cops than anything else. And so what I'm asking of you as a Commission is to make it clear to Congress that we have to consider safety as a factor. If we want congestion improvement we've got to slow down and to consider the point properly of electronic systems. Thank you.

COMMISSIONER SCHENENDORF: Thank you very much. I appreciate it.

Mr. Warren.

CHRISTOPHER L. WARREN: Mr. Chairman and members of the Commission, it's a pleasure to be here today. I bring you greetings from the Florida Secretary of Transportation, Stephanie Copoloosis (phonetic), and my boss, Mr. James Ealy who is the CEO of Florida's turnpike enterprise and the 2007 president of the

International Bridge Terminal and Turnpike Association.

My name is Christopher Warren and I'm the deputy executive director and chief operating officer for Florida's turnpike enterprise. Florida's turnpike is a 460-mile statewide system of toll roads with a 312-mile main line for principle evacuation route in south Florida. Florida faces unique challenges related to mass evacuations especially in south Florida. There are over five-and-a-half million people located at the southern end of our peninsula with only four major roadways leading north for evacuation able to accommodate 18,000 vehicles per hour.

Traffic modeling shows that during a category four or five storm impacting south Florida nearly 200,000 vehicles alone will try to use Florida's turnpike for evacuation. The traffic loading will overwhelm the capacity of the turnpike and it will take a minimum of forty hours to clear the congestion. Florida's turnpike's plan for managing evacuation traffic is based on three principles. The most important is maintaining roadway capacity.

There are many matters associated with congestion and if necessary implementing a detailed contraflow plan. The most important objective in evacuation is to optimize the use of those existing northbound lanes.

As a result we have developed six strategies designed to maximize the flow of traffic northbound. The first is a coordinated toll suspension plan. The toll suspension plan is a comprehensive regional plan to suspend tolls and facilitate voluntary and mandatory evacuation. Strike teams as well are implemented. We've developed a program to bring in strike teams at our service plazas prior to an evacuation to help move people through those service plazas and prevent significant tie-ups on our main line. These strike teams manage our vehicle fuel lines and maintenance of traffic in our service plazas.

Another strategy is our wrecker plan. We have private wrecker crews stationed on the turnpike to aggressively clear roadway incidents to maintain maximum roadway capacity prior to enduring a mass evacuation. Strategy number

four is a stranded motorist assistance plan. We realize there is potential for a large number of stranded motorists to collect on our system. The stranded motorist assistance plan uses the commercial motor coaches to transport stranded customers to safety. Fuel is another critical point in evacuation and the turnpike's fuel plan has three parts: supplying fuel for our customers evacuating; making sure adequate fuel supplies are there for emergency responders and our operations staff; and also supplying fuel for emergency generators.

Another strategy is a coordinated law enforcement plan. Florida Highway Patrol Troop K, dedicated only to the turnpike, provides troopers to maintain safety and order within the service plazas. They also communicate continuously with the traffic management centers to avoid traffic conditions and request assistance. Contraflow, which is using the southbound lanes for northbound traffic, is one strategy that has been tried by other states to deal with mass evacuations. If Florida's turnpike were contraflowed a minimum of eleven

hours could be saved from the current forty hours required to clear Florida's turnpike. Contraflow lanes are not a panacea. They only move an additional 3,000 vehicles per hour. It should be noted that no contraflow has ever been necessary on Florida's turnpike as all evacuation traffic is cleared prior to storm landfall.

But as a result of needing to put together a contraflow plan we've identified several lessons from other states that we have benchmarked. The first is that public education is critical and outreach so that customers will know what to expect should a contraflow exist. Contraflow decisions need to be made at least seventy-two hours in advance of landfall of an event. Unfortunately, the forecast era for hurricanes seventy-two hours in advance of landfall usually covers the entire state of Florida. It is possible that evacuating traffic could be sent to areas where there are not facilities equipped to handle that many people in an extreme event.

Implementation and decisions should be

based on traffic volume and the ability to clear traffic lanes. At no time should political decisions of convenience be used to determine the necessity of contraflow. Law enforcement is the lead agency. Coordination and communication is critical between local agencies. Maximizing the use of intelligent transportation devices is very important. Evacuations and especially contraflow evacuations are not isolated events. They are regional events which require the restriction of activities in the host city or region even if that location is well removed from the area of landfall. These strategies and plans provide a proactive approach by optimizing the use of existing infrastructure resources.

Florida's turnpike's focus is on keeping travel lanes safe and clear and reducing congestion and delays associated with accidents and disabled vehicles prior to the event. Our number one goal is to keep the public safe and provide as much comfort as possible. Thank you.

COMMISSIONER SCHENENDORF: Thank you very much.

Mr. Tibbits.

LARRY E. TIBBITS: Thank you, Mr. Vice Chairman and Commissioners. I appreciate this opportunity to be here this morning. As you certainly all know in the early 1950s the American auto manufacturers lobbied for the creation of the interstate system. The private and public sector worked together to provide the solution to our mobility problems. Law makers in Washington had to buy into the concept and provide funding to make it a reality. Fifty years later we know what kind of impact that decision had on our society.

We're here to talk about the technology of the future so why take us back fifty years? The opportunity to influence the future in such an extraordinary way as our law makers did in 1956 is rare. The technology we're talking about today has that potential. The interstate system is a marvelous thing but it has some unfortunate consequences. Nationwide there are more than 43,000 fatalities annually as we've heard. That's 43,000 families impacted, parents and children, neighbors and co-workers. That's the equivalent of one fully loaded 747 crashing each

and every week. If that were to happen we would shut down aviation in this country until we could fix the problem.

The economic impact is 230 billion dollars a year. Another 63 billion is lost to reduced productivity in wasted fuel due to the forty-seven hours per year each of us spend on average stuck in traffic. I'm here today because I believe that we both have an opportunity and an obligation to act. There is a solution that will save lives, time and money. The same technology that currently surrounds us: our telephones, our cable systems, the Internet system can be used to improve safety and mobility.

Vehicle Infrastructure Integration or VII as it's become known is the key to building cars that won't crash and reducing congestion. Prototypes exist. The crashless car will soon be reality. Making it a reality for your average motorist will take an investment of time and money. VII's success will require research, development and testing.

The Michigan Department of Transportation

has been working with the U.S. DOT along with a number of other states and automobile manufacturers on a test bed in southeast Michigan. Early features include in-vehicle warnings as traffic signals change, navigation systems precise enough to alert a driver when they are in danger of running off the road and a warning if you're approaching a curve too fast. Data collected will also help Departments of Transportation improve the efficiency of the traffic management systems as vehicles report precise travel times, road conditions, air temperature, windshield wiper status, anti-lock brake activations and traction controls activations. We can use this data to better manage our assets and to design our roads with a higher degree of safety.

A preliminary deployment decision will be made in late 2008. If national deployment moves forward the initial impact will include 250,000 key roadside locations across this country and the 17 million new vehicles sold in the United States each year. Eight key issues must be addressed before that decision can be made.

First, we must identify funding for the deployment of roadside infrastructure and for operation and for maintenance. There's a need for seed funding for development and testing of new high-risk, high-reward technologies. We must collectively develop and adopt standards. There is a need to create a national test bed. We must set liability limits for those deploying safety systems as well as privacy standards for data and data use. And we need to look at public/private partnerships for the deployment and operation of a national system.

Recommendations are being practiced by representatives from the state and federal government, telecommunications providers, auto manufacturers, the ACLU and insurance carriers. There are a lot of groups involved, but we need to add one more. Our policy makers in Washington must also embrace VII as it did the interstate system fifty years ago and recognize its potential so funding can be included in the next reauthorization.

VII provides a significant opportunity for us to include safety and mobility and to help

our economy by improving systems for commercial carriers. VII's full promise won't be reached without enabling legislation and funding. The next transportation authorization bill must ensure we don't lose anymore family members or friends on our nation's highways and allow all of us to spend less time in our cars and more time with our families. Thank you very much.

COMMISSIONER SCHENENDORF: Thank you. Our next panelist is David Goode formerly with Norfolk Southern who, just on a personal note, I'd like to say that one of the committees I worked on, the Transportation Infrastructure Committee, had jurisdiction over all transportation except for railroads. And in the mid-1990s that was fixed and we acquired jurisdiction over railroads. And David Goode spent many, many hours teaching us the railroad business and he was one of the most and still is today highly respected CEOs of the railroad I think that this country has ever had. He ran a very first-rate railroad.

Mr. Goode.

DAVID GOODE: Thank you, Chairman, for

those remarks. It was always a lot of fun -- a lot of challenge and not necessarily always fun working with you in those days.

COMMISSIONER CINO: It's still the same.

DAVID GOODE: I'm sure it is. It's not yet nine o'clock or barely nine o'clock and there's already a daunting list of challenges. I guess my message is: I'm from the railroad and I'm here to help you. My written statement included a number of illustrations of ways to make investments that we think are effective in addressing needs. Rather than go over those again let me just quickly give you a few general thoughts that I have on this.

And I guess maybe it is to state the obvious again, but I think a rail is clearly going to be a key link in meeting the challenges that are before you in meeting transportation capacity needs. That's sure necessity but it's also because of fuel efficiency and environmental issues as well as the congestion issues. The advantage is that there is a lot of leverage on the existing investment in rail.

The good news is the rail industry has

made a lot of significant investments over the last few years. Rail today is not the basket case -- It's in much better condition today it was, Jack, when you began to look at it back when you did that. And that's because there have consistently been investments by private enterprises but also by the public investments in track technology and equipment. Today we are moving the freight; however, not always as well as we should and a lot more investment is needed to address bottle necks and connection points.

Technology and a lot of foreseeable equipment needs as well as the poor security and better safety and the significant intermodal investments as we move ahead to cease opportunities in what is becoming a clear business trend. The model is out there showing how effective from a leverage standpoint investment in rail can be. I just offer Hartland/Carter and the CREATE project as another example. There are lots of other public/private investments where you get a lot of leverage in this.

The opportunity you have as a commission,

I think, is to shift policy decisively, to recognize the role that public assistance from rail investments can have in creating leverage to handle transportation needs. And this is after all the change we've relied on almost entirely, not completely, but almost so on private investment because of where we are. And that required a lot of perseverance and a willingness to make investment in hopes of a good rate of return.

But we've now got some solid practical rail structure and there aren't really any weak sisters in the rail industry anymore, but we're not Wall Street darlings either. Capital has to be fought for everyday in the markets and I used to spend a lot time doing that and trying to get the rail recognized as a legitimate place for Wall Street to put their money.

Let me just quickly suggest a few basics that I would offer to you as you formulate the policy in this and the first is kind of a hippocratic rule: Do no harm. U.S. freight railroads are in relatively good economic shape today. Don't mess up the regulatory structure

that has made this possible. I think that is very important. Don't let concerns for safety and security which is as legitimate as it is -- It's important that it not become so prescriptive as to cripple operations and cripple the ability to make investment. Encouraging new safety technology is much better than mandate.

Second, let me suggest that we do need help. Help us out. Recognize that freight railroads are of increasing importance by policies that will encourage investments. There really is a role for tax credits, tax policies. They've worked before and they can do it again. Public/private partnerships are being improved everyday, encourage them. We can talk about the right combination of this, but we do need help.

Third message is: Be fair. Avoid market distorting subsidies to other transportation modes. We all know that that's been out there for a long time. Beware of liberalizing size of weight limits for example without addressing underpayment issues. Don't make the competitive playing field anymore uneven. Maybe we can't

level the playing field overnight, but let's make it better not worse. I'm not talking about handouts here. I would argue that investments in rail can be the best investment you can make because they do build on the system with proven capacity and now a lot of momentum. So, thank you for the opportunity to be here.

COMMISSIONER SCHENENDORF: Thank you very much and thank you to all the panelist today. Now we'll return to questioning and I start by recognizing the Deputy Secretary for any questions that she might have.

COMMISSIONER CINO: I think I have more notes here than questions, but I'll start out with -- I'll start at the end. I'll start with, you, Mr. Goode if I could.

DAVID GOODE: That's the risk of finishing.

COMMISSIONER CINO: That's right. But one of the things that obviously I think we all agree is that the railroad has been a key link in meeting our challenges with regards to what we need to do in the future. And as I was reading through your testimony one of the -- the

examples given were very, very good and I think helped crystallize some of the things for myself, but you talked a little bit now too about encouraging us to -- having us encourage you all to do more public/private partnerships and I was wondering if you could take a couple of minutes just to talk about some specifics and how we could continue to help in this regard.

And I'll tell you quite frankly one of the things that I having lived in western New York for half my life and now Washington, D.C. the other half and I'm not sure where that takes me, but the fact that you were realistic enough to know that the tunnel from West Virginia to Virginia was only for one step. You enlarged it so you're able to increase your capacity, that's a common sense thing, but the ability to afford that is probably something that had to be public/private partnership to get that done. And as we look to the future to try to get capacity increased which is, I think, what we're trying to do certainly with safety first and foremost these public/private partnerships become more important and if you could just

spend a couple of minutes talking about other things that we can do to encourage more people to do that.

DAVID GOODE: Yeah, I think you put your finger on it. In retrospective it looks pretty obvious that what a good idea it was to make the tunnels and make that line available for double stack. But when you look at it that was a line that was built a hundred years ago for another purpose in mind.

COMMISSIONER CINO: For coal.

DAVID GOODE: It was built to move coal. And the key is to realize that the economy will take you places. That the economy will give you opportunities and we need to be alert and seize them. And that's what happened at Hartland. We saw that the markets were moving us in a different direction and we looked and said what assets do we have. Nobody wants to build a new rail line. The asset that railroads have is those lines and right-of-ways that are assembled and there. Those are precious assets that we haven't realized enough -- quickly enough, but now we are of how important it is to have that

assembled right-of-way available. So the thing that public/private partnerships can do is help us address where those assets are; where they can be effectively utilized and then encourage the investments that will make them be used effectively.

And in a day when earmarks are out there as an issue and they're are a lot of questions there really is going to be a need for public policy encouragement to make the kind of targeted investments that helped put the intermodal facilities on that line and major targeted investments that will encourage business but will also meet an important public need. It's very tricky to balance those as you well know.

COMMISSIONER CINO: Right.

DAVID GOODE: But I just think what we can do is encourage everybody to move forward and do that. The same thing is true of moving people. There are rights-of-way out there that can be used and the arguments historically over the conflicts between passengers and freight are there but with investment sometimes those can be

handled. And as Wayne Shackelford knows we did that in Georgia in a small way. And I think the encouragement is that we be bold in recognizing that investments like that can be made.

COMMISSIONER CINO: And I think just as a follow-up would you be encouraging some type of a tax policy to continue to encourage these types of relationships?

DAVID GOODE: Well, as Jack knows I'm an old tax lawyer by trade and I remember the, you know, I remember very well the investment credit and how effective that was. And I remember I even wrote an article in one of the tax journals once about what happened when it was suspended. And if you go back and look tax policy really does drive investment. It really does work and it can be effectively used to drive investment in -- even in public/private partnerships where it can be used. So I think it's an important tool that in recent years we've not been aggressive enough in using to encourage targeted investments in transportation.

COMMISSIONER CINO: Thank you very much. Several of you talked, especially Mr. Warren;

Mr. Dallas; and Mr. Tibbits, about technology and as I was -- I usually read the morning paper in the evening because that's about the time I get to it. So last night I had the luxury of reading the Washington Post at eleven o'clock last night and on the front page of the Washington Post is a very interesting article not just to me, but also would be interesting to you where the governor of Virginia, Governor Kaine, is insisting on a bottom line of I think it's about 123 million dollars with regards to technology and better communications between our cars so that we can in fact avoid some accidents.

And it's something that we're obviously interested in at the Department of Transportation. We've seen this year at the auto shows more technology than we saw last year and we're constantly looking at the testing that's going on. It is very intriguing especially when you look at the reduction in potential of accidents.

But the question comes with regards to funding. And I'm just wondering with regards to -- and I

guess, Larry, I'll throw this to you. In your
testimony I believe it was

requesting up to a hundred percent federal funding and my question is: With regards to that and with all of the other needs do we need to put the burden of advancing technology on the federal government or are there other ways to spread that out?

LARRY E. TIBBITS: If the question is: Is the federal government responsible for --

COMMISSIONER CINO: I was trying to be tactful.

LARRY E. TIBBITS: Yeah.

COMMISSIONER CINO: But yes.

LARRY E. TIBBITS: Well, I think it has -- There again it has to be a public/private partnership. Any gains that we've made so far in ITS in particularly VII has been with all the points from everybody at the table of how to build on manufacturers and telecommunications folks.

COMMISSIONER CINO: Right.

LARRY E. TIBBITS: And the technology is really there and the technology is going to continue to advance. Next year's auto show and

the year after that, there's going to be a lot of wows. I mean, how do they do that? What we have to do is then tie the automobile to communication with our interstate infrastructure and then be able to harness that information to come up with the crashless cars. One car to another, cars to the interstates -- So I don't think the burden is entirely on the federal government.

One thing that concerns us is sustainability. It's very easy to get caught up often times in high tech solutions without a solid plane to maintain these systems over the long run and nation wide. You know, we can't do this in twenty states and be successful. We have to do it across this country. So sustainability is going to be very important not only to Michigan but to all the other states.

I guess the systems typically cost between five and ten percent each year just to maintain and that's a lot on an infrastructure. I don't think the burden is on the federal government but for federal dollars, you know, we certainly appreciate that but I think the common thing

across this table has been safety and mobility. And we have to look for new ways to move people and move them safely. So I think -- I don't think the burden is all on the federal government. I think it's on the states and I think it's going to get done through partnerships.

COMMISSIONER CINO: I agree. And I think, in addition just as a general comment, obviously the technology "gee wow" comes in to a woman who can barely work her GPS system and it's always amazing to me what can be done. And I think one of the fears that I see is that we're seeing the technology certainly advance in the higher-end more luxurious cars, but we still worry at the Department with regards to perhaps some of the more economical cars and the need for figuring out how to finance the technology in those cars. We usually don't want to pay for it. And with the struggling that's going on with our cars, especially our big three, it's a concern that we're trying to deal with at the Department but I appreciate your comments.

ROBERT F. DALLAS: Can I just add to that,

if I could?

COMMISSIONER CINO: Absolutely.

ROBERT F. DALLAS: The short answer to the question of the technology I'm talking about is there is no cost to the federal government. In fact, there's no cost to the state government. And that has to do with deploying electronic systems to catch people with excessive speeds and then having administrative fines or other kinds of fines that would pay for the system. So the short answer is no; however, let me be clear that I don't think we as a nation are ready for that today pervasively.

And the reason that I think that is that the public does not understand the consequences of excessive speed. It's viewed more like a parking ticket if you get a ticketed for speeding in the terms of the public's perspective. Where Congress needs to come in if it does take funding for this is to help develop a national agenda. A long-term strategy that says to the public: Here is what the problem is; here are the consequences of that problem; and here are some strategies that we can deploy

to achieve good results in those areas. And that will take time.

And so what I'm requesting now from a highway safety perspective is that Congress start to set the agenda that speed is a problem; take the funding necessary to help educate the public both with the data advertising through to other technologies that we've had through our highway safety offices and bring the public to the forefront with the discussion so that down the road as we start developing some of these technological advances in excessive speed and deploying them effectively, and by that I mean where it's needed by crash data, not just because you want to raise revenues, but where the crash data says we've got to do something. Then, I think we can achieve our objective of helping to substantially reduce the crashes in this country. And it's just ironic to me that that's how Europe got to have a crash test. It was better than us before, but it was never like that until they did that.

COMMISSIONER CINO: And, as you know, as you stated in your earlier testimony Washington,

D.C. does in fact have cameras and I ask this:
Does Atlanta or the state of Georgia have
cameras?

ROBERT F. DALLAS: We have red light
cameras. In fact, there's legislation that I
testified before yesterday to remove or in other
words repeal red light cameras and the ability
to have those. Because some are raising, you
know, important issues, but, you know, as to
whether there's privacy issues --

COMMISSIONER CINO: Privacy, yeah.

ROBERT F. DALLAS: -- constitutional
issues. So it has to be done right. But the
fundamental question is -- Everyone of them
said, oh, this is just a money generator. Well,
you know, the reality is we're saving lives when
we have electronic systems out there because
every officer can't be at every intersection and
every stretch of roadway to frankly help control
high, excessive speed. And so what we're trying
to suggest is a fair way to, first, educate the
public and then consider alternatives to deal
with the excessive speed and it is self-paying.

COMMISSIONER CINO: And it's in your state

legislature.

ROBERT F. DALLAS: That issue is in the legislature so hopefully through my efforts it will not be repealed, but nevertheless --

COMMISSIONER CINO: We repealed it in Virginia.

ROBERT F. DALLAS: It was and the study came out from the Department of Highway Safety and discussed that and it showed in that study that they were effective in reducing both crashes, severe injuries and deaths.

COMMISSIONER CINO: And wait until you see what the state legislature does with regards to that in Virginia.

ROBERT F. DALLAS: They reflect very well, I think, the public sentiment so we need to get the public on board. I'm very much in favor of educating the public because once you educate the public about the right things to do with respect to this then most folks will accept it. You know, we had teen driving issues that we talk about excessively. It's acceptable to the extent that we're not focusing in on the simple causes of those. Excessive speed, for example,

or a teen will fail to wear a seat belt while others say, oh, if we just had education, yet the data doesn't support that.

COMMISSIONER CINO: Thank you very much. I will turn it over and reserve for maybe another question or two.

COMMISSIONER SCHENENDORF: Sure.
Commissioner Geddes.

COMMISSIONER GEDDES: Thanks. Why don't we pick up with this conversation with Mr. Dallas on this issue. So you seem to emphasizing the role of providing information to the public about this type of thing. Is that where you see the major effort should be placed or is there a role for working with the manufacturers more to form sort of a barrier or perhaps they are already aware of the benefits of this type technology. I'm just thinking the historical example of seat belt adoption in the United States.

ROBERT F. DALLAS: Yeah. I think you can experience both the safety belt adoption as well as this type of technology. When those interests first came out the public didn't know

about it or, you know, it used to be, you know, let's get one for the road when it comes to drinking. And what happened is the -- NHTSA did, I think, a great job over a period of time of educating folks out there that, look, when we drink too much and drive people lose their lives; when we fail to wear our safety belt people lost their lives.

And so what I was getting at is if a similar type educational process occurred at the national level. Will it take the partnership of the manufacturer's? Absolutely. Now, you know, I know the manufacturers produce significantly better cars and you know what's interesting about that, think about it. When you and I grew up in the 60s learning how to drive when we were driving sixty miles an hour or sixty-five miles an hour you knew it. Your car shook a little bit, you had wind noise that made it noisy so you knew that you were going fast.

I could buy the least expensive car in this country and it would be quieter, feel more secure to that roadway than anything that occurred in the 60s. Our horsepower have

increased almost -- at least double if not closer to triple versus those cars. And so when we get into that vehicle we are basically lulled into believing that our speeds don't matter. So I could be going eighty miles an hour or ninety miles an hour and yet I don't feel it. I don't get the road feedback because the cars are so well engineered.

And the manufacturers have done a great job in improving safety; however, the public needs to constantly have that reinforcement that the consequences of that speed are huge. You know as well as I do that for every ten miles an hour you go up in speed that you exponentially almost double the outcomes of the crash because it works that way. And so to that end of it we've got to develop systems on the educational side and then follow up with some electronic systems that help remind the public about that.

COMMISSIONER GEDDES: Okay. I'm also thinking about the adoption of the air bags by the manufacturers. It's my understanding that there's a demand side to that. Most of the customers are starting to demand cars more and

more with air bags in them. So to what degree do we rely on market forces to enhance the adoption of this type of smart technology in cars as well?

ROBERT F. DALLAS: Well, I think that remember when the air bags came out it was -- it came out actually a little bit faster than the public adopted it. First of all, some people are earlier adopters and then others say, well, gee, you know, you read about those instances where people died from the way the an air bag deployed, you know, especially involving kids and we had to change some of our dynamics with respect, for example, to infant car seats. We had to re-educate the public about that so that we brought it back into the public that air bags do save lives. And as a matter of fact I think it'd done a great job with responding to not only front air bags but side-curtain air bags as part of their deployment system.

They're responding to a public demand for safety in that arena. I don't believe today the public fully understands that speed is a causal factor for so many of our crash tests in severe

injuries. And a cost that we end up having to pay not only with our healthcare system, lost productivity, but having to build out more roads because we don't -- at least half of our congestion that we talk about can be attributed to incidences and it's ironic -- I'll say this: It's almost like the zen theory of roadways, if you slow down a little bit, you'll get to work faster.

COMMISSIONER GEDDES: Many on the Commission agree with that statement. There's a number of people who are quite committed safety, safety issues and speeds that were brought up here as well. One thing you mentioned six officers, earlier, who died in roadside crashes and one thing that has been discussed is some sort of pull-over law for any vehicle that's disabled, a truck perhaps on the side of the road, and that might help to save some of these officers who were killed in the line of duty that way.

ROBERT F. DALLAS: We have that law in Georgia. It's been in effect since 2003 -- July of 2003 is when it went into effect. And has

been very helpful in the sense of law enforce as well as other emergency responders at a crash scene feel a little bit more secure. One of the difficult aspects of that is educating the public about that nuance of the law to move over or slow down if you can't move over. But it's important and NHTSA and the Federal Highway DOT have in place programs out there with which to do that and we're fully supportive of that. In fact, one of our office deputy directors has attended those meetings stating how we experience the advantage of the move-over law, but when we put those into place we have to do a better job of educating the public about that law and funding for that.

So, for example, as I'll give you the case of Georgia, we put that law in place, but we didn't have the funding to educate the public and that funding is expensive. Atlanta, for example, is the ninth largest media market. We did an experiment with steer it to clear it where we spent \$150,000 to try and educate the Atlanta market about that law. We did a survey before and a survey after. After spending the

\$150,000 we had zero difference in the people's knowledge of it. Now, when we spend a million dollars, and we've tested this on other issues, people understand. And that's really one of the hard parts about dealing with some of nuances of the law is do we have enough funding to educate the public.

The goal here has always from our perspective driver behavior. To improve it, to make it more consistent, predictable and in this incidence as my discussion suggests just slow down some.

COMMISSIONER GEDDES: Let me -- If I may?

COMMISSIONER SCHENENDORF: Oh, sure.

COMMISSIONER GEDDES: Let me follow up on that. Because you've emphasized the interaction of speed and safety.

ROBERT F. DALLAS: Yes, sir.

COMMISSIONER GEDDES: And I know you tied that in with Mr. Shackelford and the others have brought up the issue of tolling. One of the things we know about tolling is that we can affect speed through tolling so I'm just wondering if you could let me hear your thoughts

on the interaction of tolling and safety.

ROBERT F. DALLAS: If the coin had a center that would it. And that is that they come together there because we're looking at nothing but great ideas to develop toll systems whether it's HOT lanes or TOT lanes. There's different things that are out there as options, PPI. All that stuff is great. Every one of them though will likely require some system of pass card in the vehicle like what the turnpike does in Florida with the Sunshine pass. Well, those devices certainly have the potential to serve as ways to determine whether that driver is going an excessive speed and you put in other systems to determine that.

But I find it ironic if we don't deal with speeds on those lanes and the consequences occur they're not going to be fast lanes anymore. What I mean by that is: people won't be able to go the speed limit. And so I think that as we consider deploying our total systems that hand in hand with that we've got to make sure that we deploy effective speed mediation systems. And, I'm sorry, law enforcement is very expensive.

When you put an officer out there you're going to get a few folks and you can develop strategies for that and we do. We work well with them on that, but we don't have enough of them to go around to effectively ensure that we're driving the speed limits that the systems are set up for. But they go hand in hand with respect to the tolling and speed. You've got to maintain good on both.

COMMISSIONER GEDDES: Okay. Thanks. Let me just try one more and then we'll move on. So some of this technology requires transponders or beacons by the side of the road as well as inside the car is my understanding so there's infrastructure issues. So there's not strictly a private adoption issue by the manufacturers.

ROBERT F. DALLAS: Right.

COMMISSIONER GEDDES: There's an issue of adoption of the technology and the infrastructure on our highways as well.

ROBERT F. DALLAS: That's right.

COMMISSIONER GEDDES: So that brings in what you might call a coordination problem between state and federal and presumably local

authorities as well as perhaps the manufacturers. I mean, so it seems to me there might be some role to be played by perhaps us in assisting that coordination; is that accurate?

ROBERT F. DALLAS: I think one hundred percent accurate because my observation has been that if the manufacturers are not on board with the developers of highways and they're not on board with the legislators and are not on board with the U.S. Department of Transportation speaking the line you're not going to get public acceptance both for the implementation of the devices as well as the costs of the devices. And that's why I think it's key. My view has always been if you develop a good infrastructure as it relates to the folks that are advocating for something then you'll be able to get to the infrastructure of the systems that will improve safety. So I agree with you a hundred percent.

COMMISSIONER GEDDES: Okay. Thank you.

Mr. Shackelford.

WAYNE SHACKELFORD: Interoperability is critical if tolling systems are going to work. The federal government must play the key role in

achieving interoperability. They don't necessarily have to pay for it, but they've got to see that it happens because it's the only way that it can work. When a unit moves across our nation freight or car there must be interoperability. One system, not the same system, but interoperability so that you can achieve the use of ITS technology.

COMMISSIONER GEDDES: So given that you brought it up is that standards?

WAYNE SHACKELFORD: A standard --

COMMISSIONER GEDDES: I mean, is there a distinction between interoperability and standards or are we talking about the same?

WAYNE SHACKELFORD: You're going to have both. The impact of the U.S. DOT must be felt to achieve standards and interoperability and technology and operation.

COMMISSIONER GEDDES: Thanks.

LARRY E. TIBBITS: Can I add to that just a little bit, please concerning the roadside units and the vehicle and we're talking about the infrastructure. Similar to camera enforcement, camera enforcement to be successful

can never, ever, ever be about revenue. It always has to be totally safety and anybody that goes down the path of revenue runs into failure. And it's essentially the same way as we deploy VII across this country that there is a huge amounts of data that come off of an automobile. Each automobile has 250 sensors that you can tap into, most of which are of great interest of the automobile manufacturers. But on the privacy side very little of that information is needed by, you know, the federal or state governments. And for this to be successful the data and the identity of the driver or the owner of the vehicle can never ever be in the information that the federal or state government should have or be concerned about.

What we're concerned about is fewer traffic and how fast are they going; where is the automobile; you know, what is windshield wiper status when compared to ambient temperature of the pavement. You know, are we looking at a freezing condition; do we have to deploy water maintenance operations. So all kinds of possibilities, but again of all the

data necessary it has to be scrubbed and cleaned and make sure that it's never a privacy issue for an individual driving the automobile and where they are and what they're doing or how fast they're going. We need to know how fast the vehicles are going, where congestion is building and where remedial action needs to take place.

Also, on interoperability there are a number of industry groups working together along with the tolling agencies across the nation that are working with the VII consortium to work towards that ultimate goal of interoperability and using the same protocol so those efforts are underway nationwide now.

COMMISSIONER GEDDES: Thanks. Mr. Tibbits, to follow up in your eight key issues that you brought up toward the end of your presentation you mentioned a couple of things of interest. One, is the role of public/private partnerships and you're talking about that now so maybe if you could expand upon that a little bit.

LARRY E. TIBBITS: I don't think we exactly know what it looks like when we get to

the end zone, but clearly the automobile manufacturers -- we need to have standards. So everybody would have to have, you know, the same communication system and that would be on the roadside across the country. But to go beyond that each manufacturer is going to have to find their own customer niche of what kinds of information will be useful to them as well as telecommunications.

In mapping if you will, they were taught to have a navigation system and for nine dollars a month anywhere in the U.S. I can program this to take me exactly to wherever my destination is by turns and, you know, those are the kinds of revenue streams that need to be developed, you know, by the private sector so that they can see the benefit of it and the assistance. And the road side units have to be of benefit to the manufacturers in order to collect automobile diagnostic information.

The one automobile manufacturer that has a system where you can call in they have saved millions and millions of dollars by just looking at the diagnostics of the automobiles and

recording the calls and they've adjusted some manufacturing and quality control and those kinds of things and if we can provide that to all the automobile manufacturers where all of their vehicles can be dialed on as far as the diagnostics of the operating systems there's where the benefit will be.

COMMISSIONER GEDDES: Another point you brought up was about liability and if I recall correctly they may have had security limits involved and other liability limits and I was wondering if you could talk a little bit about how you envision that working and what the evidence is from the past on that facilitated innovation which I assume is the policy goal to facilitate the innovation and to get people to take the risks.

LARRY E. TIBBITS: Yeah. You know, certainly the first time a state DOT or some other urban jurisdiction would have set up a situation where under a traffic signal control box they're responsible to maintain a device that makes sure that any approaching automobile is well aware of the sequence of the phases of

the signal to avoid crashes. The first time that a lawsuit is successfully litigated about an accident that may happen for some failure -- I mean, one thing about this technology it really has to be ninety-nine percent reliable, but it's electronics and it can fail and so there has to be protection for that local agency where if they do show that they're doing a reasonable job in maintaining their end of the infrastructure and an accident happens that they have a buffer to litigation.

COMMISSIONER GEDDES: Okay. Chairman.

COMMISSIONER SCHENENDORF: Commissioner Odland.

COMMISSIONER ODLAND: Mr. Warren, Florida is a -- being a resident of Florida I've witnessed it but it's a bit of a test case in a number of cases, but what I'd like to focus on is this unique situation that you have with two corridors and they are roughly parallel and not very far apart, one that is toll and one that isn't toll. Much has been talked about in this commission and in testimony in prior field hearings about tolling and the role of tolling

and the importance of it for suggestive pricing and the importance of it for future building and so forth, but it would be interesting and constructive to hear from you about what happens when you have two parallel roadways together, 95 which runs north/south and you've got a turnpike which runs north/south and the turnpike is toll and 95 is not. What do you see as a difference in the usage just -- and I'm looking -- This is a broader question, you know, across everything from the turnpike to 95 who uses one versus another, when do they use it, how does it get used, how does the congestion flow between the two freight versus passenger? Just help us with the analytics of what's going on there.

CHRISTOPHER L. WARREN: Most of our studies show that a freight will use the route that is the least distance between two points. The tolling doesn't necessarily play a considerable factor. We have done studies in the past in order to try and attract truck traffic off of I-95 and actually have lowered the tolling rates for the major trucks and saw no appreciable deviation whatsoever between the two

routes.

Who uses it is a matter of convenience usually. We see a significant more capacity or usage on I-95 mainly because the system is bigger as far as the typical cross section. There are more lanes on I-95 than there are on Florida's turnpike and it becomes capacity driven. We are nearing a point where we are reaching capacity on the turnpike but the ultimate goal is to try and draw as much traffic off 95 by having a capacity of advantage being able to accommodate more vehicles. But we see I-95 is more congested mainly because it runs through more of the -- if you can guess -- it runs through more of the population center. There are more people located closer to the coast than they are out on the western sides of Miami-Dade, Broward and Palm Beach counties. But you usually find that the road services, the traffic that is most convenient to use that facility.

COMMISSIONER ODLAND: That's an interesting observation. In some cases those two highways are a hundred yards apart and in

some cases it's a few miles, but what you're saying is that -- you didn't say it was based on price; you didn't say freight was going for the least cost per mile; you basically said people are indifferent to cost. You didn't say this, I'm paraphrasing, but tell me if I'm right. Are you saying that it's indifferent to cost, it's most supply and closeness to where they're going?

CHRISTOPHER L. WARREN: You're talking where it's next to each other up in Martin and St. Lucie counties and there is a difference there. There is a more capacity advantage on the turnpike north of Palm Beach than there is on I-95 and usually you find that in order to avoid the delay of switching from one system that it is true if they're headed toward Orlando more than likely they're on the turnpike. If they're headed to Jacksonville then more than likely they're on I-95 because of the split that occurs at Fort Pierce in taking the traffic in. So it's based mainly on overbidding. However, when the capacity is exceeded it then can become price dependant. If you have a value pricing

scenario in place you can manage the congestion based on the pricing of the system itself.

DAVID GOODE: And I can't help but note sitting in that that that discussion is not included but is something that I would certainly look at now that I'm spending more time at my place in Key West and driving more of those roads. I mean, there are a couple of assets running down the middle of the state parallel to those highways, they're called rail lines. And, you know, as you look at things like the I-81 study which we're more directly involved in and the Hartland/Carter for the movement of intermodal freight I just would be remiss in my rail capacity if I didn't point out that in studying those relationships I would certainly study the possibilities of the private partnerships for the development of intermodal freight on that line.

Florida has always been a hard thing for intermodal freight because everything goes in and nothing comes out. And so there are economic issues that have enabled the development, but when you're looking at it from

a broad public policy what better example of -- ask yourself are we fully utilizing all those assets. I don't know the answer to that.

COMMISSIONER ODLAND: So you don't take the rail to your house in Key West? You're driving? You're not taking rail?

DAVID GOODE: Unfortunately, we never rebuilt Mr. Flagler's railroad.

COMMISSIONER SCHENENDORF: I have a couple of questions. First for Mr. Goode, I think you're absolutely correct that the railroads are in a much, much better financial health than they have been in the past. And they're earning significant revenues which they are putting back into the system which is very, very important. But there are some shippers who are saying rates are too high and are basically saying to some degree a re-regulation of the rail industry is in order to bring those rates down.

But my question is: If you were able to keep the revenue base up where it is today and you got the investment tax credit my understanding is that the investment that that would allow you to make is still not sufficient

to keep your market share of the traffic as you go forward and look at the increased freight projections. And then there are many people who say, well, actually they're going to have a higher percentage here if they take trucks off the highways. Where is that additional investment going to come from if we're really going to try to expand rails market share and the additional revenue over and above the current revenue base and the investment tax for the commuters? Where is it going to come from?

DAVID GOODE: Well, I think that what we've seen in the -- and I'm acutely aware there's been some criticism of pricing recently, but what we've seen in the last few years is a real change in the relationships as the demand for rail has accelerated very rapidly that's given the industry an opportunity that it didn't have in the first thirty-five years that I was there to test what the pricing is. And what you see going on now is there has been some significant increases in rail rates and I think we're testing what the market is.

Over time you have to -- the market will

tell you what the right price is because it is -
- it really is a competitive business. I know
there are examples of single-serve industries
and all that going on, but on the whole the --
most of the business really is truck competitive
and it's competitive in very complicated ways
that are difficult to analyze. But the markets
will tell you that and I think that what you're
seeing is that you're getting more rail
investment now because there is a better
profitability and a better value.

But I think what we really need having
said that I also agree with you that there's
that -- the amounts of money that are going to
be spent in the next few years are going to
require us to look at all of the opportunities
and that's why I say we're going to need to look
at tax policy; we're going to need to look at
targeted investments through public/private
policies and the partnerships of direct
investments. But I think the market as rails
proves its ability will allow more investment
capital to move into it. I think it's just --
we're going to have to walk through -- The way

we're going to have to walk through that is going to get involved really to be more aggressive in addressing a truer combination of tax policy and direct investment.

COMMISSIONER SCHENENDORF: The next question is for really all of you. As I mentioned at the outset the nation is facing a severe crisis with our transportation infrastructure and there are two basic opponents of it. One, is maintaining the system. We're not currently investing a sufficient amount of taxes to maintain our existing system. The interstate is basically needing construction over the next twenty, thirty, forty years. A good example is the Woodrow Wilson Bridge in Washington, D.C., a very important piece of the I-95 corridor, cost 14 million dollars to build in the 60s and the replacement cost was 2.4 billion dollars. And those kinds of costs are going to be required throughout the country for these key facilities.

In addition to that we've all talked about the increase in population and the increase in freight and the need for additional capacity to

our system over the next twenty or thirty or forty years in a significant way and you have all brought us ways to optimize the system with very, very good ideas but with all things that also cost money to implement by and large.

So the question I have is one of as we do our work here being experts in the area I'd like to look at the role of the federal government and the resources that it brings to bear to help solve these problems over the next fifty years. If we're going to have the kind of transportation system we would all want do you sense that the federal government's resources that it brings to the table are really something that could go down over time or is it about right where it is today or the federal government is going to actually have to bring more resources to the table to help solve these problems?

DAVID GOODE: We've been underinvested for years.

COMMISSIONER SCHENENDORF: Let's start with Mr. Shackelford.

WAYNE SHACKELFORD: Well, I think one

simple thing we could do as a federal strategy is focus more attention on grade separations for the railroads. If state departments of transportation had more funding to greatly separate road crossings for the railroads we would do a great deal to increase their ability -- the railroad's ability to move people and product more effectively and more efficiently and more safely.

COMMISSIONER SCHENENDORF: But over all do you think that the overall level of federal investment is --

WAYNE SHACKELFORD: It's got to stay as high as it is now. It's desperate that it stay that high. It needs to be increased, but I do think that state and local governments are going to have to do more than we've done in the past and we're moving in that direction in our state.

COMMISSIONER SCHENENDORF: I think we all agree everybody is going to have to do more state and local practice, but I am trying to get a handle on the federal role. Mr. Dallas --

WAYNE SHACKELFORD: You desperately need more federal funding. I don't know whether it's

going to come from motor fuel tax or whether we're going to finance it through other sources.

ROBERT F. DALLAS: We've seen with SAFETEA-LU more funding for safety than before, but what's important to recognize is that it's a fund that's given to highway safety officers and those involved in that. It needs to be very flexible. The state paying for mandates for scenarios that are not data supported are really not wise uses of dollars.

As far as the issue that I brought up with respect to speed it will take more money than currently provided to institute down through the state offices. But let me just say this about what we do. We talk about behavior. Unlike some where you could spend 2.3 billion dollars and you don't see it afterwards the goal of behavior is always a long-term strategy and it needs to be maintained in order to ensure the public does drive better. And the strategies are varied between the states, but from my perspective if the states were to get from the federal government more about the discussion of speed, educate the public so that the public

understands. I'm a firm believer again that the public is driving this vehicle and we respond well when they respond well. And this is a lead I think the feds can take: Spend some more money on speed and you're going to get more capacity, you won't have to spend as much money on the other things.

COMMISSIONER SCHENENDORF: Mr. Warren.

CHRISTOPHER L. WARREN: That's a tough question to ask. We've seen in Florida the percentage of federal funding actually fall now twenty-five percent of our (inaudible) on a yearly basis so the funding source -- Well, and I think for the first time we're starting to see also in Florida declines in gas tax revenue into our state transportation trust fund. The model is going to definitely need to change in the next reauthorization and I think that's critical. One of the things that seems to bother me most as I think of this argument is that I think the root cause of the problem is that the American public truly doesn't understand the true costs of transportation in this country. And until the public wakes up and

understands that the direct investment benefits that are critical to transportation -- In Florida we see that for every dollar we invest in transportation it returns \$5.50 to the state's economy, that it is the true backbone of remaining competitive in this country.

So, you know, we have seen the importance of federal funding in the state of Florida. We're a donor state and that hurts us as well too. So, you know, I really see over time that if the level remains constant for the federal government investment it's going to become a diminishing source of revenue as it already is.

COMMISSIONER SCHENENDORF: But to meet the needs out there to do the reconstruction and maintenance, the additional capacity, all of the other things that Florida is going to have to do over time can that be done with the federal government's role diminishing or does there need to be --

CHRISTOPHER L. WARREN: We're already facing that now. You know the federal dollars flow into those federal projects that -- the interstate projects such as that and we're

maintaining our state highway system so I think we're already seeing that role --

COMMISSIONER SCHENENDORF: In the future do you think Florida is going to --

CHRISTOPHER L. WARREN: We're going to face the same crisis with the gas tax that everybody else is. I think the market is going to focus us on that and change that over the next ten to fifteen years.

COMMISSIONER SCHENENDORF: Mr. Tibbits.

LARRY E. TIBBITS: Talking about revenue, I think that it's the combination of states stepping up to the plate and doing those kind of political things they have to do, but I think it's also the federal government has to as well. In the last three years in Michigan some of our construction prices have gone up twenty-two percent. In 1997 we had a gas tax increase of four cents. That four cents is now gone due to inflation so I think Michigan and other states have to do what they need to do to raise revenue but I think the government does as well.

It's been mentioned that the infrastructure of this country, particularly the

transportation system, has been ignored for a long time and I think that the congestion that we've talked about today, the speeds and some of the safety issues are a reflection of still patting ourselves on the back that we built an interstate system, you know, fifty years ago and so we're all done and we just haven't kept up and so it's going to take an infusion of dollars to solve these issues.

COMMISSIONER SCHENENDORF: Mr. Goode.

DAVID GOODE: Our economy is built around an effective and efficient transportation system and yet as it's been pointed out repeatedly we have not invested sufficiently. We're at the point where we simply can't ignore it anymore. The contribution that we all can make as a commission I think is to focus on the fact that we do as a federal and state and private economy all have to increase our investments in this or we're going to lose what has historically been the lynch pin of the way our national economy works.

If we're going to be globally competitive we've got to use the advantages we have. One of

the advantages we've historically had is a good transportation system. If you look at China today what are they focusing on? How to build out from the coast and how to get a transportation system in. We've already got the basis of it and we're foolish if we don't spend what's necessary now.

COMMISSIONER SCHENENDORF: Thank you. We have two minutes left and I promised Madam Secretary that she could have another opportunity.

COMMISSIONER CINO: I won't take up all of the time, but, I guess, Mr. Warren, and if anybody else wants to jump in too having the benefit of several states. Many states are looking towards privatizing their role to tolling roads and I know that Florida has been successful in running their toll roads as a business operated by the Florida DOT and I'm wondering if you could take a couple of seconds just to explain how that's working and if that's bringing dollars into the system to keep up and do some of the infrastructure that is needed in the state of Florida.

CHRISTOPHER L. WARREN: Well, since the creation of the enterprise we've basically doubled the work program of Florida's turnpike. We went from basically a two-and-a-half million, five-year work program agency to over five million. We are currently going to bring further legislation this year to ask for more freedoms for the enterprise, more leveraging capabilities, the ability to use private sector debt management guidelines to better guide our leveraging capability in hopes to increase our five-year work program totalling over seven billion dollars.

We have the problems of breaking free from government bureaucracy in the administrative realm, but as far as from the financial and operational realm I think the experiment of governments running it like a private business within the confines of state government is succeeding very well for Florida's turnpike.

COMMISSIONER SCHENENDORF: Madam Secretary.

COMMISSIONER CINO: That's all.

COMMISSIONER SCHENENDORF: Well, thank you

very much. I appreciate it. It was very, very helpful. And it is ten o'clock and we have programmed a fifteen minute break so we'll start promptly at 10:15 with panel number two.

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(Whereupon, a fifteen minute break was taken)

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COMMISSIONER SCHENENDORF: Okay. We're going to start with panel two. A couple of statements: Mr. Morris is caught in traffic so he will join the panel when he gets here. And I've been asked to ask you to please when you testify or respond to a question please bring the microphone closer to you. Apparently, there is some difficulty hearing you.

And just a reminder, we have had your testimony and have had a chance to read them so we ask that you summarize in five minutes if you could. If you hear this (knocking) that means you've gone a little bit over your time and you need to wrap it up. I think you saw with the first panel that the interaction that we had after the actual testimony was probably as

important as the original testimony and so we want to have as much time for that kind of question and answer as we can.

So, I'd like to start with Mr. Hammack.

PANEL TWO - EXPAND THE SYSTEM:

WILLIAM HAMMACK, JR.: Yes, sir. Thank you. I appreciate the opportunity to be here this morning. My topic is construction process challenges, complexity and cost and I'm going to set a new record by talking about all that in the next five minutes.

In the terms of safety the biggest impairment to the construction industry today still is speeding in work zones. I think the federal highway and Georgia DOT have done an excellent job of work zone safety but we still have a tremendous problem with speeding in work zones. When we were building the HOV lane through downtown Atlanta we had a motorcycle clocked at one hundred and thirty-five miles an hour through our work zone.

Other than that in terms of safety night work continues to be an additional concern of ours with the lack of vision and impaired

drivers. We have a lot of incidences of impaired drivers breaching the barrels and running into our construction equipment.

Now, secondly, merging work force issues: C.W. Matthews by the time we start the construction season we will have approximately 2,000 employees. Forty-three percent of our total field work force is hispanic. In July 1 of this year Georgia implements a new state immigration law for any employer that employees over 500 or more people and does work for a public entity. We're very concerned about the impact that's going to have on the work force for the highway construction. All these workers we have now have at least two forms of identification that appear to be valid, but we're not sure exactly what's going to happen when things are tightened down.

The second concern in emerging work force issues is only two percent of our field work force consists of women. And that's been a real frustration for me personally over the last several years because twenty years ago our industry required a lot of physical strength in

the operation of the equipment. Today almost every piece of equipment we acquire is enclosed cab, air conditioned and electronics over hydraulics. It does not require the strength that a typical man would have. So we need to address that piece of the work force because it provides tremendous opportunity for women over and above the amount that one can make in a low-level clerical job in an office.

The estimating pre-bid process in construction is working well in Georgia. The one thing I would always throw out on larger projects time is the owner's friend in terms of time for the contractor to look at the work before it's bid. The longer we have to look at the work typically the lower our bid is going to be when we submit to the owner.

The other issue on larger projects is the cost of providing that proposal. When we submitted a bid for the fifth runway at the Atlanta airport which was a 360 million dollar project we spent three million dollars in pre-bid expense on that project. So on larger projects I think a stiffen for any contractor

that submits a proposal with the bid bond is something that might be considered to allow the owner to receive more bids which in turn does typically reduce the cost of the project.

Constructability fifteen years ago when I would ask what about the time on this job before it was turned in I would always be told we've got plenty of time. Today it's tight and I think that's good because that means we've got to get out of the road and verify -- have a safer travel way for the public.

Cost of construction: Natural materials have gone up. Georgia has implemented an index on some of these materials such as liquid A/C. I think that's very good because that takes the unknown risk factor away from the contractor.

The limited available funds issue, we all face that. In Georgia we're looking at PPIs, Public/Private Initiatives; concession models; and expanded use of the local option sales tax. I think all of those have their place. Some of them have problems with them but that is something that I think we should continue to do.

And in closing GDOT, Georgia DOT, is C.W.

Matthews' largest customer, but we only get work one way and that's by being the low cost provider. We don't get it because we have more equipment or nicer or equipment or better track record. We get it by being the low cost provider. And it's absolutely essential to us that the plans and specifications that the DOT brings down are consistently applied to all contractors. In working throughout the southeast over the years I find that no state does a better job with consistency in application specifications than the Georgia DOT. That's my five minutes. Thank you very much.

COMMISSIONER SCHENENDORF: Thank you.

Mr. Holifield.

MARK HOLIFIELD, SR.: Good morning. I'm Mark Holifield, Senior Vice President - Supply Chain for Home Depot. You have my testimony so you've read that. I'll depart from that and speak about the background here. I think in any retail organization there are really key constituencies that we are empowered to serve and those are our customers and our shareholders.

Our customers look for a few simple things. They look for great customer service by engaged employees. They look for a good shopping experience. They look for great product availability and wide range of products in stock. And they look for the right products, the innovative products that we can bring to the market.

The key to the objectives of this company are around the pricing we bring to customers through improving our efficiency through those costs and also that inventory management that the billions of dollars of inventory that we hold for customers is critically important that we have an efficient transportation network that we can move product through to keep our cost low.

Our other constituency, our shareholders, they're really looking for a return on invested capital. A return meaning the profits which are a result of our sales minus our costs. And costs are certainly a factor with transportation. And then the invested capital which is the inventory investment that our

company makes. So our objective really is to ensure that we can bring to our consumers product with low costs and bring to our shareholders a reasonable return on their investment through low cost and low inventory investment.

When we look at transportation policy, when we look at the 50s when the interstate system was developed I think we really can learn a lesson from that history. There was a view there taken with a national network and a national policy that the transportation would be beneficial to our economy, our defense and our welfare as a nation. And I think that's the kind of view point that we need to bring to this in the future.

SAFETEA-LU has helped surface transportation but it hasn't adequately addressed freight congestion. We think there are a number of programs that could improve that. We think that in terms of the funding we should look at other alternatives for funding that are detailed in the testimony somewhat. I think key also to this is that we eliminate the

process of earmarks and some of the things that really take the focus off of the general freight opportunities and really move money towards local projects as opposed to those that would benefit an overall nationwide freight (inaudible).

So those are really the key things that we look for. I think it's really setting a federal policy toward freight transportation to improve it, improve the network, eliminate congestion and look for new creative ways to fund things in private equity. We are open to tolls. The Home Depot does wish to pay its fair share for use of the road network, but we do want to make sure that it works toward a national freight transportation policy. Thank you.

COMMISSIONER SCHENENDORF: Thank you very much.

Mr. Brown.

LARRY (BUTCH) BROWN, SR.: Thank you, Mr. Chairman and Members of the Committee. If you will bear with me I would prefer to read mine. I will try to make it within the allotted time.

It's indeed a pleasure to be here and to

offer input into this very, very beneficial and helpful and fruitful program of information. My name is Butch Brown. I'm the director of the Mississippi Department of Transportation and we do thank you for this opportunity and we commend you for the effort that you are making.

Today I would like to speak primarily about freight transportation from the perspective of the state, the region, the nation and the world. For us in Mississippi Hurricane Katrina demonstrated the importance of fragility, resilience of our transportation system and especially our freight transportation system. In Mississippi a major port was obliterated, an interstate highway was severed and a class one freight rail bridge was submerged. The recovery was a growing initiative of innovative and rapid, but after a critical few months was many, many years to come in the lesson that we had learned underscored the importance.

We don't need hurricanes and national disasters to show us that freight transportation is important. If you look throughout our state,

for example, in 1998 we determined that intermodal connectors were very beneficial to us to connect the activity in that critical last mile. We established it in the legislature in 2002 a multimodal fund. The legislation was established and funded and now it provides ten million dollars a year into the other modes annually with those determinations being made by members of that intermodal committee. You can see reference to that in our report.

Mississippi we think has been a leader in our nation and in the southeast particularly with the emphasis and information gathered through the Latin American Trade and Transportation Studies that were made over a period of ten years in the phase one and in the phase two. That landmark study is indeed a study that has been duplicated and now has been transformed into a new adventure where we'll have the International Trade and Transportation Institute trying to capitalize on the data that's already collected through the last initiative and translate that to other programs throughout our country and particularly

throughout the east coast and the gulf region.

Throughout our nation we've all been celebrating what we call the problem of freight transportation for some time. We don't need to belabor that anymore. The demand for freight transportation has increased dramatically and will also continue to do so. It's bigger than both our domestic growth and international trade which effects the volume of goods movement but also the modes, the routes and the location of the traffic generated.

I think we all understand that capacity has not kept the pace with the demand on international trade. You'll see graphically some of the information that we've presented to you about freight tons, travelled miles, etcetera in our written report. You've also received and you'll see and be allowed to review the trade growth. In 1980 growth and trade the percentage of our DP was thirteen percent in 1980, twenty-five percent in 2000, thirty-five percent projected by 2020 and we all know that's right around the corner.

On the other hand, if you look at the next

graph you would find the container traffic, the TEU graphically demonstrates there using the same period of time. The demands were just mind boggling. The trade map we call it in our testimony reflects the trade routes and the highway patterns and the usage throughout our country. And you can see the congestion that exists already.

I chair the committee on water transportation of AASHTO and served on the AASHTO three time protection leadership group and participated in the multimodal freight policy change. This group developed a set of basic propositions concerning freight transportation policy as a basis for recommendation for this commission and others like you. To complete this is attached an addendum but I'd like to highlight two or three. If you'll indulge me, I would like to do that.

Efficient and reliable freight transportation is critical for global economic competitiveness and essential for domestic economic prosperity and improving our qualities of life. The infrastructure capacity physical

and operational of all the modes of transportation is not expanding to meet the increasing demands. In recent years red flag issues have come up that reveal the serious problem that demonstrated the nation's freight transportation and this required immediate attention sustained as something that has to be very significant and forthcoming.

Substantial investment and improved operations by both private businesses and governments will be required to avert even more severe capacity issues and concerns. States are essential to the effort to strengthen the national freight transportation and management of the highway system carries the largest portion of freight and makes an essential connection to the other modes, but the state cannot act alone.

I see you looking at me. If you would just indulge me for a moment and I'll skip to the next page or two. Freight movement affects global, national and regional economies. It does not stop at state borders. The federal government should provide support multi-state,

regional investment growth. I think that's a key point that we're trying to make here.

Turning specifically to highway freight movement federal government should increase funding to the states in order to make these corridors operate better and eliminate the bottle necks and the choke holds. The federal government should provide support for state efforts to relieve those critical check points.

You can continue, and as you said, I'm sure you read this: waterways trust funds are important to us as well. We've got to recognize these other modes because all the modes are important to us now. They are all impacting the one major hickey that's facing us all and that's highway capacity issues. We're global, we're national and we're local and those issues have to be addressed not necessarily in that order, but each one of them have to be to meet the needs of efficient transportation. And if you'll notice the slide that we put at the end, I wish everybody could see it, but that's exactly what happens when the effects of the demand exceeds the capacity. The donkey is off

the ground and the cart is fully loaded. Thank you, Mr. Chairman.

COMMISSIONER SCHENENDORF: Thank you.

Mr. Morris.

ROBERT MORRIS: Yes. I just came in from Savannah today, but I know a lot about the metro Atlanta area. I've been living in Georgia for seventeen years and covering transportation issues, first, as a reporter for the Atlanta Journal Constitution and then as a speech writer for the former governor and now for the past five years helping to move freight down in Savannah. So I'm looking forward to our conversation today.

I'll just briefly go over my comments. As you all know the move in containers in this country has increased two-fold in recent times. We're expecting another hundred to two hundred percent growth. Savannah has led that in the nation. The last five years the port of Savannah has been the fastest growing port in America.

The pressure on our terminal and on the existing roads has just been phenomenal. There

have been other projects that the U.S. Department of Transportation has looked at very closely and helped put together for trade mobility through our ports. The Alameda Corridor, which I'm sure all of you are aware of; the Hartland Project now out of Virginia that is moving forward; and just recently the state of South Carolina committed some eighty percent of its entire excess funding to a road that will lead to its new port. So these projects are very important.

Our issue facing the port is similar to what I saw happening in the late 80s in Atlanta. Unlike Atlanta which has the issue of commuter traffic we have an issue of truck traffic. There are no roads that can handle today the capacity of moving the volume of containers from our port to 95 and 16 and we don't think that in the very near future there is a very comprehensive program to deal with the type of growth we're expecting.

This port has the capacity to grow. We have a billion dollar construction program that we are implementing on the terminal over the

next ten years to handle this capacity. But there -- As I said, there isn't any comprehensive road program to handle to and from the interstates.

The port of Savannah reaches out throughout the entire country. We are a major hub. Because we've grown so fast many folks around the country just don't realize that we are the fourth largest port in America today. The second largest on the east coast next to New York/New Jersey. There is no larger container port on the east coast and that's just happened basically overnight and with it has come the truck traffic.

We do have three projects that we're working with our good friend, Mr. Linnenkohl, on. In fact, we had the good fortune to meet with him and his board just last week on the three projects detailed in the testimony. And with that I'll pass the torch to my friend Edward Crowell.

EDWARD CROWELL: Can I have your three minutes.

ROBERT MORRIS: No, actually, I think my

friend Butch already took that.

COMMISSIONER SCHENENDORF: Excellent.

Thank you for keeping within the five minutes.

Mr. Crowell.

EDWARD CROWELL: Mr. Chairman,

Commissioners, thank you. Thank you for the opportunity to speak with you today and for the time you take to study this issue. It's been said several times we have a wonderful problem. We have a wonderful national system of roads that has grown beyond its capacity in part because of the growth it has ingested throughout our nation.

I'm reminded that when the interstate system was planned it was planned for capacity twenty years in advance. Unfortunately, that is now more than twenty years in our past and it's not surprising that we need to make some improvements and make some expansions. At the same time I've got to tell you it remains one of the true wonders of the world. The seamless efficiency with which freight moves around here.

A personal example just came home to me this past week. My nine-year-old son ordered

some back issues of a children's magazine. They originated in Washington state and after a couple of days of processing he received an e-mail saying your order has been shipped and here's your tracking number. Well, this became the family video game for the next few days. He was excited as he watched it move from Redmond to Seattle. He was worried when it scanned out of Seattle and disappeared for a day, but very relieved when it scanned into Hotchkins, Illinois. He assured me that since it was Hotchkins it had an eight-four percent chance of being delivered on time even though quite honestly he has no clue where Hotchkins, Illinois is and neither do I. However, when it scanned into Nashville he couldn't sleep that night and yesterday morning it scanned into the UPS facility in Doraville and did in fact arrive on time. I think it's the most fun he's had with the computer in ages watching that thing move, but it was a great illustration of how smoothly and how seamlessly this network allows freight to move across an entire continent. Now, I'll admit not everyone gets as excited as

Tommy did when their freight gets delivered but it's still important that we keep things moving along seamlessly.

And that's why I would like to extend my remarks on the need to expand this system. As I see it we have two types of expansion we really need. One is physical and the other is technological or management extension. We've already heard a lot about the technological side. That would include such things as the use of express lanes, the use of HOT lanes, even the use of tolling for demand management. And I hope you'll hear later from our State Roads and Tolling Authority about a ground breaking study they did where tolling was used not for revenue generation but the idea was to manage demand and increase capacity. It's truly a ground breaking study and it's really something that's made news nationally and something that's worth further exploration.

The other thing we need is physical expansion and that's much more politically difficult but very necessary. The idea that we're done building roads just has got to be

dealt with. It's not easy, but it's important. As one of my members put it: We have a problem if all we do is add lanes to make people go where they don't want to go in the first place. And right now most of the proposals hanging around are exactly that.

Our two U.S. Senators have proposed additional interstates be built in the state of Georgia. We've had proposals on the books Commissioner Linnenkohl will tell you for years about the roads across north Georgia and around the outside of Atlanta that would relieve the traffic congestion here. One study for instance shows that thirty percent of the traffic coming down I-75 and moving across 285 and moving back up north on I-85 does not wish to be there, it has no destination in the area. So building new capacity would actually really relieve congestion on those roads and you can add a lot of lanes before you get a thirty percent reduction in capacity. I think we need and we would encourage you to be bold in looking for that. There are places where we still need new roads and where we need to upgrade existing

roads to higher standards so they can handle more capacity.

In addition, of course, there are things to look at on the technological side. Our industry does a lot to manage the movement of freight. Computer systems route our trucks and re-route them if need be. We have real time, we have GPS, we have satellite links, we do all of that to try it along effectively. In addition, we need to look at some things such as new vehicles. I'm not advocating size and weight changes. What I'm advocating is we need to take an honest look at the best way to get capacity out of the system that we have.

Finally, I have to at least touch on the idea of how we fund this because it will require money. We approach things as tolling and privatization as two different items. Tolling is not necessarily privatized. There may be a place for both although I have to tell you as users we have some trepidation about privatization partially because it's not truly a free market system, at least in most of the proposals. It's more akin cable television if

you will. A government sponsored franchised or a government monopoly. If you're comfortable with the way cable is worked out I guess you'd be comfortable with private toll roads. It doesn't give us a warm, fuzzy feeling as freight haulers. With that I'll close my remarks and be happy to expand on many of those later. And, again, I thank you for the opportunity.

COMMISSIONER SCHENENDORF: Thank you very much.

Mr. Linnenkohl.

HAROLD LINNENKOHL: Thank you, Mr. Chairman. I am going to read mine or I will go over the five minutes and I don't want to do that.

COMMISSIONER SCHENENDORF: Then you'll hear(knocking).

HAROLD LINNENKOHL: Yeah, I watch. First of all, we would like to welcome you to Georgia and we're delighted to have you hear and holding this hearing in Georgia to hear from the state departments of transportation and the others interested in the National Surface Transportation Policy.

For the past three-and-a-half years it has been my honor to serve as commissioner of the Georgia Department of Transportation. I've spent essentially my entire working career of more than thirty-eight years as a department employee. Never in those thirty-eight-plus years do I recall the department facing the number and magnitude of challenges that we have today. Through a combination of Georgia's fuel taxes as well as the excellent partnerships with federal highway administration and the transit administrations our annual budget currently averages about 2.1 billion dollars. But I do submit to you that two billion dollars doesn't buy today what it used to.

We have in our department a schedule of projects ready to go to contract in the next six fiscal years. These are our imminent livables to the people of Georgia. Over the next six years, from '08 to '13, we project 11.5 billion dollars in revenues from our current sources and formulas, but due to the escalating cost of rights-of-way and construction our program has a 19.2 billion dollar price tag leaving us 7.7

billion dollars short. Consequently, we have been forced to move more than five hundred needed projects throughout Georgia to the limbo of our long-term and unfunded program.

Our thirty-year work program is even more drier. The short fall goes to 74 billion dollars in today's dollars. This is not simply a thirty-year or even a six-year challenge we face. Our lack of funding is an acute problem today perhaps best illustrated in our maintenance program. For decades our department has had a goal of resurfacing at least ten percent of our state route system annually. As a result independent studies have consistently rated Georgia's highways as one of the best in the nation. In recent years; however, resurfacing costs have been such that we have fallen far short of that ten percent. Last year as with the past six years we were only able to resurface less than five percent. This year we might get four percent. The results are predictable. The condition of our roads is deteriorating. By 2013 we will have eighty-four percent of our system rated no better than fair.

Since 1975 vehicle miles travelled in Georgia has increased by about a hundred and eighty percent while late miles have increased less than twenty percent. You heard this morning already some expected growth in the state. We expect three to four billion more people to move into this state during the next thirty years. More than two million right here in the metro Atlanta area. They will create a thirty percent increase in our passenger vehicle travel. That's ninety thousand vehicles per day going through I-75/I-85 right out here outside these doors.

Truck traffic will increase by fifty percent and perhaps double over the next thirty years. Thousands of new interstate lane miles will be needed to accommodate freight movement. We're especially sensitive to this issue in Georgia as our highly successful ports in Brunswick and Savannah already generate thousands of truck trips each day and continue to grow. Ports in South Carolina and Florida place thousands more trucks on Georgia's highways as do agricultural and inventory

sensitive retail goods shipping.

To meet this challenge we are aggressively pursuing the implementation of truck-only lanes. They're expensive undertakings. Public/private partnerships which we're aggressively seeking also may help build these lanes in some corridors, but not all. How then will we finance our main highways and multimodal needs? I do not suggest the answers rests solely with the federal government. In Georgia our general assembly today has begun to exam ways to fund our transportation needs. Still a federal commitment on no less a scale than what was begun by President Eisenhower in 1956 is again necessary today.

We face a formidable challenge but I'm hopeful, Mr. Chairman, that our states and the federal government will make the commitments we know are necessary. I hope that fifty years from now what we accomplish will be viewed as historically as President Eisenhower's interstate system. This should not and cannot in my view be a challenge we leave to our children and grandchildren to face. Thank you.

COMMISSIONER SCHENENDORF: Thank you very much and you made it under the five minutes.

HAROLD LINNENKOHL: I was watching.

COMMISSIONER SCHENENDORF: Let's start the questions this time with Commissioner Geddes.

COMMISSIONER GEDDES: Thanks for bumping me up in the queue. Once again a great set of testimonies and a lot of fascinating issues have been brought up here. I'd like to first address Mr. Crowell. There's a distinction you made in your testimony that I think is just fascinating that you brought up an issue that I'd like to delve into. It was in the context of funding and you mentioned that tolling is about the same as public/private partnerships. Ownership and prices are two different things. A state road project can be toll, either way, or it could be a non-toll private road for example. Rare, but possible.

You also mentioned that in your view it's not a free market. And you used the analogy of a cable television line that runs into your home. And I think that's right and I think that's worth talking about. There's a number of

lines that run into your home, right? One is your electric line, perhaps a natural gas, a water line. And all of those are in some sense monopoly -- they have some monopoly power over you because that's the only line that runs into your home. To have a second water line run into your home would be extremely wasteful.

But I want to suggest that roads might be a little bit different than that in the nature of the monopoly power that you were talking about. And I think that's a crucial issue because if you think about the reason why we have a long-term concession like for the Chicago Skyway or the Indiana Toll Road deals they're long-term concession agreements, very complicated contracts that restrict the amount that the tolls can be increased in any particular year over time. Why do we have those contracts? Why don't we just, you know, prioritize it and let them charge whatever they want? I mean, it's because we believe that major market forces them to operate the way they would normally in a competitive market. So we need some sort of regulation to kind of mimic

what a competitive market would do.

But the question is: What's the nature of the monopoly power of a private toll road going to have? In other words, if you don't like the price on the private toll road you can take another road. So it's not quite the same as a cable or an electric line running into your house. We haven't really thought through -- I mean, we as a group. I mean, maybe others have, but through the nature of that monopoly power in a private concession situation.

EDWARD CROWELL: Right. Sure.

COMMISSIONER GEDDES: Do you see where I'm going here?

EDWARD CROWELL: I believe I do and I think to some extent you do have some -- there's a basic validity to that in many instances. There are turnpikes that exist today where there are legitimate options for a trucking company. And I will tell you that the trucking company in general if it has any sophistication at all has a computer system routing its vehicles that includes an option and you simply check a box on the computer system and it avoids all tolls.

And I won't argue with the experience of the gentleman from the Florida turnpike but I might argue with his assessment. Our industry is highly toll sensitive and will move at the drop of a hat if it has the opportunity to do so.

What concerns us is that some of the PPI proposals out there would use the monopoly power of government to not allow us that option. We've seen proposals --

COMMISSIONER GEDDES: You mean to choose to --

EDWARD CROWELL: Right. We've seen proposals that base their funding on the mandated use of that toll road by the trucking industry.

COMMISSIONER GEDDES: Okay.

EDWARD CROWELL: That's rough. You know, that's --

COMMISSIONER GEDDES: That was generated with monopoly power.

EDWARD CROWELL: Sure. And everyone would like to have it. I mean, who wouldn't love to have the government mandates of what people have to pay us. In fact, some of our -- we used to

be regulated as a utility. The technical term for that is called the good ole days. But, you know, there are those who would go back to that. But it's inarguable that the economy and the people have benefitted from a deregulated environment.

So we look with some trepidation at PPI initiatives that would seek to force that bill on us. That's why I say tolling -- We look at tolling and PPI as two separate things.

COMMISSIONER GEDDES: As you should.

EDWARD CROWELL: Yeah, they are two separate things. And they are -- And there may be places where tolling makes sense. I referenced the State Road of Tolling Authority study. In that study they started out with the idea of what tolls should we have in order to generate revenue, in order to build more lanes, in order to relieve congestion. And the conclusion they came to was actually we should just build the lanes, let the trucks use them and only use tolling if they got so crowded that the level of service deteriorated. The end result was better level of service for everyone

according to the model they were using.

You know, those are the sort of things. And throughout that study they came to the conclusion that the tolling must be voluntary. The trucks always have the option to go back to the fuel tax lanes. I'll be sure not to call them free lanes as some people do because obviously they are paid for. But, yeah, so that is part of the trepidation with which we approach those systems of demanding our use of those roads.

COMMISSIONER GEDDES: I hope we can all agree that's a bad policy.

EDWARD CROWELL: Me too.

COMMISSIONER GEDDES: I guess we'll all try to avoid that trap.

EDWARD CROWELL: One other point that we will only find out about as time goes on are some of the complexities of those contract such as the Indiana Toll Road and some of the non-compete clauses that may exist in there. When the private vendor decides that a road the state proposes to build may in fact drain usage of the turnpike and begins to run to court to say, hey,

you're competing in violation, has the State even unintentionally restricted some ability to build capacity elsewhere. Those are things that concerns us and finally, I guess, the largest picture of all would be the Balkinization system. Right now we have a system that is seamless and functions extremely well and extremely efficiently. And quite frankly the fuel taxes are the most efficient way to collect the revenues. You can collect different ways and they're simpler and less expensive to administer. But the fear we see is, you know, if you cut across the country and have sixteen, seventeen, twenty-five different tolls you have to deal with in order to cross the country from one end to another that's a balkinized system no matter what electronics you put in place. It's going to add an incremental cost that doesn't have to be there. And so those are the things that cause some trepidation about the whole issue.

COMMISSIONER SCHENENDORF: Do you have another question?

COMMISSIONER GEDDES: Sure. Okay. Mr.

Holifield, I just wanted to address some statements you made and in your written testimony also stresses the notion that SAFETEA-LU did not address your concerns to the degree that you would have liked. And I was just wondering how you could -- if you could sort of flush out what you might see in a future -- maybe not a future SAFETEA-LU but a future bill along these lines doing in the freight area.

I also, you know, particularly you also mentioned that your fine with tolling and public/private partnerships if explored in certain contexts so maybe would that potentially play a role into such future bill?

MARK HOLIFIELD, SR.: Yes. I think as we look at SAFETEA-LU one of the things that we haven't -- we believe has not been addressed sufficiently is the special needs of freight. I think we need a national freight policy that really looks at cargo transportation and really understands that and we advocate even setting up a federal entity that would help to look at freight transportation and really develop that policy.

The policy needs to consider the special needs of freight which are unique to that of passenger transportation and other transportation. And it must be needs based. The issue of the earmarks and some of the things around the programs of regional and national significance may not be so well described. So we need to make certain that these things are needs based as we go and meet the creative approaches to funding. And as we said tolling is an option we are okay with. The thing that I think -- the principles that we would want to make certain is in place is that funds raised and, you know, fuel tax tolls or what have you that these absolutely be directed toward transportation improvements and not deferred. So I think those are the key things.

COMMISSIONER GEDDES: Just one brief follow-up. Your written testimony, but not your oral testimony stresses the value of just-in-time inventory and how that requires more frequent, smaller shipments. And do you see any direction with the use of congestion coal pricing to get free flow and the importance of

just-in-time inventory if you know what I'm getting at. Because one of the notions is that if you get the tolls right and you get the flow of traffic right you increase reliability. And one of the big problems with our transportation system now is this standard deviation.

MARK HOLIFIELD, SR.: Right.

COMMISSIONER GEDDES: A lack of predictability in how long a trip is going to take and I would think that that reeks havoc on a just-in-time system. But locally if you get the tolling correct you increase -- and there's studies that suggest this is true -- you increase the reliability of the trip. You see what I'm getting at. So is that something you look at?

MARK HOLIFIELD, SR.: Absolutely. I think, you know, in the academic look at the inventory management which we absolutely apply everyday in real business is that the length of the lead time and the variability of that lead time leads to inefficiency. The longer the leave time the more variable the leave time, we introduce inefficiency into the system and in

the end consumers pay for that because we have to cover that in costs. So absolutely if we could increase the reliability, lower the standard deviation of the variability of transit time that's absolutely something that we work night and day in our network to the degree we can make the road networks support that. That would be of great comfort.

COMMISSIONER GEDDES: Thank you.

COMMISSIONER SCHENENDORF: Commissioner Odland.

COMMISSIONER ODLAND: Yeah. We'll start with Commissioner Linnenkohl. You made a statement that said something like, and I'm paraphrasing, that you hoped the system fifty years from now is as aspirationally designed or created as was the interstate highway system by President Eisenhower. It would be interesting to hear your description of what that system should look like fifty years from now.

HAROLD LINNENKOHL: My vision of it fifty years ago was a system of north/south routes not with loops around some of your cities, bypasses and things like that, but it was a system of

north/south, east/west routes that connected your metropolitan areas, your urbanized centers such as Atlanta maybe heading out to the west going out to the Texas area and hitting the major centers out there.

We have sense then, of course, we have gone in and we've got another tier of interstates that have branched off to some of the smaller metropolitan areas. But my vision back then would have been a system to start off with a north/south/east/west connection that connected the major metropolitan areas.

COMMISSIONER ODLAND: No, I'm talking about your vision fifty years from now.

HAROLD LINNENKOHL: From today?

COMMISSIONER ODLAND: What's your vision of fifty years from now. You said that you hoped the system fifty years from now is as aspirationally designed as it was designed once before.

HAROLD LINNENKOHL: Well, I think I'm going to have to go back to the same vision and look at some type of a criteria that was used there. We've got more systems now or more

urbanized areas, more freight routes that we've got to bypass these major metropolitan areas. We've got to find a system today that for instance our freight can bypass these larger cities. If something is coming from the west there's no need for it to come into the metropolitan Atlanta area if it's going all the way to the coastal area. Provide more of a direct route down through there.

So I would look at it as a system of more bypasses and more routes that just really eliminate the need to go through the metropolitan areas.

COMMISSIONER ODLAND: Okay. So fifty years ago the interstate highway system didn't exist, it does today, it's a huge system. Your aspirational view of fifty years from now is some bypass routes?

HAROLD LINNENKOHL: No. My system is bypass routes. My system is getting around these urbanized areas. We're talking about capacity and we're talking about freight movement. We've got to do something to keep these -- to provide a system that does -- to

address those two issues. We've got the urbanized areas that are totally congested now. We cannot put anymore in there. We're basically built out a little bit. We just can't do that much more.

So we need another system where we can do bypasses but in those systems we've got to provide the system of moving freight, moving people in large volumes. So we've got to do that in these other corridors.

COMMISSIONER ODLAND: Mr. Crowell, you were talking about capacity issue along I-95. I-95 is one of the busiest corridors up and down. Do you think that we could build another I-95 today along the east coast?

EDWARD CROWELL: Yeah, we could.

COMMISSIONER ODLAND: Describe how that would work.

EDWARD CROWELL: Well, let me tell you it would not be easy. And with this I'll go back fifty years for a second in that pointing out that building the first one wasn't easy. The kind of issues we're wrestling with today are the same discussions they had fifty years ago

even back in the 1930s. How do you do this, how do you acquire right-of-way, how do you afford it?

You know, the issues -- the problems are always there at the core and the size of the challenge the dollar number changes but the challenge is still what the challenge was which is how do you increase capacity and how do you do that?

There are technologies that could allow us to do that. There are technologies that may not be appropriate for the entire length of an I-95 but there is tunneling, there is double decking, there is the ability to acquire right-of-way, you know, parallel in some places or expand what exists. I guess, basically, the point is that we shouldn't say those things can't be done.

You know, if I give you a vision fifty years in the future I would start with freedom. That it ought to be about freedom of mobility for the individuals and it may require great management. That is you bring the car into the lane of traffic and suddenly it's managed for you. You know, but you can come and go as you

please. You can move freely and seamlessly across the country.

Maybe lane separations where you never share the road with a truck. You know, the trucks are always in their own lanes somewhere else. But these things are doable. They're a huge challenge. But there no bigger for us today than they were for our predecessors in the 1950s that were starting with essentially a blank slate.

COMMISSIONER ODLAND: So your point is that we need capacity to grow and we shouldn't run from the challenges of creating a capacity unit in congested corridors?

EDWARD CROWELL: Absolutely.

COMMISSIONER ODLAND: Okay. So maybe you could describe your vision of what the network looks like fifty years from now.

EDWARD CROWELL: I'd be glad to. As I said, it would start with freedom. That is the goals that it had originally. Free connections for communication, for transportation of people and freight moving as seamlessly as possible. To do that I think we'd have to go with

Commissioner Linnenkohl's point that you've got to get some of these interstates out of downtown.

The political decisions that ended up bringing three interstates together in the middle of Atlanta were unfortunate to say the least. It's not the right way to build a road system. We need to get out of metro Atlanta, get out of these metropolitan areas and bypass them. Build arterials that take you in if you want to go in, but allow you to go on your way seamlessly if you need to.

I think you need to look seriously at a national freight network as Mr. Holifield said. I would second his comments. I would also second his comments about exemptions and diversions. That is we have a lot of leakage right now in the money that's acquired from transportation but never makes it back into transportation.

You know, there are more than five million government vehicles that pay no fuel tax at all and I mean governments at all levels. But, you know, there are other vehicles that don't pay

taxes and those sort of things. So I think if you tighten up the system's finances. You obviously have to gain additional finances to do this. Where if you build a system that's dedicated to free movement first and then add other things on it and let it attach to what's out there.

COMMISSIONER ODLAND: So, Mr. Holifield, let me come back to you because everybody nodded and agreed with your comments that we need a national freight policy and we need a system of freight. Maybe you could describe to the extent that you have a vision for that what that system looks like and also what's the federal government's role in that system versus private and also the local government role?

MARK HOLIFIELD, SR.: Okay. Yeah, I think, you know, in an answer somewhat to the vision question I think one of the things that we haven't talked about much is really an integrated vision. Surface transportation is more than trucks, right? We've got the rails and to some degrees the waterways that are there and I think we need to look at a fully

integrated division for transportation for the future in a fifty year vision.

As far as the role of the federal government history has shown that the states don't pull together the way that the federal government could in really identifying a freight policy and also the federal support that is needed for this. So I think what we've identified is to -- is there a way to set up an entity at the federal level that develops the policy and helps it to ensure that freight is addressed adequately, that funding is allocated properly when it comes in and that the special needs of freight are addressed.

COMMISSIONER ODLAND: So your point is take it out of the Congress where they're getting to earmarks and, you know, different systems and put it in the hands of a separate managing commission that's funded separately and managed separately to put together a plan and a vision and then govern it?

MARK HOLIFIELD, SR.: Right. I mean, two key points: The funds raised in transportation should go to transportation and where -- the

funds should then flow to where the needs are not where the earmarks are.

COMMISSIONER ODLAND: Thank you.

COMMISSIONER SCHENENDORF: Okay. Madam Secretary.

COMMISSIONER CINO: Thank you very much, Jack. I guess this is kind of a question for all of you. We keep hearing and it's a theme obviously not only at this hearing, but obviously all of the hearings is the future. But one of the things and Commissioner Linnenkohl, I'll start with you and then if you could all maybe chime in.

You know, here in Atlanta one of the problems that you have -- well, one of the problems that we have nationally is keeping up with the costs of construction. You pointed out very eloquently how much revenue you have coming in and then looked at the fact that that wasn't going to be enough given the increased costs of the construction and maintenance.

And, again, that's a thing we hear all the time. That added on with the statement that Georgia and here in Atlanta the three percent

increase in population, I'd ask all of you to help us as a commission and talk about some bold ideas with regards to how to fund the unique situation here but you're not so unique in maybe other parts of the country when it comes to maybe not growth but just maintenance which we see in Pennsylvania.

Any suggestion on bold federal, state and local funding that would be necessary to fulfill what we're going to need to do?

HAROLD LINNENKOHL: I don't know if I can come up with anything bold because what we've got is just not sufficient. Now, is it working? Yeah, it works at that level, but it's just not sufficient. We started looking at the federal level. We started looking at earmarks. We started looking if there was more money on the federal level would that be sufficient to handle it. No, because on our state level we then have to provide the match.

Maybe a bold level would be to increase or decrease the match the state governments have to put in there. That means there's got to be more federal dollars to start with. You've got to

have a higher level. But if you don't have that -- If the states cannot match it then there is an issue right there.

We've got, oh, boy --

COMMISSIONER CINO: Now, you know what we're doing here.

HAROLD LINNENKOHL: I know we're trying to face it right now and you're doing the same thing. On a federal level they're no different than we are. We're looking at SPLOST programs where local governments are taxing themselves and they're putting their money into our transportation project. We're looking at is a state-wide SPLOST something where now it goes instead of the county government or city government it comes to the states so the state can address some of these issues.

These are bold issues on the state level and they're issues that our legislators just have not -- they just don't want to tackle. Nobody wants to see a tax increase. That's not what they ran on.

So the bold issue we see is how do you get by that issue. How do you get by that side and

say, okay, now we're going to look at the good of the people. We're going to have to look at the problem we've got and address it instead of looking after my concern and that's getting re-elected again. I know that they do a lot of good when they are re-elected but that is a major issue that we've all got to face and we just haven't gotten there. Not in Georgia.

LARRY (BUTCH) BROWN, SR.: Ms. Cino, Butch Brown. A couple of bold things that I think boldness is a good way to describe what's got to be done here. Everybody is going to have to step up and do something because what we have now is indeed not bold enough and certainly it's not working any longer.

Reauthorization is an issue that -- I've long objected to the six-yearplan -- the six-year reauthorization. If you study the six-year reauthorization and you find that you talk about it for two years into the six-year reauthorization and then by the time it's adopted you've got three-and-a-half years left in the six-year reauthorization it's kind of ludicrous and it doesn't work for us.

We can't build a highway in three-and-a-half years from start to finish. Everybody knows that. So, you know, to have a three-year reauthorization plan or a three-and-a-half year reauthorization plan reality doesn't work. We all know that fuel taxes are working. Until the next funding source materializes we better stick with that one. And I think to be very bold and to be very candid the next authorization ought to be for ten years because it's going to take two years to get there and we'll end up with a good long eight-year planning session to come up with the next way to fund transportation.

There is a great deal of consensus that what we have needs to be changed. I'm not so sure that I agree with it, but the fact is if there's a better way out there we're not going to find it in three-and-a-half years and we're certainly not going to find it and implement it in three-and-a-half years. So we've got one last chance, I think, to have a good reauthorization and it's going to have to be longer and it's going to have to be a bold step during that reauthorization period. Whether it

turns out to be six years or eight years or ten years, whatever it is.

But it's going to have to be one that Congress tackles and implements in a timely basis rather than talking about it through the reauthorization period. And I say that with all due respect because my senator, Trent Lott, as you know, is the public's strongest advocate for transportation in America today and he slaps himself and his colleagues very hard every time that he gets into a discussion about transportation funding.

Let me offer another thing: Boldness, and Harold touched on it again, and I'm sure these other gentlemen will have the same thing. We too are trying to share the load. We have a new plan in Mississippi called the H.E.L.P. program, H-E-L-P, Highway Enhancements Through Local Partnerships. It's been very good. It's a modified guardian initiative and it's worked very well for us.

It allows us to accelerate our construction of new and needed corridor projects, you know, up to fifteen or twenty

years to build them out and to bond through local bond issues through the community bond issuing process. Not through the state bond issuing process. And utilizing federal dollars in conjunction with our limited matching fund whether it be generated locally or through the state funds to retire those bonds on an accelerated basis. It's worked out quite well for us.

We have about a three billion dollar package that we can -- that we're working with now using that initiative and it doesn't affect our budget, self-mandate or the three percent in any given year. And we've got a three percent cap on that. So H.E.L.P. bonds and local initiatives partnering with the public private partnership. We're just now getting legislation in Mississippi that allows public/private partnership in tolls this year. And it's going to be quite exciting for us.

Tolling -- We don't have a road in Mississippi that tolls have ever paid for. So, you know, the truckers don't have to worry about tolling in Mississippi until we find a partner

and wouldn't it be nice if a government association would step up and partner with us on a public/private partnership to do one to see how they work. Thank you.

EDWARD CROWELL: Will you partner with a Georgia trucking system?

LARRY (BUTCH) BROWN, SR.: Whoever.

ROBERT MORRIS: I'd like to second your comments. What I would suggest would be a bold move, I think, would be to first look at the big picture in our economy today. Thomas Friedman said the world is flat. And what that means is our entire economic engine that is fueling the growth throughout the country has changed. We're moving from a country of manufacturing to a country of transportation and logistics. So I would challenge you to look at where the cargo is going and what the obvious connections are between states.

For example, Savannah's relationship to Memphis, Tennessee is amazing. And I don't think that the Georgia Department of Transportation or the Tennessee Department of Transportation has examined how that works and

how that could work better. The relationship between Savannah and Chicago is actually quite amazing. And, of course, the relationship between Savannah and Atlanta is something that we're working on every day.

But I think when we look at transportation today we also have to filter in there the issue of what is our economy, how is our economy growing and where do our, you know, jobs of the future rest. And they rest in moving the cargo as quickly as possible from the ship to the final destination. And I'm sure my friend from Home Depot would agree with me on that, right.

MARK HOLIFIELD, SR.: Yes, definitely.

Yeah, I think in terms of bold moves for Atlanta I may not be the most qualified. I just earlier this month closed on my first residence here in Atlanta being new to the Home Depot, about eight months. The bold idea that comes to mind for me when I was growing up my father and I travelled to Mexico many times and I will never forget riding the Mexico City subway system, the metro there.

At the time as I recall there might have

been 21 million residents of Mexico City and seven million of those residents rode that metro everyday and it cost about 11 cents. And you could be virtually anywhere in town within a half hour. Now, during rush hours it was not pretty. It was not the most elegant way to ride, but there's an example -- and I don't know how much government funding went into that and just what the economics were in its entirety. But I can tell you there are public transports like that around the world that work very efficiently and move people very efficiently.

So that's a bold idea, I guess, for Atlanta. It would take a lot to do that. I will tell you that the home that I did close on was selected in part to avoid a long commute to our corporate office at Paces Ferry and 285.

WILLIAM HAMMACK, JR.: May I? Following up on what Commissioner Linnenkohl said I do think that a bold move in Georgia could possibly be a state-wide SPLOST. The preliminary polls show that the quality of life issue in this state is significant enough now due to long commutes that people are willing to dip in their

pocket book. And I think the consensus is changing.

When it takes you an hour-and-a-half to get to work or you have to plan your day on how can I get from point "A" to point "B" because of the travel time the average voter particularly in the metropolitan area is re-thinking the value of supporting some type of alternative funding such as the SPLOST so I think the tide may be changing for us a little bit there and the preliminary polls are supporting that.

EDWARD CROWELL: You know, in the absence of effective leadership good people will do the best they can. And I think we see that in many areas of the country right now. Everything from PPIs to bold approaches to people making decisions about where they live in order to handle their own commute time. Businesses moving to where they can better, you know, have a better travel time for their people.

Your question about what would be a bold move, the short end of it in part is creativity. And I'm honestly not sure that there are a lot of creative solutions, but I think sometimes the

bold moves can be just to stick with the basics when there's competing other opportunities for that desire to go out and look for something different.

Fuel taxes work. Diversion is an issue that needs to be dealt with. I would solute the Georgia DOT as one of the most efficient in the country because the money that comes in from transportation largely stays in transportation in this state.

You know, and I think there needs to be that commitment and that leadership saying we're going to fund transportation because of all the benefits and all the value it brings to us and that would be the bold statement form which other things would flow. You know, it may not be sexy and creative, but it gets the job done and the results are where the excitement is.

COMMISSIONER CINO: I appreciate your thoughtfulness. Mr. Crowell, I have a question with regards to a comment that you made and I'll just precede that with the gentleman from Florida said that at some point they had done polls on tolls versus public roads basically

where they were used based on convenience and I probably would concur with that.

In hearing not only at this hearing but obviously at the other hearings and from other groups that talk to us, particularly the truckers, we keep hearing no, you know, no tolls. And I guess the question I have is let me reverse it on you. Under what circumstances would tolls be acceptable?

EDWARD CROWELL: In the larger world I guess that's tough to answer if you're looking for a be all end all. I can tell you specific instances because we have spent a lot of time doing this. Tolls are acceptable when they're unavoidable in that, you know, the industry is forced to pay tolls in certain parts of the interstates where there's been exclusive routes such as a bridge, you know, where you don't have a choice then you've got to deal with it.

When there is an alternative they generally are unacceptable. I've seen statistics that show you can go, you know, depending on the price of the tolls -- The proposal on I-81 in Virginia, for instance, the

gentleman from Overnight calculated they could go 280 miles out of their way and spend less money than paying the toll to go down I-81.

There are times when convenience or delivery for the customer would take precedence over the costs. The folks from UPS, for instance, pointed out that if there were a toll road and it was a choice of paying the toll versus paying on the guaranteed delivery time they would probably make the choice to pay the toll on that one instance. But as a matter, of course, they would avoid the tolls whenever possible.

So there are times when we have to deal with tolls when they're a necessity, but certainly our preference is not to be paying the fuel tax for the road and paying a toll for the same road.

COMMISSIONER CINO: So you believe that perhaps if a poll is done of truckers that convenience would not be a factor and somebody would drive 281 miles to avoid a toll?

EDWARD CROWELL: Truck drivers are notorious for answering on behalf of the company

whether they're in policy positions or not. And if you did a poll of truck drivers you might get some answers that said, sure, tolls don't matter. We don't care, the company will pay for it, be happy to. And I've actually seen studies presented that say this is the industry's opinion. Those who are in policy positions will tell you we do everything we can to avoid paying tolls when there's an alternative to go somewhere else.

COMMISSIONER CINO: And, Mr. Holifield, I guess, one of the questions I have, and we see it more and more with regards to increased goods coming in from Asia in particular and I'm just wondering what you think today versus in five years the increase will be to Home Depot and then obviously your thoughts on with the data increase, which I'm assuming that there will be an increase, how we would be able to move those goods efficiently to you to make it worth while.

MARK HOLIFIELD, SR.: Yes. Our import communication has been increasing over the years. The call for more innovative products and products that match up to a private brand

line in the Home Depot has been very well received and we continue to bring great value to the customers by increasing our global sourcing of goods. This does create a lot of freight movement across the Pacific, specifically, and into the port areas. And we have to manage this very carefully.

As I've indicated in the testimony we're the third largest container importer in the U.S. after Target and Wal-Mart. So our moves of containers we have to very carefully balance the port usage out there. Certainly the southern California ports, the situation there is, you know, from time to time a crisis and it's a long-term issue that we must address through having alternative ports out there that we can move these containers through.

So our friends here in Savannah, that's one of the ports that we use extensively and will continue to use to move our containers through. We try to balance that but at the same time it's a cost and it's a trade off and the shortest route is not always the end lowest cost route. So we do need alternative ports and we

need to make sure that these projects to relieve the port capacity are continued.

COMMISSIONER CINO: What do you think over the next five years the increase in imports will be to your business?

MARK HOLIFIELD, SR.: Oh, well, I don't know if we release our import penetration targets, but it, you know, we're between ten and twenty percent now and I would expect that to rise every year as it is in most major retailers.

ROBERT MORRIS: I just would like to add in the last five years Savannah has grown by a hundred percent and we don't see that decreasing.

LARRY (BUTCH) BROWN, SR.: Can I just add one thing on behalf of AASHTO. AASHTO has worked extensively since 2002 on freight issues -- concentration on freight issues and the Federal Railroad administrator, Joe Boardman, while he was serving as the director in New York was largely responsible for creating the initiative of AASHTO to study freight and to issue the freight bottom line -- I mean, the

rails bottom line report.

Since that time we're in a lot ways followed the bottom line report and as we speak in the final draft form soon to be published will be a freight bottom line report that incorporates all the data that has been collected in conjunction with those other reports. It's going to be probably the best piece of work that AASHTO has presented in a very long time in terms of a policy making document.

Harold, you may want to comment. Harold served as the president of AASHTO when we really made this conservated effort. Do you have anything you want to add to it?

HAROLD LINNENKOHL: No.

LARRY (BUTCH) BROWN, SR.: It will be available shortly within the next month.

COMMISSIONER CINO: Mr. Brown, I will note to Administrator Boardman that you noted his good work. Thank you.

COMMISSIONER SCHENENDORF: Thank you all. I'm going to make a comment and then ask a couple of questions maybe. But the comment is

you've heard a lot about a bold vision and people are asking you questions about what do we need to do in a bold sense and I think that this is one of the most important things that the commission is grappling with is what is our vision for the future and what kind of vision do we need for 2050 in the transportation era. I would go back to the interstate system in the 1950s and in many respects it was a much simpler project than what we're grappling with today.

The Claim Commission Report when it came out basically said that you had a vision of the interstate system and the costs -- the investment at the time it was projected to cost 38 million dollars and that vision produced the political will to quadruple the gas tax. The gas tax was then two cents, it was dropped down to a penny and by 1959 it was up to four cents a gallon. So federal excise tax was quadrupled and I would argue if they had just said, well, we need 38 million dollars more for transportation then it never would have happened. It was the vision of the United States. It was something people could

understand, politicians could understand, people said we need that, we want that and they were willing to then make the tough decisions to raise the revenue to create the Highway Trust Fund, to create the interstate mechanism for making sure that those funds went to their intended purpose and the system got built.

And today we face those kinds of changes. I mean, it's very difficult raise the motor fuel tax, we've all seen that. Widespread use of tolls would be just as controversial. There are some areas where tolling is in favor. Today we had that discussion of six cents a mile. With six cents a mile if you get twenty miles to the gallon is a dollar twenty equivalent in gas tax. I mean, so any of these financing mechanism to raise the type of money that we need is going to be expensive and it's going to be controversial. And we need to have a vision that people will buy into. So it's going to have be multimodal and it's going to have to be something that captures people's imagination and capture's the politician's imagination if we're going to make these kinds of decisions. And I think that's

why you're seeing so many questions on what is total vision. We certainly -- Any help that you can give us over time and any help that anybody in the audience can give us feel free to do so. We're certainly open to ideas.

My question is: We've talked a lot about freight movement today and highway movement, but certainly one of the things that we've seen is there's going to be a tremendous increase in population that's going to take place. I think they're estimating that eighty percent of the population between the two coasts will grow significantly. The mega regions are going to have tremendous population growth which really brings the question of transit and what role it's going to need to play, inner-city rail, passenger rail, which is part of our mandate. I would be interested in what kind of bold ideas or visions do you see for need for passenger transportation whether transit inner-city rail, or?

HAROLD LINNENKOHL: Let me start, Mr. Chairman, and I'll talk about what's here in Georgia and it may be similar in some of the

other parts of the country. The percentage of the population of workers, the people that use the public transportation, whether it be transit, whether it be a bus system, whether it be our MARTA rail system we have here or inner-city type travel is very small. We in this state have not accepted the fact that with all the great needs we have today we have not accepted the fact that we need to put money into a system that provides that little service. I mean, the service is there it's just the use is not. And I want to feel like we've got to put these systems out there.

In this city we've got to put commuter rails spoking out to metropolitan areas. We've got to connect our other metropolitan areas whether it be to Chattanooga, to Macon or down to Savannah. We've got to have some connectivity. We've got to move these people in some kind of a fashion to get them off of our highway system because the system we've got today, I said it earlier, I think we're limited on how much we can put into that. We know what we need but we don't have the money to build it.

We can't toll it because people don't want to pay tolls. We can't raise the gas tax because people won't listen to that.

So we're saying then, okay, well, what do we do? We can't build what we need to. We've got to look at some other kind of alternative transportation. Now, if that's a -- we've got a good system here around metro Atlanta area. One of our sisters agencies, GRTA, has got an express bus system that does spoke out and it does move a lot of people. It's still on the road system and if there's some congestion or whatever it's still going to sit there. So we've got to provide some other kind of lane system, maybe, if that's the route we're going to go.

We've got to provide some kind of a system though and I think we've got the will on the transportation experts to do something like that, but on the political side it's not accepted just because we're not showing a return today like we would on a new lane of highway.

LARRY (BUTCH) BROWN, SR.: Mr. Chairman, one of the bottlenecks that have been identified

in transportation, passenger rail in particularly, and I'm -- Certainly, in Mississippi we don't have an extensive system of that by any extent of the imagination, but, you know, we're using freight rail corridors for passenger movement. And, you know, there's a good argument to be made that that system has got to be separated. I'll give you a good example. I see, Rick, I think you probably studied this somewhere along the line with your expression.

The CSX Railroad going across the southern part of the United States and eventually going from Jacksonville all the way over to the port at Long Beach faces a major dip right into the city of New Orleans. Well, that same rail is partially used for passengers, you can imagine the difficulty in going from east to west on a passenger rail when you've got a three day bottleneck and choke point inside -- just for freight alone inside the city of New Orleans. There's got to be some separation on how those freight lines are being used to carry passengers.

COMMISSIONER SCHENENDORF: Anybody else?

EDWARD CROWELL: Mr. Chairman, I would start by complementing your assessment. That is probably the most conscised coaching of what the situation is and obviously you've had quite a bit of time to refine it, but it is spot on. I mean, this is a major challenge.

I think perhaps one of the things that we could do is be willing to separate and understand that there are different answers in different parts of the countries to some points. There are rail systems and other multimodal systems that may work well in densely populated areas such as Washington D.C. or New York that do not function well here in metropolitan Atlanta.

There's a good study out and there are numerous good studies out on how to do this. The Georgia Public Policy Foundation here has several. The Recent Foundation recently released one for metro Atlanta pointing out the difference in the demographics between here and a transit-friendly city. Those are things that obviously have to be in the mix to make the

right decision for each metropolitan area and I think that's important to do.

And I think, too, we should never underestimate technology. You know, fifteen years from now there may be electric cars that are computer separated, you know, taking care of themselves on the highway system increasing capacity. So, you know, people will bring some other solutions and ideas to the table.

ROBERT MORRIS: Can I make one comment back to your issue of the full vision and what the American people would buy into because they're obviously not going to buy into a large tax increase and we can't go back --

COMMISSIONER SCHENENDORF: See, I don't think that that's true.

ROBERT MORRIS: Well, we can't go back to Eisenhower and say, oh, we're going to get you from one end of the country to the other because that's already been done. What I would submit to you would be that this is about re-tooling our economy. This is about allowing an entrepreneur in a little town in Illinois to go on-line to order something either from China or

to make something in his back yard and to be able to deliver it just in time to his customer anywhere in the world or to be able to buy that piece of equipment or whatever anywhere in the world just in time.

I've got a great story with three young boys, grade school boys, who live in Savannah and they started selling over the Internet things that they thought were cool to their friends and they are now importing product from China through our port and the father has quit his job and it's a multi-million dollar business. They're moving to Memphis and they're not sure, because the wife has got another job, they're not sure whether they're going to have the just-in-time they need to put their glow sticks up on line for their friends to buy.

You know, and they've been asking us that question and there are hundreds --literally hundreds of other entrepreneur stories like this. So I think one of the ways to package this from America is to say we need to re-tool our economy and the way we re-tool it is by getting you to the world market quickly.

COMMISSIONER SCHENENDORF: Okay. We have about six minutes left to go before we break for lunch and so we have time for maybe a ninety second question and answer from each of our commissioners.

Commissioner Geddes.

COMMISSIONER GEDDES: So we get one?

COMMISSIONER SCHENENDORF: One quick question and answer.

COMMISSIONER GEDDES: Okay. Let me just quickly follow up with Mr. Holifield on your answer to Commissioner Odland's question. When you were critiquing congressional allocations about resources under SAFETEA-LU the quote from you was funds should be used to flow where needs are not to earmarks, okay. Can you answer for me though how would you determine the needs in that case?

MARK HOLIFIELD, SR.: Yeah, I think the way to determine the needs is through that national transportation freight policy that we talked about using freight-based metrics to understand where the choke points and the bottle necks are. And look at things from a freight

point of view to identify just what -- through metrics you can identify where the needs are. I think a national policy that agrees on what those metrics are and then to ensure that they are collected fairly and analyzed fairly would be the way to do that.

COMMISSIONER GEDDES: Thanks.

COMMISSIONER SCHENENDORF: Commissioner Odland.

COMMISSIONER ODLAND: Well, I'm going to open back up -- You know, we pluck every problem there is in the country. We know every intersection and freight crossing. You know, the questions is: What should we do about it. And if you were just to give your wish to this commission. I know, fix it, right? But what is it? You know, where do you want us to focus? Do you want us to focus on freight or passenger? Do you want us to focus on policy or do you want us to design something to build? You know, what is it that you see as the best outcome world cross?

WILLIAM HAMMACK, JR.: I would say that the Chairman is right on point in the fact that

I would like to see you focus on a comprehensive multimodal plan. And without that there's too many special interests. And whatever you come up with is destined to fail because of the secondary issues around it. But if you come up with a multimodal, universal plan that you truly believe will work just like Dwight Eisenhower did I do not disagree with you that the money will come.

COMMISSIONER ODLAND: Anybody else?

EDWARD CROWELL: I would say again focus on freedom. The bold vision should be to do whatever it takes to enhance the freedom, mobility, economic growth for the children and the grandchildren that we're going to have. You know, we reap the benefits of what they started fifty years ago, let's make sure there's something that benefits our kids fifty years down the road.

LARRY (BUTCH) BROWN, SR.: I'll just jump in and add, Steve, that I don't necessarily agree with my colleague that I don't think that the money will just come. I think it's going to have to be some strong, strong commitment --

legislative commitment that's funding transportation because without it we don't get education, we don't get diversification, we don't get any of these things that we hold so dear. We've got to have a guaranteed stream of funding.

COMMISSIONER SCHENENDORF: Madam Secretary.

COMMISSIONER CINO: Mine is really just more of a comment due to the fact that we're standing between you and lunch. And it really has to do with regards to like it our not, it's my opinion, that public and political will will influence this process. And if we can try to work with it but I think that some of you have readily admitted that trying to get even your state legislators or let alone some of our federal officials to think about the tax increases is going to be difficult. And given the timing it could be more difficult at one time than another.

I guess, my general comment would be that in looking at the task that we have ahead of us we are truly looking at a combination. I don't

think there's one size fits all, but it's going to be a combination of alternatives and whether it's bold or creative it's going to be offering, I think, a variety of different things given that fifty years ago it was 38 million, as Jack pointed out, to fund the interstate. And now we're predicting God knows what, trillions of dollars to maintain and build capacity. So I look at it as going to be a combination of things that people are going to have to accept and maybe more readily accept because it's not just one thing. Like I said, just a comment.

COMMISSIONER SCHENENDORF: My closing comment, and I agree with the secretary, I've felt all along that the final solution is going to be all of the above. It's going to take all of the above to get the job done. With that we have finished right on time so we're going to take a lunch break now and we'll start with out third panel promptly at 1:15. Thank you all.

PANEL THREE - FINANCES:

COMMISSIONER SCHENENDORF: Okay. Well, why don't we start. Again, thank you for all of the witnesses this morning. I think that was

very, very helpful and very, very productive. And I'm looking forward to a productive afternoon. Just so you know, your written statements will appear in our record. Not only that, but we're getting copies of the minutes, so you will have a chance to review your statements. So I would like to ask you to take five minutes to summarize your comments and the rest of the time will just be give and take with the questions. And according to -- Sticking with the agenda here, we will start with Mr. Peterson.

DAVID PETERSON: Thank you. Good afternoon, Commissioners. I'm David Peterson, and I hold the position of director in the Transportation and Infrastructure of Royal Bank of Canada. I've been based in the United Kingdom for more than a decade. And I've had experience in public/private partnerships, or PPPs, across a number of countries and sectors. I am pleased to have the opportunity to review with you today my observations on how PPPs are improving in the European and other international markets with the innovative and

especially for procurement of financing mechanisms for the delivery of a successful infrastructure.

I will start by trying to define public/private partnerships. I will provide some historical context. The term PPPs covers a broad spectrum of private sector involvement in infrastructure. In an international context, PPPs were understood at a minimum to involve design and build construction. More often though, it describes situations where the private sector is also involved in financing, operation and maintenance of the infrastructure under a long-term contract often referred to as a concession agreement. In applying those variables, we've reached a point where the private sector's payments reflect utilization of the assets.

Internationally PPPs have been heavily focused on the provision of new or significantly enhanced infrastructure often referred to as Greenfield projects as opposed to the monitorization of existing assets with proven revenues. As such, my comments will be skewed

to Greenfield PPPs.

In a PPP, the public sector defines what's

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COMMISSIONER SCHENENDORF: Excuse me.

We're having trouble hearing you if you could bring the microphone a little closer.

DAVID PETERSON: Can you hear me?

COMMISSIONER SCHENENDORF: Yes, go ahead.

DAVID PETERSON: In a PPP, the public sector defines what's required to meet the public's needs. Ideally in the form of service outputs such as the private sector can contribute to defining precisely how these needs would be best delivered.

Through the concession agreement, the public sector then ensures the delivery of the outputs is set by a very detailed allocation and responsibilities such as rewards, and sanctions. Therefore, in a PPP the government role changes from that of directing and managing infrastructure to one of contractual oversight with quality outcomes. The private sector role expands from just being a builder assets to a long-term provider of services.

In Europe, PPPs were initially pursued by the United Kingdom under its private finance initiative in the early 1990s. This has expanded to a broad array of other European countries. Additionally, Australia and Canada have notable PPP programs.

In most markets where PPPs have been pursued, the initial drivers were budgetary in nature. Hence, PPPs were seen primarily as a means of accelerating the delivery of infrastructure. However, as I will describe further in a moment, the benefits of PPPs have proven to be much broader than initially expected. Interestingly, surface transportation projects often lead the way. And like in many countries, the application of PPPs has spread to a much brighter -- broader array of essential infrastructure. And this includes schools, and hospitals, waste treatment and government buildings.

From the bottom of PPP experience, a number of practices have been observed as being critical to the successful application of PPPs. Some of these include clearly defining

immeasurable project outputs, a substantial measure of operating and services content, sole financing in higher-end designs or even the surface approaches were in place for a common purpose. People who can do what is required of the PPP at a similar price. Sufficient size. These are complicated arrangements that take a while to put in place and below a certain size that effort can be too great to merit applications. And probably the most important are the appropriate levels of risk transfer.

The risks transferred in a PPP have to be commercial, quantifiable, and within the reasonable control of the private sector if it is to absorb the -- and as a result optimal risk transfer where the party is best able to manage the risk at the lowest cost. It does not equal maximum risk transfer. Surface transportations generally exhibit these core features.

Now for the observed benefits of PPPs. The primary benefits are several, and I'll go through them briefly. First, the innovation from the private sector in defining the project, the act of delivery, and the surface provision.

More carefully considered optimal risk allocation; operational and the efficiency in cost control; detailed consideration and optimization of whole life costs; the significant improvement of delivery of construction to tie into the budget.

And I've cited studies in my testimony done in the U.K. where there was a market turnaround in that particular community ninety percent of the PPP projects being delivered to tie into the budget whereas prior experience had been nearly seventy percent of non-PPP projects were fatal. High quality service performance. And this arises, I believe, from a national customer service mentality. The same U.K. study showed that the public sector managers under PPP guidance, more than eighty percent of them were satisfied and felt that the projects had met their initial expectations. Twenty-five percent of them felt that they far surpassed their expectations.

Now for broader effects of PPPs. In the growth sector, PPPs have caused the development of numerous companies specializing in the

ownership and operation of roads internationally under voluntary concession agreements. These companies with multiple concessions have led to greater transference of the operational best practice. And an increased level of equity availability is unacquitted and therefore lowered costs of they also offer efficiency discounts.

The international experience of PPPs has also contributed to significant application of pension funds and insurance companies who are national investors for PPP equity. And its led to a very deep and broad appetite for these investments.

I would be remiss not to focus upon protections which have been sought within PPP contracts of affect the public interest. All parties of PPPs recognize the importance of these. In fact, the overriding theme of successful PPPs needs to be one that can stand the test of time in hindsight where there is no winner or loser. Most of the protections are contractual in nature. These contracts are highly complex. I can't go into the depths of

contracts. They're often around three or four hundred pages. But there are a number of key protections for the public sector that I think should be highlighted.

First, the measures to avoid the perception of excess profit. Examples include revenue sharing or variable length concessions triggering off of the private sector and measures to share refinancing gains. Limiting the payment and performance directly to desired outcomes: availability, congestion, safety and the like. Equity (inaudible) restrictions to make sure that this capital is in the game during key risk phases; and in real toll profits setting sensible and sustainable maximum toll rate progression.

The public sector, finally, for PPPs, in many European markets, has sought to improve their efficiency and I'll cite very briefly in two ways. One, in terms of procurement. A number of countries have set up PPP bodies such as partnerships in U.K. or partnerships in D.C. These entities are sought to transfer the skill and experience with negotiating PPP arrangements

amongst the public sector. They have also sought to establish best practice and standardized contracts to avoid negotiating things over and over again.

And secondly, in terms of funding, in a number of jurisdictions, the public sector has become involved in seeking to provide funding on terms which are better than is commercially available. I cite in my evidence here that the investment bank falls parallel to how that -- the TIPIA program in the U.S. is close to the idea in concept. And finding that some governments have sought to further improve funding terms through partial guarantees to commercial funding and the like.

Finally, there are a number of challenges in the U.S. PPP market. First we realize the fact that its very new and it's been used in multiple markets. I will pause there to touch on some of those challenges in the question and answer area. Thank you.

COMMISSIONER SCHENENDORF: Thank you.

Next, Ms. Rountree.

ROSA CLAUSELL ROUNTREE: Good afternoon.

My name is Rosa Clausell Rountree, and I am the executive director of the State Road and Tollway Authority. And please don't let the name mislead you. Your toll authority -- that is just -- mainly our charter is to do tolls. We're actually the transportation findings authority. Tolling is just one of the mechanisms we use for financing transportation. So thank you for allowing me to speak to you today about some of the concepts, some of the challenges and opportunities that we are facing when we are looking to more users financing transportation infrastructure.

I'm sure you're all aware that in the early 20th century, this very turnpike you refer to as our grandfather toll road was in existence, and in its first year exceeded its travel -- its traffic and revenue projections by sixty percent. Why was it so successful? Because one of the things it did was that it reduced the travel time by three hours from the state capital to the state industry center in Pittsburgh. There was a need. There was value. Therefore, it was a successful project.

Since the Pennsylvania Turnpike's incredible success, we've seen over the next twenty-nine states where they have collected toll revenue to the tune of 6.3 billion dollars. And that's separate and apart from any motor fuel taxes. You've heard earlier today about Florida's turnpike. It began in 2005. They've collected over 586 million dollars in toll revenue simply on 460 miles of toll road.

Most of this collection is done via private toll collection. Yes, technology is also a part of tolling. It allows us to move anywhere between 1600 cars and vehicles to 2400 cars per hour versus the old manual way where you used to stand out in the lane and collect it at 400 vehicles moving per hour. We're always looking at opportunities to improve what we are doing in the toll industry.

We like to think of ourselves as being in competition with the private sector because we recognize that our customers, if we're not adding value, then they'll choose another alternative. We believe transportation is about choices. And if you're not adding value, then

customers will find another alternative.

Indeed, one of the most attractive features of user-funded highways is that by their nature, they are demand driver. If there is no traffic volume, and there is no demand, there is no toll road. There is no toll facility. There must be a need and they must add value. Earlier today you heard Ed Crowell. Very unusual for the Georgia Motor Trucking Association to be speaking of a truck-only toll site, but yet we pulled off the study here and we included the users. What a concept. Bringing the users to your table as your steering committee to come up with the process of looking forward for improving congestion and letting them have a voice.

What we found out with that study was that we didn't have to mandate for them to use the truck-only toll lane. In fact, it was an interesting discussion because to start with we thought we were going to have to mandate it. What we found out with more free flow of traffic, we'd actually have to price them to keep them off the toll road. Everyone's looking

for some value added and our studies were able to produce that.

In Atlanta, in Georgia, we have one toll road. It's 6.2 miles of road. It was underwritten by the users and it offered an alternative solution. And today it serves over 41 million travelers annualized with 23 million in annualized revenue. As we move forward, we are constantly looking for ways to improve our existence. How do we get better? How do we add value? How do we make it so that our customers appreciate that we have something out there?

Florida, one of our neighboring states, utilizes various toll agencies to provide alternative solutions for the traveling motorist. One specific we heard from today was Chris Warren, from the Florida Turnpike Enterprise, referred to as FTE. It is considered a well-designed and a modern public toll agency. We think it's a near perfect example of the balance that can be struck between the flexibility needed to interact with a market-driven business model and the public's desire for accountability.

And in 2002, Governor Bush, like all the other governors we're seeing in Indiana, was opposed to a proposition to sell the Florida Turnpike Enterprise. A study was commissioned, which resulted in the recommendation to keep the Florida Turnpike Enterprise, but make it more of a business solution. So what they do is they operate as a business with public motives. What a concept. Again, remembering that the customer is the bottom line and not necessarily the revenue.

FTE has been astoundingly successful in meeting the needs of the motoring public's regards to efficiency, road maintenance, facility improvement, and as we heard earlier today, evacuation management. Today at the State Road and Tollway Authority, we are able to employ similar studies because of our economy and the public accountability as we are a state authority.

Beyond ample finding in the new facilities use fees are successful in managing traffic demands and affordable. Allow me to dismiss the urban spell of a Lexus lane. As in California,

everyone said that the only people who use it are the Lexus lane users. Now, of course, the Lexus dealership loved that, but the rest of us took issue with it. What we found out was that it was used -- thirty percent was used by the preferred Lexus lane users. The others were used by the mother who had to get to daycare because her daycare was \$8.00 an hour -- \$8.00 a minute compared to the \$3.00 or the \$7.50 they had to pay if they used the facility; or the person who had to get to the airport; or the person who had an appointment; or the person for one -- for that particular moment in time, their quality of life was more important than sitting in a general purpose lane. But it's all about communications.

They had the encouragement to put dynamic message signs so that you could communicate to customers so customers could make decisions. How dare us decide what the public needs. Let's let them decide for themselves. We put up these dynamic message signs and the public could then decide if you wanted to pay the prices, then you used the HOT lane. If you did not, you used the

general purpose lane. I propose to you today, thirty minutes of riding in the general purpose lane, or five minutes to ride in a HOT lane, and H.O.T. lane, and you pay \$2.00. This morning it took me an hour-and-a-half to get through downtown traffic. I would say I'd pay the dollar-and-a-half to get me to where I needed to go. And you wouldn't be late for the session this morning.

However, there is a difference between tolling and pricing. Tolling is used for underwriting construction, operations, and maintenance costs. Pricing is regulating the use of a facility once built. (Inaudible) reliability charging higher prices when demanded the highest underscore to the customer for the value of that service. Just as we expect the lights to come on when we flip on the switch, on the hottest summer day, we should expect to arrive on time no matter what our choice of travel.

As seen in Minnesota and similar progress in California, converting HOV lanes to price lanes can better meet the demand and result in

substantial revenue streams. The collected fee that is now obligation for minor debt maintenance and operation expense can also be used to help public transportation projects.

You heard earlier David speak of PPPs. Our concern on the multi-sector side would be ensuring that we have the proper tool in place. A contract. One that we understand. One that, in the end, would be beneficial for all concerned.

So let me wrap up by saying there are a number of things we'd like to see in the next authorization bill. And a lot of that fund should be educating the public as well as using some of the toll credits that are out there. Instead of saying that there's a limit to it, that maybe we look at maybe there's a restriction of amount not if there are any federal funds. There's nothing that could be used for the toll credit, but maybe allow some percentage of federal dollars. And with that, I will turn it over to the next panelist.

COMMISSIONER SCHENENDORF: Thank you.

Mr. Rue.

HARRISON RUE: Madam Secretary and members of the Commission, I'm Harrison Rue, director of the Thomas Jefferson Planning District Commission in Charlottesville, Virginia. I am appearing today as vice president of the Association of Metropolitan Planning Organizations. AMPO was set up by Congress so that cities, counties, states, and federal governments could get together and decide how to spend our federal transportation dollars.

Metropolitan areas account for eighty-five percent of our country's population, jobs, and economic output. They are centers of social and economic activity, hubs of the national transportation system, portals for the movement of people and goods, and gateways to the world. Transportation investments in metropolitan regions over the past two decades have fallen far short of the demands placed on them by population increase, growing goods movement and greater economic activity. Forty-six new MPOs were created after the 2000 Census, bringing the total to 385 MPOs. We can expect another 52 MPOs in the future if the estimates hold. We

need to equip these regional transportation decision-makers with the tools to handle the demands placed upon them.

As the era of the interstate comes to an end, we are embarking on a new transportation age. Our past reliance on the system's links, the highways and rails, rather than the nodes, the cities, stations, and ports. This produced a fragmented transportation system that actually functions the worst at the very places where people live, work, and do business. The system no longer meets the needs of our nation's population and employment centers.

The top twelve U.S. metropolitan areas have populations larger than the 25 smallest states. These large metro areas should have the same resources and authority given to State Departments of Transportation. The MPO structure which pulls together the cities, towns, and states, puts MPOs squarely in the position to solve these complex problems, which are critical to the continued economic health of our nation and our global economic interest.

I offer two potential metropolitan

solutions: True constitutional regional government, a little bit beyond the scope of your charge; and second, regional governance and funding. Currently, true regional government exists only in Portland, Oregon as far as I can tell. The Oregon Constitution was amended to give the three-county Portland region the same legal status as cities and counties. And Portland recognized that issues that impact metro areas such as coordinating transportation investment and land-use decisions, do not stop at the borders of the county or city.

The second example -- And I understand I actually -- I put this example in -- You're actually going to Las Vegas coming up soon. I wasn't aware of this when I gave you the example, but I've talked regularly to them out there about this. The Regional Transportation Commission of Southern Nevada is the MPO for the Las Vegas metro area. It acts as a transit provider, a road builder and an operator. The RTC does not rely solely on federal dollars. Its transportation funding authority includes a local option gas tax, an aviation fuel tax, and

a sales tax. The RTC has the tools to implement their unique regional vision. And you'll see what that is about in your next visit. They're an excellent model to help rethink our national strategy, looking to MPOs to lead transportation activities, and directing a mix of federal, state, and local funding accordingly.

I have focused on the larger regions, but remember that many of our mid-sized and smaller MPOs are equally effective at creating consensus on priorities, and developing cost-effective strategies for improving multimodal transportation choices. Any new transportation solutions should take this into account and maximize the effectiveness of the evolving MPO system.

I would like to mention briefly the issue of earmarking as it relates to metro regions and the planning process. Excessive earmarking is contrary to the continued healthy growth of our transportation system. State stewardship of federal funds is most effective in balance with regional strategies. Earmarks often serve a limited purpose without addressing comprehensive

regional needs. While MPOs have figured out how to make earmarks work -- I'll confess, I had one last year and was very happy with it. It is far more effective to focus funding on an approved metropolitan transportation plan. I want to mention the era of the metropolitan region where I think we ought to be going.

The continued focus on excessive earmarking, the failure of political will to raise the gas tax, and the limitations created by the lack of a compelling national transportation vision have led us down a path of funding challenges, compartmentalized actions, and a questionable future. It is time to reevaluate and restructure our transportation system to meet 21st century demands. The era of the interstate has ended. I believe we should move forward into the era of the metropolitan region.

Our great nation has faced transportation challenges before, and we've conquered them. We were founded in an era of clipper ships and expanding global trade. We opened up the West with an intercontinental railroad system. We

responded to Sputnik by landing men on the moon and then built the world's largest and most comprehensive interstate highway system. We have completed that network and now need to focus on the places where those corridors connect. It's the metropolitan regions where the goods are made, where people do business and raise families. It is time for a new transportation vision for the new century with regions at the heart of it.

I thank you for your work and look forward to your incites and commit to working with you to implement solutions.

COMMISSIONER SCHENENDORF: Thank you. Thank you to all the panelists. And we'll start the questioning of this panel with Commissioner Odland.

COMMISSIONER ODLAND: David, can I just start with you. You know, public/private partnerships are kind of new in the whole transportation world. Why are people -- You know, why is the private sector interested in putting money into roads?

DAVID PETERSON: I suppose taking a step

back, it would be worth noting that in various states, a number of companies that were being asked to -- were very responsive. They were real estate construction companies who saw PPPs as just another channel in construction work. But governments like the U.K. were mandating that PPPs should be used. And they therefore experimented with permission of risk capital into the projects they were working on.

Parties then began to realize that practice was, A, a freestanding business opportunity that was different from their underlying core business in an number of positive ways. Construction companies work with very thin margins. They take big risks. And they found that they could earn a steady, fair, more smooth level of return by being involved in concession agreements.

COMMISSIONER ODLAND: Right. But now you've got all sorts of investment pools, whether it's, you know, pension funds or private money seeking to invest and buy infrastructure. The reason is because there's a return, right?

DAVID PETERSON: Sure.

COMMISSIONER ODLAND: Okay. And that return has to be in excess of their cost of capital, right?

DAVID PETERSON: Yes.

COMMISSIONER ODLAND: So it's interesting that a lot of the testimony we heard today and elsewhere said that none of these roads that people are building return. You heard from Mississippi today that not one of their roads would get a return. So it's got to be true then that these PPPs are only looking at the roads or these projects where they can have an above-cost capital return, right?

DAVID PETERSON: I would observe that PPPs are applied in many instances where there is not real tolling involved. So those observations are made where the economics of those roads could not be free-standing if they were only to be financed by a collection of tolls.

COMMISSIONER ODLAND: So you're saying that PPPs go in where there's no return?

DAVID PETERSON: No, I'm not saying that.

COMMISSIONER ODLAND: But you've got to stipulate that you only put private money in

where you get a return. So you're only going to invest in those things -- in those places where you can get a return, right?

DAVID PETERSON: Right.

COMMISSIONER ODLAND: So if they're not private/public sector roads, why should the public sector sell the roads where there's the only place -- if the public sector can earn the return. In other words, you know, you're selling on your roads where it's possible for the state or the local governments to get a return, why give the return to the private sector?

DAVID PETERSON: First thing I would make a very clear distinction between, as I said earlier, access monitorization, selling or using for a long period of time existing operational assets. I believe it's a very different undertaking to the development offered much earlier in a very sensible fashion of access by PPPs. Secondly, the picture needs to be looked at on a risk-adjusted basis. The private sectors warrant the returns its seeking in these projects as it's also assuming a large measure

of risk and that's risks not just in the physical construction of assets but in the long-run operation and maintenance of them. And there's always -- There could be a very simple but partial comparison in the cost of funds of private concession PPP versus a public buy-in with access to -- under the same taxes and debt. But I will put to you that what's being ignored there is the risk which is staying with the public sector under non-PPP arrangements.

COMMISSIONER ODLAND: Yeah. I'm just suspicious of this because, you know, after listening to the testimony from Mississippi, there's no PPP that would go there because he said that there's no return. So if the only viable asset is your return it's going to be a small percentage or a certain fixed percentage, and that same return could improve the people who are running it today monitorization notwithstanding. You know, that's my only point in this thing.

ROSA CLAUSELL ROUNTREE: Steve, may I offer a comment?

COMMISSIONER ODLAND: Yeah.

ROSA CLAUSELL ROUNTREE: Briefly we were talking earlier about there may not be a tolling PPP, but it could be something in the availability process -- availability payments from that type of thing. Where that maybe where something is built and the private sector can guarantee that it gets built, and constructed, and be totally accountable for what they deliver and then the money is paid for after it gets built. So there's still -- They'd still have a return. Just not

necessarily a tolling type project as you may be thinking.

COMMISSIONER ODLAND: Well, the public sector can build roads too, I think.

ROSA CLAUSELL ROUNTREE: Yes, they can.

COMMISSIONER ODLAND: Ms. Rountree, if I can turn to you, how much revenue does your agency raise?

ROSA CLAUSELL ROUNTREE: 23 million annualized.

COMMISSIONER ODLAND: Annually. How much does it cost to run your agency? What's your total annual budget?

ROSA CLAUSELL ROUNTREE: Our operating expenses are at 12.5 million.

COMMISSIONER ODLAND: So you're bringing in 23 and you spent 12. So you're spending --

ROSA CLAUSELL ROUNTREE: We bring in 23 and our operating expenses are at 12. That's correct.

COMMISSIONER ODLAND: So in order to run a tolling authority, you're spending fifty percent of what you bring in?

ROSA CLAUSELL ROUNTREE: Now, several things are going on, and that's about right. And you're accurate. We'll say anywhere between thirty-eight to about forty-something percent is what we are typically spending to run a toll facility.

COMMISSIONER ODLAND: How much would it cost to raise that same money by raising the gas tax?

ROSA CLAUSELL ROUNTREE: I have not done that calculation. However --

COMMISSIONER ODLAND: If we raise the gas tax one cent a gallon and we raise 25 million dollars, would it cost any more to do it?

ROSA CLAUSELL ROUNTREE: The question that you're asking is more of a political question. And the question goes back to --

COMMISSIONER ODLAND: I'm just trying to do the math question first.

ROSA CLAUSELL ROUNTREE: You've asked the question, and it's an interesting one. Because in the state of Georgia alone, the last time we raised our gas tax was in 1971, we raised it 7.5 cents. The next time we did anything was in

1979, when we put in a sales tax, which is four percent. Three percent towards transportation infrastructure. Now, considering that, then you must have the question in the back of your head, well, why is that. Well, even though we've done a great job of constructing the transportation infrastructure that we have today, we've done a poor job of acknowledging that and making sure the public understands that. Therefore, there is a disconnect.

And we constantly hear them saying that roads are free. Roads are not free. We don't have the funding. So can we politically raise the gas tax so that we did not have to do the use the user-finance facilities? I would say potentially.

COMMISSIONER ODLAND: So basically what you're saying is if the politics notwithstanding it would be much more efficient to go out and get the funds a different way is essentially what you're saying?

ROSA CLAUSELL ROUNTREE: It's always an opportunity.

COMMISSIONER ODLAND: Always an

opportunity, okay.

ROSA CLAUSELL ROUNTREE: Always an
opportunity.

COMMISSIONER ODLAND: Do you do research?

You know, you talk about a customer-based approach. Do you do research with your customers?

ROSA CLAUSELL ROUNTREE: We surely do.

COMMISSIONER ODLAND: Do they like tolls?

ROSA CLAUSELL ROUNTREE: Yes. On Georgia 400 they do.

COMMISSIONER ODLAND: They like paying tolls?

ROSA CLAUSELL ROUNTREE: Let me tell you what happens. You know, when I first started this business about fifteen years ago back in Florida, it was the old manual way of paying tolls, and people didn't like it. You know, and we didn't have a big customer base. But then it got to where people said the haves and the have nots. You know, those who have cash bonds and those who have not, and they thought they were in the members only club. And the ones who were in the members only club, they liked paying tolls. They liked that technology and being able to whiz through the lanes.

As we continue to get better, we continue

to add value. People value their quality of life. It's all about valuing your quality of life. They love knowing that it's a reliable travel time versus the general purpose lanes that you can't, based on what's going on, you don't have a reliable travel time.

COMMISSIONER ODLAND: I can't believe people would honestly say I like paying tolls.

ROSA CLAUSELL ROUNTREE: I don't think anybody is going to stand up and say I like paying --

COMMISSIONER ODLAND: Okay.

ROSA CLAUSELL ROUNTREE: If you go to the zoo, the park, or any amusement park or any Disney and Disney has increased its admission to \$63.00. Do I like paying \$63.00 to attend Disney World? No, I do not. But do I do it? Yes, because it's my choice.

COMMISSIONER ODLAND: I think people like going to Disney more than they like paying tolls. I want to come back to Mr. Rue but I don't want to dominate. So I'll come back and let the others have a chance.

COMMISSIONER SCHENENDORF: Madam

Secretary.

COMMISSIONER CINO: This will be interesting. I just had the opportunity to hear Governor Randell talk about what he is about to embark on for a challenge that he has and to paraphrase, certainly not quote the Governor, he said when they looked down at the turnpike, the Pennsylvania Turnpike, they have a problem. And people all over discuss it. His is how the hell do we maintain this? And that's my adjective not his. Looking at that, he said they could do nothing, which is really not an option. They can raise the gas tax, which he didn't think the legislature would do, or they could look for alternative financing, which is what they're doing.

And it's my understanding that he had received somewhere from thirty to forty bids or shall I say proposals, they're not bids, proposals to at least look into the increasing of the turnpike. And I guess kind of following on Commissioner Odland, meaning he -- This Governor is very savvy. Certainly is political. Certainly knows several of the ramifications,

but in looking at what he's proposing to do, and I'm looking at you Rosa, I apologize, but you're using that as your example. You know, he listed some of the advantages to looking at the private sector. I wonder if you might be able to list some of the advantages with regards to going the private sector route, and not even capacity, this is just to maintain it.

ROSA CLAUSELL ROUNTREE: This is an aging asset. And one of the things that we're doing is making sure we have asset management. But as you look at it, the one thing that we see that is available for PPPs is that the fact that we can advance projects. We can get them done faster --

COMMISSIONER CINO: So you're doing it faster?

ROSA CLAUSELL ROUNTREE: -- than the old pay as you go. As you know, to do the invoicing is eighty percent, twenty percent and it's a slower process. Where a private sector comes in and literally, once we get over some of the same hurdles, the environmental processing we go through, they can construct faster. Also, you

can lock them into a guaranteed rate given the right contract. I cannot stress that enough. It's so new to us. We're trying to learn it. We're looking at lessons learned all over.

And so if you have the right mechanism in place, not only can you get it built faster so that you can use it now, the customers can use it today, but also that you can lock them in place. I don't know what construction costs is going to cost in the future. If someone had said to me five years ago I would be paying 3.50 or more for gasoline, I would have said no. Even though I lived in Newark, and I paid more than that in other states, triple the price. I just never thought I'd see it in the United States. Therefore, there could be times that we could lock in a cost. The other part of that is that we can then say we want guaranteed performance. What's our service level going to be like?

I keep going back to customers expect a service level. We can't look at the system the way we did. Before we thought it was a road. We were entitled to it. We looked at that road

as being there so that we can get from Point A to Point B. Now we look at our customers and say, do we add value? Do we deliver a quality of service? In that regard, we're looking at three P's. We can demand it in our contract that they also have a service level that they can deliver after. And so those are some of the things. I'm sure he has a list of others. But each environment is different in that what you can look at and what you can bring to the table.

COMMISSIONER CINO: In looking at some of the, if you will, advantages and certainly there are disadvantages. But in looking at the advantages, just to kind of hone in on one of your points that you can lock in on a rate that obviously guarantees you a return, the way -- And you made this point, and I'll reemphasize the way the a contract is written, you could potentially get this money up front, which in the case of Pennsylvania.

I did not know this and I'm sure not many of the audience knows there are five hundred bridges. As a matter of fact, Pennsylvania has more covered bridges than any other state in the

country. And these are aging, but historic. And they have to be preserved. So the Governor had mentioned the fact that money that he was going to take from the concession that he was then able to use for other projects and go forth from there.

The other point that was made was with regards to the lock-in, which I appreciate you touching on that. Which is that you can take money that is in today's dollars that can go further than three months from now. That's being facetious, but certainly three years or five years. So that money will potentially go further for financing as we see in Indiana with the projects that are going to be done. Thank you very much.

Mr. Peterson, how much money is there out there do you guess? I keep hearing rumors with regards to what the private investment companies are raising and what potential is of dollars out there for investment. And I know it's a guess. And actually if anybody wants to jump in.

DAVID PETERSON: It's a very significant amount. What we see headlines for the recent

raising of equity funds by names such as Goldenstein (phonetic) and Morgan Stanley, a team of GE Capital, and the like. Again, these companies are largely raising that money from buying old investors, such as insurance companies that are often under-managed or inexperienced and putting their money toward directly. That being said, there are a few exceptions. Some of the larger Canadian pension funds often invest directly. We're talking billions of dollars.

COMMISSIONER CINO: Twenty?

DAVID PETERSON: I've seen estimates, but again, I'm really just repeating research that I've read of equity in the region of 30 million dollars. And that, of course, can then be leveraged fairly significantly.

COMMISSIONER CINO: So one would say that there's 30 minimum, but I've even heard figures much higher in the triple digits. That there's always the projects, if you will reap even more benefit. But with that much money out there, and perhaps this isn't a fair question, do you believe at some point you want to use this money

-- that the funds have raised this money and now the money has been in fact put into these projects, that they would look at projects -- They would kind of tick off here is the most profitable, here is the next, here is the next.

Do you see something like -- we get bogged down on only the profitable. In my mind, maybe sometimes the private sector could be more profitable as in the case of Pennsylvania. A \$40,000 toll booth operator is not necessary if it's a private entity who comes in and then perhaps uses a Sunshine pass or a Flash pass. But would that be a case where they would begin to look at, if you look tier, for lack of a better word, projects?

DAVID PETERSON: There are a number of ways the private sectors can deliver value and, to be frank, make a profit from PPP transactions. Many of the parties putting equity into these transactions also do the underlying work so that they build assets, they operate assets, they provide long-term maintenance services. I think there's a national incentive to go after projects that are

more demonstratively profitable, but at the moment, frankly, the demand to be involved in PPP projects in the U.S. fascinates me to the supply of PPP projects.

I think that will change across time. But I think as long as projects are viable to whoever wants to be involved in a project that has long-run usefulness that is seen as value-added across time, then the private sector would generally be willing to partake.

COMMISSIONER CINO: So as time goes on, then it's feasible that you'll be looking at all projects not just, at some point, you work your way down the list?

DAVID PETERSON: Absolutely. And I guess some -- You were asking recently about Pennsylvania and other asset monitorizations. And one of the items I identified in my testimony but I didn't speak to was those types of transactions are occurring in this market much more earlier than they have internationally. I do think they are confusing to some degree, the appreciation of what PPPs are and what they bring. Greenfield PPP

projects are much more straightforward and much clearer to demonstrate to the public their benefit. And I'm not seeking to speak against that type of project, but I do think they are definitely clouding the issue.

HARRISON RUE: Madam Secretary, if I can just make one comment. I'm not the expert in this, but we are playing with potential public/private partnerships in Virginia. Speaking only for myself since I am not seeing the political element in the room, I think that we've heard a lot of technical reasons why businesses would make that investment, but I think that, and it's root particularly, is the fact that usually our legislatures are more likely to raise the taxes and our administrations are reluctant to raise the toll on the existing one. We'd rather pass it over to someone else through the private sector of raising the toll on maintenance and other costs.

COMMISSIONER CINO: One more question and then I'll turn it over. I apologize for going into my time. I guess this is kind of a question for everybody, but we've heard today

about political wealth, public wealth, and you know, one of the things, as I said early on, that it's going to take a variety of things. And all things don't work in all places, and you've got to look at the mix. But looking at the potential with regards to PPPs, is there any suggestions on how you can get through to the public and to the political realm? It's like the gas tax. Nobody wants to raise taxes. Nobody wants to talk about PPPs. Well, what's left? So I guess is there any suggestions?

HARRISON RUE: I'll make a suggestion based on the public sector perspective. One of my notes listening to the events here is that, you know, I'm actually a fan of public/private partnerships. I've used them in a lot of projects, but I think that they should -- are best used from the public sector perspective when they are for a project that the public wants to build. That, you know, you're not putting in the private sector and trying to move up the project. That can happen faster sometimes, but they do get bogged down.

So we should be looking for projects, you

know, on the public sector side that the private funding seems appropriate for and keep the heavy lifting of getting the project approved, getting it through the public approval process. Usually if you make it for a project that's already in your long-range plans, adopt it, it's part of the system and you just need to figure out how to pay for it and move it faster.

COMMISSIONER CINO: Thank you. I appreciate it. Thank you all.

ROSA CLAUSELL ROUNTREE: And I would add to that. I mean, it's all about education. Prior to sitting in on many transportation boards or any other, most people don't even understand the cost of travel. They really do believe it's a free road. We've done a great job in saying our highway system is free.

When I talk to people say, you know, in 1971 we raised the tax and then in '79 you can look and they're amazed. Because the home they bought in '71 or the loaf of bread they bought in '71 does not equate to what they're paying today. And they start to look and go, well, why haven't they raised it?

Well, here in Georgia our legislators have two years. They have two years. They run, and then two years they have to rerun again, and we can only imagine that they're spending a year trying to get reelected. We've done a poor job in educating our constituency based on what is required out there for them to have the infrastructure that they believe they are entitled to. And that's where we are today. So if I would say anything to the Commission, I would say funding for education programs, educate, educate, educate. We can't do it enough. We need to communicate.

I would love to see a national campaign on something that says this is a value added with the infrastructure we have, and this is the value added if we want to go in this direction. But I think a national campaign so that not just Georgia who's facing it, but Mississippi and Alabama. So in those cases that people are educated.

COMMISSIONER CINO: I appreciate it.
Thank you very much.

COMMISSIONER SCHENENDORF: Thank you.

Commissioner Geddes.

COMMISSIONER GEDDES: Thanks very much. David, I wonder if you would mind working through with me sort of a conceptual process. Let's suppose that we had a major change in political heart in this country and we decided

that industries where you thought were affected with the profound public interest should be nationalized. Okay?

DAVID PETERSON: Okay.

COMMISSIONER GEDDES: Let's consider Burlington, roads and the railroads, you know, they're is a profound public interest there. There's a lot of emphasis on infrastructure with the railroads. So suppose we decide to nationalize Burlington with respect to rail. Let's walk through what the effects of that nationalization would be on the firm. Okay?

DAVID PETERSON: Okay.

COMMISSIONER GEDDES: So one effect might be civil service pay scales and hiring and firing would kick in and you'd need a lot of management talent to run a firm as complex as Burlington and so some of that magic talent might leave for other more high-paying opportunities somewhere else, right? So you may have the managers there that might not be the same as they were before. And that would be one effect.

But another effect would be you wouldn't have any stockholders any longer, right, by definition?

DAVID PETERSON: Right.

COMMISSIONER GEDDES: The stockholder's equity would be confiscated by the government who you bought out, but in any event, there wouldn't be any tradeable stock. So there would be no stock price. So you have no -- you don't have this handy measure of firm performance. So you don't really know how the firm is doing because the stock encapsulization on a daily monetary basis of how the firm is doing, right?

DAVID PETERSON: Okay. I guess so.

COMMISSIONER GEDDES: Do you agree?

DAVID PETERSON: Yes. I follow you, yes.

COMMISSIONER GEDDES: So the firm doesn't have any shareholders anymore. So it doesn't really maximize profits anymore, right? Why would a firm without owners, there's no owners -
-

DAVID PETERSON: I don't think there would be that concern --

COMMISSIONER GEDDES: So we know that

profit maximization has two components. One is maximizing revenue. The other is minimizing cost, right?

DAVID PETERSON: Yes.

COMMISSIONER GEDDES: So if you get rid of the incentive to maximize profit, you've gotten rid of the incentive to minimize cost. Do you guys -- or you weaken it. Let's say you substantially weaken it.

DAVID PETERSON: Okay.

COMMISSIONER GEDDES: So what do you think will happen to the value of the firm of Burlington Road and Santa Fe Rail if we take it from its current state to nationalize. Do you think the value of those assets will stay the same, diminish?

DAVID PETERSON: I think as you pointed out you would lose a number of the drivers for the direction in deciding priorities and deciding where to invest or where not to invest. How to optimize costs, how do you seek optimal levels of revenue. Our product comes across many times as a dirty word or one of those more negative connotations, but I do believe there's

a national human desire that's very easy to follow that's being efficient managing costs, maximizing revenue, making a profit. It's very straightforward. And it does draw on sensible business decisions.

That being said, the case with a public service duty and where there is strategic national interest, do you need to be government regulated. And I would be seeking to be saying that we're not just chasing profits for the end result.

COMMISSIONER GEDDES: Right. I understand that.

DAVID PETERSON: There is a place in the private sector for involvement. There is also a place for the government provider by a contract to police that activity and make sure it stays in the public interest.

COMMISSIONER GEDDES: Right, I understand. So I think the early part of your response, I think you agreed that the value of the firm tremendously diminished as a result of nationalizing. It's less valuable as a nationalized industry; is it not? Just, you

know, do you agree with that statement?

DAVID PETERSON: I can follow the argument.

COMMISSIONER GEDDES: Okay.

COMMISSIONER CINO: You've lost the audience.

COMMISSIONER GEDDES: We'll pick them up. Let's run that thought process in reverse. You take it from a publicly-owned asset to a privately-owned asset. Given the analysis that you and I walked through hopefully, the implication of that should be that act increases the value of that asset. Therefore, assets which are not currently winning investments in public hands, may be winning investments in private hands because they're more valuable. Your testimony talked about the incentive to keep the cost down, right?

DAVID PETERSON: Yes.

COMMISSIONER GEDDES: Right?

DAVID PETERSON: Uh-huh (affirmative).

COMMISSIONER GEDDES: So we can observe cases where a public entity might say, well, this asset is not so valuable to us. We don't

think it's that valuable. Yet you'll see the private investors come in because they believe the asset is more valuable in their hands and acquire it.

DAVID PETERSON: They acquire it at a price that often surprises the public sector.

COMMISSIONER GEDDES: It surprises many people, right?

DAVID PETERSON: Yes.

COMMISSIONER GEDDES: And are they being irrational? Are they being silly? Well, our analysis suggests maybe not, right? Maybe they understand these incentives that are unleashed by the mere fact that you change the ownership structure.

DAVID PETERSON: Yes.

COMMISSIONER GEDDES: Would you agree with this?

DAVID PETERSON: I do, but I think there are some other complexities.

COMMISSIONER GEDDES: Of course.

DAVID PETERSON: When we look at asset monitorization transactions like the Indiana toll road there are a few other factors that kick in.

COMMISSIONER GEDDES: Right.

DAVID PETERSON: One point comes down to political will to raise tolls. I'll be straightforward about it. In public hands that is a political event. If you write a contract that sets a sensible ceiling for the progression

of tolls, you can trust the private sector will do what is right and optimal. They won't increase a toll that actually means the toll amount collected is lower, but they'll work within the bounds that you set out in the contract and you depoliticize that long-run decision process across many years.

I think it's also worth noting that equity in capital and private sector is willing to take a different view on risk. It will price risky cash flows, it will price cash flows that are further out in time. And that I think is why you can see greater value attached than the public sector might have imagined when this metrics particularly may be looking out forty years. And using data only finance and very conservative coverage ratios. It's a very different mind set to the private sector when it can go possibly as far as ninety-nine years out in time and put a value on cash flows that are less certain as well.

COMMISSIONER GEDDES: So that's in addition to the basic --

DAVID PETERSON: In addition to the core

of the argument.

COMMISSIONER GEDDES: Okay. Thank you. I mean, that's a -- I just need to follow up with one much more straightforward question about PPPs, which is you mentioned in your earlier testimony that clearly defined a measurable project outputs. And I'm just wondering if you could flush out a little bit what those are and typically how they work.

DAVID PETERSON: Sure. Let's stay with roads by way of example. At the beginning before the assets are constructed, you're seeking to define what it is you want, and if I need to move people from A to B, I need to generate the following level through, the following level of quality and service alike. But trying to let the private sector innovate with a sensible balance how many ways there are. Whether or not to use a bridge or a tunnel, all those sorts of things. They can look at different designs and different costs.

The developments across time though are the things that people care about. Is the road surface in good condition? Is it a safe road to

travel upon? They're basically trying as much as possible to describe the physical role without being descriptive about it. So the public sector can respond to it.

One place where PPP has been found to be wholly inappropriate is where someone says write me 50,000 lines of software code that keeps airplanes from crashing into each other. One or two people can do that. And once somebody's halfway through it and running into difficulty getting it done on budgeted time, who do you turn to? Those sorts of projects where the outputs are very hard for the public sector to imagine. Very few people can actually do it. They are not replaceable are not appropriate for PPPs.

The private sector has to teach largely to do what the public sector seeks to do. That's providing a service to its customers.

COMMISSIONER GEDDES: Thanks.

COMMISSIONER SCHENENDORF: Thank you. I think I'll start with kind of an observation, and obviously this is a debate we will be having as we go on. Well, while we're talking about

the incentives of the private sector. And the private sector has a duty to its shareholders. It's a different realm of the facility to maximize the return to the shareholders. That doesn't always line up with public interest. And in my judgment, and we will debate that.

I mean, for an example, they may have an interest in setting the tolls and setting the requirements such that heavy trucks don't drive on that road because it increases their maintenance costs. But then you have these heavy trucks on other roads where the roads may not be sufficient to handle that kind of traffic. So you can get into situations where things, you know, there is a diversion. And it's obviously one of the things we'll be debating as we go forward. But I'd like to ask Ms. Rountree, how much is your toll per mile?

ROSA CLAUSELL ROUNTREE: It's 6.2 miles and it's 50 cents.

COMMISSIONER SCHENENDORF: Pardon me?

ROSA CLAUSELL ROUNTREE: 50 cents. It's 6.2 miles for length and it's 50 cents. So a little over eight cents per mile.

COMMISSIONER SCHENENDORF: A little over eight cents. So for a person who gets twenty miles to the gallon, they're paying an effective rate of \$1.60 gas tax.

ROSA CLAUSELL ROUNTREE: And then I pose the question to you and ask what is your --

COMMISSIONER SCHENENDORF: Is that correct?

ROSA CLAUSELL ROUNTREE: Well, yes. And my question is always it really is about the value of your time.

COMMISSIONER SCHENENDORF: It gets back to my point of that this issue, and I think we have talked about it here, the political difficulty in many states, the gas tax and the difficulty of educating and communicating with the people, I think it's not entirely clear to me that if we do educate people, that if they did see that they are paying an equivalent to a \$1.60 gas tax on this facility, that they might not opt for choosing an increase in the gas tax (inaudible) as being something that's more in their interest than paying \$1.60.

But let's say for the sake of argument

that we can't raise the gas tax or the fuel tax and we really have to look to using tolls and adjusted pricing and other pricing techniques as the way we're going to raise money for the system. As you all know, in the federal government, one of its major roles is to provide interstate common activity and connect these various regions of the country. And fortunately for us, we have thinkers who have really made that happen.

There was Abraham Lincoln with the Transcontinental Railroads or Teddy Roosevelt and the Panama Canal, or Franklin Roosevelt, Dwight Eisenhower with the interstate system. We had people of vision who really saw the role of the federal government. And in our other modes of transportation, rail, aviation, the federal government basically has preempted the state and local authorities from taxing those sources. States and local governments can't tax freight on railroads or can't set up a toll with an intersection and say for every train that passes we're going to collect a certain amount.

The same thing with passengers.

Passengers in airlines, there now is a limited passenger facility fee that is allowed to be collected. But it's capped at a certain amount and the purposes that that money can be used for is very, very limited and defined by the federal government.

The equivalent of that in the highway program is essentially a ban on tolling, a prohibition on tolling in a federal-aid system. Now, were we to go down the route of allowing for tolling and other kinds of pricing on our system state and local governments to do that, it can be at trucking company or a passenger that's traveling from California to Illinois or to Florida has to go through dozens and dozens, if not hundreds, of potential tolls and different taxing entities along this route, if this became the predominant way to finance it, is that a concern from the federal perspective and the connectivity perspective that we're balkinizing the system. We basically have hundreds of different taxing authorities along this sector?

HARRISON RUE: If I may speak to that from

a public perspective. We actually took it on ourselves from a small region to do a funding options report. And it became very clear that even in our region, if we were acting alone, it was very inefficient. From a user-fee perspective, there would need to be federal standards, you know, about the use of a single Smart pass and very clear messages as you go through the system.

I think the federal system has been very good about setting standards to make it, you know, very clear in deciding where we are. It's possible to consider that that's a locally adopted but transparent and clear to people as they pass along and that there's no --

COMMISSIONER SCHENENDORF: Let's assume that it's somewhat standardized, but still you're going to have these costs. You're going to have one area where there may be adjusted pricing at this time of the day. You can't go through, you go through earlier, but at soon as you do that you hit another area that's congested. In theory, you've got a large number of different potential entities that would be

taxing on the system. From a federal perspective, does this make sense?

ROSA CLAUSELL ROUNTREE: I would address it in saying to continue using the system we have today, we know it's erupting because we know that people are going to go off target. And whether it's mass transit, alternative fuels, alternative vehicles, we are looking for ways that we can get around so we can make sure that we are operating in a more efficient manner.

If we keep going back to the cost and what it costs per mile and all of that I think we're still missing the cost of the quality of life. I don't think you can separate the two. I just don't think that you can. Because again, as I said this morning, I got up very early to get down here. I knew that I didn't have a reliable travel time because I simply knew it was raining. If the question had been asked me, would I have liked to have slept a half an hour or an hour more, my answer would have been yes. So I don't think that you can separate the quality of life versus the cost per mile. So

your question is --

COMMISSIONER SCHENENDORF: But nobody is saying -- is arguing the quality of life. The interstate system has improved the quality of life in this country and improved the quality of the economy a great deal. And that wasn't paid for with tolls. That was paid for with the gas tax. The question is not whether we make the improvements to improve people's quality of life and to improve economic growth. The question is how do we pay for it. Are we going to pay for it by simply the people that use that facility or are we going to spread the cost over the people who are driving and benefit in one degree or another from having this national system that they're open to. And so really it's just a question of who pays.

It isn't -- The people want those kinds of facilities and we're going to provide them one way or the other. The real question is how to pay for them.

ROSA CLAUSELL ROUNTREE: I think you pay for them in other ways with federal dollars as well as tolls. I think we're going to see a

little bit of everything there. I don't know that there's one simple solution for that. And I hear what you're saying about many different entities tolling. We are trying to look at things from a regional approach. We know we cannot look any other way.

We are also starting to look at, you know, interoperability. It's not that we're talking about a seamless system. We also recognize that cost, whatever we charge in Georgia, we still have to make sure that we're competitive with Florida because people will use other alternatives. We heard that from the Georgia Motor Trucking Association where the driver of the truck took a different system so he didn't have to pay.

I don't think that we can do this in a myopic type of approach. I think we're really going to have to do it from the federal point of view, look at it, and have policy and guidelines that look at it from a holistic point of view versus the state of Georgia or Atlanta -- the City of Atlanta. So we are going to have to come together and argue and figure this out from

a holistic role. But, yes, I think there's a -- tolling could exist.

COMMISSIONER SCHENENDORF: Doesn't the federal government have to provide some guidance on these agreements that states, I guess, that Governor Randell is considering making the people who drive on the Pennsylvania Turnpike pay for other transportation in the state of Pennsylvania? Same thing with the Indiana Turnpike. The Indiana Turnpike, the citizens who drive on that turnpike, sixty percent of them were out of state, are paying for all sorts of transportation facilities throughout Indiana that they're not going to be driving on.

And so I guess the question is: Isn't there a role for federal government in helping to flush out if we are going to allow these kinds of financing techniques that there ought to be maybe some federal oversight. If there is an aviation passenger facility fee and exactly what the arrangements are under which these kinds of things can be undertaken.

DAVID PETERSON: I guess I would advocate guidance and spreading the best practice more so

than regulation and imposing of bureaucracy rules.

COMMISSIONER SCHENENDORF: But look at what the Chicago Skyway did. People who drive that are going to be paying for non-transportation projects.

DAVID PETERSON: You're quite right to highlight the big question of what do people do with the proceeds of what these asset monitorizations. So it's a positive spin on what you described in that most of those jurisdictions, people have decided that it ought to be earmarked for transportation needs and not spent on marketing holes and general funding holes and deficits. And part of that I think is building an inflatable or political will and support population so those proceeds are earmarked as something else they might enjoy.

COMMISSIONER SCHENENDORF: We've talked also about, just quickly about the fact, that one of the problems is the lack of political will to raise the gas tax and raise tolls for the private sector. They can raise the tolls when they have, they'll raise them basically the

maximum amount they can, if it will maximize their revenue. That they'll take advantage of whatever the agreement allows as long as the toll increase doesn't cost them money that there's going to be an incentive or pressure to move in that direction. But of course the political will that the private sector has, that just means more money profit for them and it's not benefitting transportation.

DAVID PETERSON: Well, as I mentioned in my testimony, there are a number of mechanisms to try to make sure that the agreement stands the test of time. We're beginning to see a number of jurisdiction measures to make sure that the private sector return earned is not in hindsight too mild. And certainly revenue sharing where someone's revenue goes back to the public sector or the private sector or possibly the concession agreement shortens in length because the risk has been taken and the reward has been earned. And in the public sector, maybe it's an opportunity to either have the road back or to do another transaction.

COMMISSIONER SCHENENDORF: Okay. In

closing, I guess I would just say that, you know, we've talked a lot about political will. You know, I think partly that's what this commission was established for was to try to point the way and direction and where there will be the political will to make the tough decisions, whether it's finding ways to make PPPs work, or finding ways to raise the fuel taxes, or all of the above.

And I know this country has been very blessed in the past. And the people stood up and really did have that kind of political will going back to, you know, the earliest days in the era of transportation including Dwight Eisenhower as conservative a Republican president as you can get raised the gasoline tax because he saw the national interest to do so. And I think we've all benefitted from that.

So we have a few more minutes. We have time to go through and let the other commissioners get a couple more quick question and answer in. Commissioner Odland.

COMMISSIONER ODLAND: Mr. Rue, let me go back to your statement. You said that the era

of the interstate is over, but we're now entering or should enter the era of metropolitan regions and that a new vision is necessary with regions at the heart something to that effect. So basically what you're saying is we've got to move beyond. It's not that we want to blow up the interstates.

HARRISON RUE: We're all still using it and loving it.

COMMISSIONER ODLAND: Yeah. So the system has built out. So we've got to then start thinking about the future is your point. We've got to start thinking about a new vision. Help us with what that vision looks like to you. It's the same question I asked earlier.

HARRISON RUE: There are a couple of questions that haven't come up. And I should bring this back to Governor Randell because he did a similar statewide conference in Pennsylvania in 2003. At Governor Randell's investigation for economic development over three hundred people came up in one day what became the keystone principles that are now governing all of Pennsylvania state agency

investments. So, yeah, we could do something in terms of the how to. I would suggest a national, you know, conversation where key people from all sectors and we could come up with it. So I'm going to pretend we just did that and give you my ideas of what might come out of something like that.

We clearly, going back to Governor -- or to President Eisenhower. You know, it's said that when he looked out at the interstate, at the end he said this wasn't quite what I meant in terms of what happened when it hit the cities. And I'm basically saying fifty years later, let's go back and fix that final area where our interstates hit the cities.

One of the ways to do that is to really look at the land-use and transportation connection. That's one reason that the regions have to be involved because all land-use decisions are local -- primarily a private investment. We've discovered in the commonwealth of Virginia in an informal survey that nine out of ten road miles built in the commonwealth leaving out the PPPs, nine out of

ten road miles built by private developers are when they're building their subdivision streets. We're not maximizing the connectivity values of those investments. We've learned if we redesign how we're building our neighborhoods, we can actually get traffic off of the neighborhoods.

Our study of U.S. 29 discovered two-thirds of the traffic in the most congested area is local trips. We built the network through the shopping centers and we've maximized the value of that critical NHS facility for decades to come. So there is a connection of, you know, for the non-PPP areas of better coordinating with real public/private sector partnerships on land-use transportation connections along our existing arterials. We can fix those systems and use public dollars to connect the dots. Key bridges, key connections between existing neighborhoods.

It's a strategy we're working on. I think we're using federal funding, I'm sure. Thank you Commissioner Eckhardt for funding that work. Those kinds of strategies can actually help us actually build our way out of the disconnects

that currently exist. And such a vision has to be built from the ground up and applied locally.

The federal vision is to support those kind of activities, continued support and to prioritize those connect-the-dot investments and maximize those nine-tenths of the private investment that we're putting on the ground every day in every neighborhood we build.

I think there are -- I'd love -- you know, Mr. Martin is going to be here tomorrow. I'm sorry. He's the guy to speak in terms of transit investment from a conservative viewpoint, and he's shown that, you know, in studies in Chicago and the books that he's written, that even from a conservative viewpoint, when you build an entire system, people will use those transit investments.

You're going to hear from Jacob Snow when you go to Las Vegas. I've been out there a few times in the last couple of years helping them get through transit-ready development for Las Vegas. Speaking of Las Vegas, it's more walkable than transit oriented. So ask Jacob about that when you're out there.

It's a discreet series of applying our federal dollars to specific purposes that are really on the ground regionally and always including local businesses in those investment decisions as you move forward.

COMMISSIONER SCHENENDORF: Madam Secretary.

COMMISSIONER CINO: Thank you. You know, I share Commissioner Schindler's concern with regards to the -- moving ahead with PPPs and how the contracts are structured. And if we look at nine -- the seven years ago or eight years ago when Chicago Skyway was a ninety-nine-year lease, and it was -- money was used for whatever, pensions, education. Then we go to Indiana where it's six years -- It's a seventy-five-year lease and money is only for transportation progress.

I guess, and I think that, Ms. Rountree, you alluded to this. It really is kind of all in the contract. And it seems that contracts are evolving as projects evolve, more money becomes available. There is more competition with a number of firms that are actually looking

to do this. In your all's mind what are the limits of what could be written into the contracts. And is it the states are in the driver's seat a little bit more.

DAVID PETERSON: I guess I would firstly observe that I would be surprised if either of the contracts on Chicago or in Indiana, the actual use of the proceeds was discussed. I think it was very much a public discussion about those proceeds before, during, and after those proceeds were delivered. The contract was much more about what are you going to do for me over which -- what period of time, the performance standards you need to deliver, your rights to collect tolls under a given regime for an unlimited period of time.

And the contracts, they are hundreds of pages. They allocated risks very carefully. I think it's worth highlighting that the private sector will not have the luxury of foregoing making this sort of a feast or famine type of approach, but actually will be held to delivering performance standards. When there's holes in the roads, they need to be fixed or

they're going to get in trouble.

There are operating standards on a day-to-day basis that also will be well policed. Those contracts are meant to embody the public sector and the ultimate users of the roads you care about most.

Very quickly, I guess the other observation I would make is I do think those types of projects fall under the definition of PPPs, but in a way I wish they didn't. In fact, PPPs, as I have tended to experience them are much more firsthand while delivering new and enhanced better services to people. And what tends to sell PPPs as a concept is when people experience firsthand those things being given to -- They see the projects are delivered more quickly to time and to budget and that they were quite happy with the service. It is hard to draw the same level of positive conclusion about asset monitorizations. I think they have other pros and cons. It is confusing when both are described by the same monitor.

ROSA CLAUSELL ROUNTREE: If I could add to that. What I see is at a higher level, the

federal level is that there is a PPP team with the knowledge base. One thing you see in transportation, you know, it seems like it's a huge organization, but really we're small. And we tend to go from the age of the public side to private side. You see us a lot of that moving around, we lose the knowledge base when we do that.

So the problem I would have is we know that the contract is the driver, and if there's so much out there, where's our knowledge base? And maybe our knowledge base should be -- at least support for that should be at the federal level. That they can be deployed to come down and help us with those three P's. Because Georgia has three-P legislation and there are other states that have them, but there are other states looking at them. There are states that we're hearing where they write it the first time and they don't get it right and they have to go back. And a number of those that are writing those to the private sector.

It's not the -- I want to go back to when you were doing the analogy of the private where

it's valued -- the private sector versus the public sector. And I don't ever want to forget that as public servants, we have a motive to the public. We have to make sure that we're looking out for the public's interest. Private sector is looking out for the bottom line, return on investment. As public sector, we have to ensure that all motoring travel is public. That they have a need for transportation. That that need, that desire is there for them. And what I'm hearing from the three P's, one of the things is the bottom line.

So maybe the bus rapid transit that we're now starting to look into that we know transit is subsidized, pretty much everything is, but maybe that wouldn't be of interest to them because there is no value to them. That would lower the contract for them. But as public sectors, we need to look out for those who will be using the transit system. So I don't want to dismiss that, when we look at that.

COMMISSIONER SCHENENDORF: Commissioner Geddes, we are into our rest break period.

COMMISSIONER GEDDES: I understand. Just

very briefly. My point is much more narrow than that. It's simply that NASA could be more valuable in private hands than public. And I certainly appreciate the point you're making and the context in which it's used. But conceptually, and in fact, I mean, in evidence, there are assets where that is and has been the case. So there are plenty of things I could say, but why don't we stop.

COMMISSIONER SCHENENDORF: Okay. We're going to start promptly at 2:45, so that will give us about a nine-and-a-half minute break.

PANEL FOUR - ROLES AND VISION:

COMMISSIONER SCHENENDORF: Thank you. This is our next to the last panel. It's actually our last panel of the day. We have reserved time afterwards for people in the audience that would like to come up and give us their comments. I would ask that -- They have made arrangements for anybody that would like to speak afterwards, some time after 3:30 and 4:30, simply go out to the desk that's right out in front of these doors and sign in so that we have a list of the people who would like to speak.

Please do that, and we will then give everybody who has signed in two minutes to come up and give us their views. And then there may or may not be questions of those people depending on how many we have.

I will now turn to our last formal panel. And I am going to use the Chair's discretion to go out of order. And based on our agenda, I think I would like to recognize the distinguished Mayor of Atlanta to kick this off for this last panel, Mayor Franklin.

MAYOR FRANKLIN: Thank you very much, and thank you for coming to Atlanta for this panel. We appreciate the opportunity.

COMMISSIONER SCHENENDORF: If I could just interrupt. We are going to try and hold everybody to five minutes because we really have enjoyed the question and answer period. I think that that's really more important than the actual statements since we already have the original materials.

MAYOR FRANKLIN: That's fine. Thank you very much. Again, I'm pleased to be here representing the City of Atlanta, which you

know, is the capital city of Georgia and also one of the most important commercial, educational, and business hubs of the entire Southeast region. Our city's population is approximately 500,000 and is expected to grow to 650,000 conservatively or 850,000 in the next twenty years. We are experiencing a growth -- a growth rate both in the number of residents but also the number of businesses. And the building industry, as you can see all around you, indicates a resurgence of this city.

So the issue for us, which is an urban perspective, is that we recognize from the City of Atlanta standpoint, you can see from our written testimony, that an integrated transportation plan is essential to our success long-term. Some would say it's essential last Friday as well, but it is especially important as we move forward into the future that we have an integrated transportation plan both within the City and connecting us with the entire region.

People continue to come into the City of Atlanta as they have for most of the last one

hundred and sixty years for business commerce and entertainment. That has intensified over the last decade. And we are seeing not just an increase in business travel into the City, we are also seeing a growth in the population just as a point of reference, and then I'll move on.

When I came into office, the City's population in 2002 was estimated to be under 430,000. So you can see we are, for the first time in fifty years, growing interior to the City. I served as a vice chair -- founding vice chair of the Georgia Regional Transportation Authority, and in that role, I had an opportunity to look at some of the issues around the region and to learn that they are, of course, working on ARC. I see the same thing.

So the City of Atlanta's transportation vision is one that includes accessibility throughout the City with rail or light rail, our MARTA system, walking/bike trails, and pedestrian trails. But it also assumes that we are going to see better ways of movement in and out of the City for business, and work, and pleasure. Our population swells to almost twice

its size on any given day depending on what day it is. And internally, much of that traffic is coming in through automobiles as opposed to either commuter rails, which some other communities have, or through some other sort of advanced technology. Even the express bus service is relatively minimal in terms of the number of people actually coming into the City. It goes -- the same is true going in the opposite direction.

So we foresee, in closing, we foresee a City that can accommodate both the people who live here as well -- as well as the population on a daily basis and equally the growth in our population and recognize that we have to be a part of a regional -- a regional process in order to accommodate that. There are any number of initiatives that are underway with that project as well as the Peachtree Corridor task force that is about to announce that are important to us. But from my perspective, long-term, a commuter rail is equally as important to us and have a connection with Athens, Charlotte, Birmingham, and Macon are equally important to

us to maintain our position as an economic center of this entire Southeast region. Thank you.

COMMISSIONER SCHENENDORF: Thank you.

Before I go on to our next witness, I just want to state how thankful we are to the City of Atlanta for hosting this, and also for the organizations that had sponsored our being down here. It would not be possible without their generosity, and we very, very much appreciate it.

MAYOR FRANKLIN: Well, we appreciate having you. Thank you.

COMMISSIONER SCHENENDORF: Mr. Garrett.

MICHAEL GARRETT: Good afternoon. My name is Michael Dennis Garrett, and I am president and chief executive officer of Georgia Power Company, an investor-owned utility serving two-and-a-quarter million customers in the state of Georgia. In 2006, I served as chairman of the Metropolitan Atlanta Chamber of Commerce. The Chamber's 4,000 member companies employ more than 700,000 workers. During my term as chairman, the Metro Atlanta Chamber brought

fifteen regional chamber leaders together to support economic development and boost our region's quality of life by focusing on transportation, land use and water issues. You've received my written testimony, so I'll just cover two short items this afternoon in these comments.

First, transportation is crucial to economic developments so business has a role in seeking additional funding sources for transportation infrastructure. In short, surface transportation is critical to job retention and job growth. During the past ten years, metro Atlanta traffic congestion has grown from the fifteenth to the fourth worst in the country, making it this region's top challenge in attracting and retaining companies. Business leaders here say that traffic is the biggest obstacle in running and expanding their companies. Future economists says that the region depends on doing business differently, and as we prepare for the next two million residence, which is the equivalent of the population of the greater Denver area moving

into our region over the next twenty-five years.

During the past several years, the Chamber has worked to bring accountability to transportation spending, set and communicate performance measures for congestion and mobility and move the Atlanta region towards a truly regional transit system.

Most recently, the Chamber realized the need to provide new funding mechanisms at the state, regional, and local levels to supplement the limited federal transportation funding that is expected in the future. That is why business leaders in Georgia are proposing legislation to allow local governments more control in funding surface transportation infrastructure through such options as a special local options sales tax or local motor fuel tax.

In this current session of the Georgia General Assembly, fifteen regional chambers of commerce, including the State's chambers are backing a proposal to allow voters anywhere in Georgia to tax themselves for transportation improvements, keeping money at home, and pick the projects. And this is not a statewide sales

tax, but a regional option. The essentials that we deem appropriate for this are local funding, which is regions vote to tax themselves through a referendum and keep the money. Local officials pick the projects, and local officials oversee a transparent process with a clear end date. We believe given the chance to choose, voters will decide to pay for and improve quality of life through all modes that surface transportation can offer.

Secondly, we approve land-use planning and just maximize the public benefit of costly transportation infrastructure investment so business needs to encourage good public planning. Land-use and transportation, another key way business community fills transportation improvements can be created is through linking land-use policies with transportation infrastructure decisions. It's important to note that transportation exists to serve land uses. To connect people and goods with places. We need clear, local, regional, state, and national policies that promote a strong transportation and land-use link. When land is

developed to allow people to choose to live closer to jobs, shopping, schools, recreation trips are shorter, and transportation infrastructure can be less costly and more efficiently used.

The Atlanta Chamber's 2005 quality growth task force proved that when higher density mixed-use development occurs in key activity centers and there's adequate investment in transportation infrastructure, traffic congestion is reduced. Those areas of the metro region that accommodate higher density development must be assured that infrastructure improvements will be able to serve them. The Atlanta Regional Commission has for more than six years offered a program called the Livable Centers Initiative. The LCI program is one that encourages local jurisdictions to link transportation improvements with land-use development to create sustainable, livable communities consistent with regional development policies. Businesses have applauded this approach.

Since you've expressed an interest in what

can be done at the national level on these matters, please allow me to suggest that Congress could create a national Livable Centers Initiative. This type legislation could encourage or explicitly permit use of federal transportation funds for regional and local land-use to impact travel favorably. This should include some regulatory relief for local transportation projects to help overcome local resistance to planning and encourage timely implementation.

I want to thank the members of the Commission for permitting me to testify on Georgia and Metropolitan Atlanta's behalf.

COMMISSIONER SCHENENDORF: Excellent. Thank you. Just under five minutes, perfect.

Mr. Ekern.

DAVID EKERN: Mr. Chairman, thank you. I am David Eckern, commissioner of the Department of Transportation for the Commonwealth of Virginia. And thank you for allowing us to appear this afternoon.

We'd like to focus our remarks around three areas this afternoon. One, the need for a

clear and powerful integrated vision to drive transportation in this country with the 21st century. The importance of financing mechanisms that have proven successful in the Virginia experience. And the critical need for a sustained presence of the federal government in the 21st century. The interstate system facilitated vast changes in America, and helped to create a new lifestyle for Americans. In identifying transportation systems for the next half century, the desired lifestyle of the future should dictate that transportation vision.

We encourage the Commission to articulate a clear, actionable, and fundable vision for the future of the nation's transportation system. It's well past time to integrate the modes moving from showing that it can work in pockets of excellence to becoming a standard way of doing business. We believe in a vision in which transportation is a safe and connected web of facilities and services that provides reliable travel, encourages economic development, respects our environment, and includes transit

highways and rail providing customer choices and enabling the quality of life for all Americans.

This vision does recognize the critical role of technology in enhancing safety, and it is a vision which cannot be -- which cannot be achieved by government alone because it fully negates the private sector.

Virginia has one of the oldest and most mature public/private planning programs in the United States known as our Public/Private Transportation Act or PPTA. Since its inception, we have completed three highway construction projects, another four are under agreement, and seven are under active negotiation, but some of the most exciting private partnerships exist in non-highway programs. A privately financed port that opens next year in Portsmouth; private landowners who are stepping forward to pay twenty-five percent of the cost of the first metro rail extension in the Dulles airport corridor. And private railroads are meeting defined public benefit targets in exchange for capital cost sharing through our rail enhancement fund. We have

announced our first concession agreement on Pocahontas Parkway which connects Richmond's International Airport with areas south of the capital. And we are participating with private rail, FHWA and other states to address tunnel issues in our heartland corridor through Central Virginia. And we've also announced hot lanes projects on I-95, 395, and I-495 in Northern Virginia, which bringing together has spawned highway investment demand management programs and plus rapid transit service.

But PPTAs are not free. And they are not the total solution. The public sector has an obligation to ensure partnerships address genuine public need. The system can be entered by the Niko process, which when written could not have envisioned this kind of a future. The private equity investors need a solid and sustainable public partner. And the decision process of these partnerships needs to be open to the public. We believe that private partnerships could address up to twenty percent of our long-term needs, but we cannot ignore the remaining eighty percent. In Virginia, that

turns into about 70,000 miles of roadway. The majority of the needs are local and do not have volumes that will support a private, innovative approach.

Some may suggest the role of federal government is over, the interstate has been built. But the interstate system is in need of major reinvestment and as technology of the future changes the way we travel, reduces pollutants and lessens dependence on foreign oil, the main interstate routes will need instrumentation and upgrade. We will need enhanced truck and rail networks to deal with freight. And we will need to upgrade the national highway system to connect newer jobs.

Interstate commerce and globalization will require that we expand and instrument our networks. They need to work together. I have a variety of other examples, but I think when we walk through the tail end of this discussion, we cannot accept the role that we have had in the past. We need a strong federal presence, but we must create an environment in which states demand it. SCP 15 is the normal way of doing

business, not the exception. We need fewer funding categories, more flexibility, and a focus on performance management. With clear vision, I am confident that we can move toward a vision that we have talked about respecting the way that we know how to serve our customer most effectively, but achieving a national goal of sustaining and improving our quality of life.

COMMISSIONER SCHENENDORF: Thank you.

Mr. Olens.

SAM OLENS: Good afternoon. It's a pleasure to have you here. I met several of you last night. I represent Cobb County, the county where you had dinner last night, and I chair the MPO, the Atlanta Regional Commission. My county is where the PRT project would be going through I-75 through the Cumberland/Galleria area.

I want to discuss three issues with you this afternoon. First, the metropolitan transportation planning process. No one has more public hearings in this state with regard to inviting the public, providing that diversity that's essential to assure that the intents in RTPs fully reach the public. And it's essential

that the MPO continue to play that role.

For example, in SAFETEA-LU states all federally funded projects carried out in Title 23 should be under the MPO, but we routinely have seen that in STP funds routinely selected by GDOT, and it's my understanding in other national conferences that we go to that other states face that same problem.

As we look to the next reauthorization bill, we need stronger language clarifying, in fact, the program enrolled with the MPO has to risk much inconsistency at this time.

Secondly, I would like to address earmarks. Many of the earmarks that were placed in safety would provide a minuscule percentage of the overall project costs. So the governments went up to their congressmen to get some dollars. And then we as the MPO were stuck trying to figure out how to deal with it. And, in fact, often those projects weren't even in RTP. At a minimum, earmarks should not be permitted if a project isn't for the RTP. And the MPO should not be placed in the position where the government gets a couple hundred

thousand dollars on a fifteen-million-dollar project. Because as you know, there's no easy way for that situation as we presently deal with it.

Finally and most importantly, project delivery. Every year this MPO of the Atlanta Regional Commission evaluates the percentage of projects programmed in the TIC that advance to the next stage of implementation. Last year we averaged a measly forty-four percent. Some of us in the Atlanta office actually want to move dirt rather than watch planning. It is mind boggling to go through the regulatory process between the federal and state government. It literally doesn't work.

Clearly half of the regional transportation plan in metro Atlanta is funded with local funds. Yet it makes no difference whether your project has major federal funds or as little as a million dollars. You seem to go through the same process. You seem to have the same delays. And you just lose your hair watching the years go by and not being able to move the projects.

Mr. Garrett referenced the LCI program, which is a national award winning program linking transportation investments with land-use. Often those grants, the implementation of our million dollars, yet you through the same process as if it was a hundred-million-dollar project, which just totally discourages the folks that you want to encourage with that innovation.

Similarly Scocreek (phonetic) where a project that used to go maybe from two to four, then we're told even though it's past four it needs to go to six. You can't get the projects taken care of. You can't do what your public expects of you. And in an area like Atlanta as the Mayor was referencing, the right-of-way costs go up far greater than the function. Construction costs post Katrina are rising rapidly. We're not going to be able to even handle the minimum needs we have now if we can't get better project delivery. Thank you very much.

COMMISSIONER SCHENENDORF: Mr. Robison.

MICHAEL ROBISON: Good afternoon. And

thank you for this opportunity to address you. I am certainly humbled by my appearance. I have no experience in the public sector, and I certainly do not consider myself a transportation expert. I'm invited here as a businessman. This is my home town. This is where I'm raising a family. And this is where I started a business which is where our national headquarters is located. I'm the CEO of Lanier Parking Holdings. We're a parking management transportation company with over ten billion dollars worth of property under management in 37 cities. I'm also very proud to be serving as the chairman of the board of the Atlanta Convention & Visitors Bureau. This is the Atlanta region's largest employer with more than 60,000 employees and an economic impact on the City of about four billion dollars a year.

I'm also very honored to be recently selected to chair the Metro Chambers Transit Subcommittee which will be taking on, amongst other issues, the commuter rail issue in the region.

Although I can't cite --

COMMISSIONER SCHENENDORF: You sound very qualified to me.

MICHAEL ROBISON: Thank you. We fluffed up my resume a little bit before. I certainly can't cite the federal regulations, but I'll speak more from a practical businessman's standpoint. Many of us who have been in Atlanta for a long time know that transportation not only is the lifeblood of Atlanta, it really always has been. Since the founding of our town when it was named Terminus, Atlanta has focused on moving people and products to and through the City. We started out as the largest rail hub in the Southeast. We now have the busiest airport in the world. We have built one of the largest convention centers in the entire nation. And we certainly have the nation's largest aquarium, a large hotel district, and dozens of other venues that are designed for the purpose of moving people to and through the City.

Now, I trust that you've heard from our Mayor and many other people who have testified that people are coming back -- coming into this region and coming back to the City in droves.

It's really no longer a question of if the people are coming, but more we're struggling with the issue of how are we going to get them around once they get here.

Now, I am reminded regularly by my investors and other folks that supporting such initiatives is an abomination for our industry, one that's built around tracking cars. But anybody who's been in business for any length of time understands that as a responsible corporate citizen, we have to protect the City's future for our generations.

We recognize that if traffic gridlock chokes off this region then nobody is going to win. Our business certainly won't. With all due respect of my customers and to our friends in the road building industry, road enhancements, though essential, are certainly not enough. Increased regional and local buses are very necessary, but they are not enough. Quite simply, more of the same is simply not enough. We all understand now that we have to have a network of options that allow people to move smoothly to and through this region.

In 2004 and 2005, I was honored to chair a board of directors made up of dozens of Atlanta business leaders from the public service area, educational leaders, community leaders. The organization's mission was to study whether or not streetcars would be an important option for our city. We were trying to explore whether or not the 270,000 office workers and 70,000 residents along our Peachtree corridor's spine would be better served by a streetcar.

The study that we commissioned primarily with private dollars produced astonishing results. Some 20,000 people a day would ride the street car according to the study. And that was with the development numbers at the time. That did not look at any future development that's coming along the corridor. It also indicated that 4.4 billion dollars in new development would be spurred by this mission. And just as elevators don't pay for themselves in office buildings but they're critical in getting people to their offices, transit systems have to have subsidies.

Fifteen months ago, Atlanta Streetcar,

Inc., forwarded this project on to the Mayor and the Peachtree Corridor Task Force. The results of this work are going to be completed in about a month. And we're very excited about the prospects of this study.

Now, although Lanier's initiatives may be somewhat unique, we are certainly one voice in amongst a lot of business leaders in the area. We understand that we have to solve the traffic problems or everything is just going to implode on itself. The time it takes to apply and qualify to receive federal funding, as Sam Olens just mentioned, renders need these projects and that federal funding of it would be available completely irrelevant. Smart group projects become unnecessarily complex and therefore less likely to be developed with private participation. The major infrastructure financing is inadequate and delayed.

Now, we all understand due diligence has to occur with taxpayers dollars. But when public/private partnerships can help with many of these unattended consequences of long-ended public policies, we have a tremendous track

record here in Atlanta including public/private partnerships in everything. Including affordable housing and public workforce housing. Certainly we can develop similar success in the area of transportation. But if the government is not able to be a partner in these efforts, we certainly hope that will not be an obstacle. Thank you.

COMMISSIONER SCHENENDORF: I want to congratulate. You all made it on time, fabulous. And we will start this round of questioning with Deputy Secretary of Transportation, Madam Secretary.

COMMISSIONER CINO: Thank you, Mr. Vice Chairman. You all come with a great deal of experience. As a matter of fact, Mike, I thought you were going to announce candidacy for political office.

MICHAEL ROBISON: Tip jar is open.

COMMISSIONER CINO: Based on that, and you are our fourth panel, the question really -- The one and only question is you know what our task is. And based on what our task is to find alternative financing for the surface

transportation and the role of transportation, what would be a suggestion or an idea that you would ask us to bring back to Congress in Washington, D.C.

MAYOR FRANKLIN: Well, and having read the other testimonies as well, I mean I think there is this notion that there can be public/private partnerships of some kind that will allow the private development of certain aspects of transportation. And there are examples in Canada and other places around the world where that has worked.

When I think of from my GRTA days is where there was some development related to trains and rail that actually was tied to a revenue source at the local level. A parking -- a parking fee, so to speak. A fee associated with it. And giving us some incentive to do that from the federal level, I think, would be helpful. There is a lot of talk about it here, but I think the federal government could give us some incentives. As you already know, the incentive -- Atlanta's financing of MARTA some thirty years ago with a sales tax was an incentive to

get federal funding for our rapid rail system. And we tend to be the kind of community that will step up with our share of the funds, but we are going to need some private sector -- private sector engagement in this.

And I don't know all the details in how that might work, but if we were to get additional -- You know, additional points in the competition from looking at design build, concession-type relationships, I think it might be useful with some of the initiatives that we have underway.

COMMISSIONER CINO: Thank you very much. We have our federal transit administrator in the back, so.

MAYOR FRANKLIN: Yeah, we met yesterday. Hello again.

COMMISSIONER CINO: Thank you, Mayor.

DAVID EKERN: Mr. Chair and Madam Secretary, I guess I have two views of this. First, the message needs to be loud and clear, from my perspective, not necessarily in an official capacity. The federal government's role needs to remain that the funding needs to

be increased and stabilized as a floor for from which all of us can then launch, if there are appropriate local initiatives that work for us, to be able to enhance that funding.

Obviously, from my remarks, you also heard me suggest that the rules need to become -- come together to make the process simpler. We worked hard in VDOT to minimize processing and reduce processing time internal to where the true constraints on us are, in fact, federal and state regulation outside of the transportation industry.

I need to make clear that I think over the last fifteen years of my engagement in the transportation business, transportation has demonstrated that it is committed to the transportation community, the delivery of on time, on budget, and quality projects that enhance our environment. And it is time for us to make that easier for those prudent communities to be able to deliver the product and service. That will reduce cost for the motoring public. That will reduce cost for our customers, very frankly. And it will be

tangible reductions.

But obviously, we need to change the base under which we are establishing. And obviously, I'm a -- I'm a milage-based man of floor funding for transportation.

SAM OLENS: Madam Secretary, I'd make two comments. Number one, Georgia's tired of not getting a dollar back. They promised safety would never really happen and when you include a lot of the special part safety, etcetera. With the earmarks, we're getting probably about the same as we did before. And it's really no excuse for one state to get \$4 back and another state to get eighty cents back at that point.

Secondly, I think we really need to reference the efficiencies or inefficiencies in the current system. It's not just more money, it's literally maximizing the money we get now. The governor and all the state agencies in the MPO go through a congestion mitigation task force last year where we have come up with a cost benefit analysis that requires and assures not only transparency but also that the money is well spent. They are placing the money where

you're going to make the maximum gains rather than political gains, real gains.

And finally, I do support concessioning, but I've read some of the prior concession agreements that have received a lot of press. It boggles my mind because you literally have no idea whether one's a good agreement or a bad agreement through the local government or through the state, whatever the entity may be. When you're talking seventy-five to ninety-nine years, and you're not limiting the ROI, you really have no idea whether you're making a good investment or a bad investment. And it seems to me there ought to be assurances that there's a maximum return on that investment upon which the dollars spent go back to the agency. Whether it's the state government or another state agency in that regard.

COMMISSIONER CINO: Thank you.

MICHAEL ROBISON: This issue that we're all -- have become aware of regarding the fact that Georgia's a -- I mean governments throughout the history of mankind were redistributing wealth. That's what they do.

Typically, it's a need-based and although we do not have -- Or I do not have any quantitative, you know, data that says we deserve more money, certainly with traffic not being a problem but the number one problem in this region, it just seems somewhat backwards that we would be donating money and not receiving it dollar for dollar what we're contributing back in.

And although Sam is right that more money is not just the solution, but a lot of the red tape that has been gotten in the system over the last couple of decades has been because the federal funding has been inadequate for the growth as occurring. And just like in the private business sector, when the finances are going bad, and when each department requests more money, they're going to have to jump through a lot more hoops and more red tape to get it. So those two factors, I think, are definitely important. So more money at the end of the day, regardless of producing the red tape is going to be critical certainly for areas like Atlanta.

MAYOR FRANKLIN: If I could just add to

that. Atlanta -- the government owns and operates Hartsfield-Jackson International Airport. And we've had over seventy years of cooperative relationship with the federal government. And it's more of a partnership on every level. Whether it is the airport with the airlines, the airport with the federal government, the airport with the surrounding communities. And there's a model there. I suspect that other airports around -- major airports around the country have that same model where there's a series of alliances and partnerships that have worked pretty effectively for the growth, and development, maintenance, upkeep, etcetera, and expansion of the airports. So there are some models where this federal partnership as well worked effectively. And I would submit that aviation working through FAA, maybe an area where you can see -- we've got all kinds of guidelines, federal guidelines. But we meet those guidelines and we meet our timetables. It's certainly an expensive operation, but we manage to put together partnering models that allow for us with the

federal government to build the traffic control center. At the same time, the City is building the runway. At the same time, the private sector is building the warehousing, etcetera. And the Georgia DOT is building the road -- the access roads.

So there are some really great public infrastructure models that I think we can use as from the standpoint of the mayor to really build the infrastructure. We need to -- Atlanta region has been willing to step up time and time again to do some of its own financing. Maybe to our own detriment sometimes. But the fact of the matter is -- I don't think any of us -- I certainly am not saying that we don't continue to step up financially. But what we need is a different kind of partnership. Not just with the federal government, but with all the other players. The federal government can really set the standard as the FAA does in our relationship in Hartsfield-Jackson.

COMMISSIONER CINO: And it's a good example. Principally in trying to figure out how we continue to pay for the FAA we have

reauthorization issues from the FAA.

MAYOR FRANKLIN: We'll be praying for you.

COMMISSIONER CINO: I appreciate that.

MICHAEL GARRETT: Madam Secretary, the concept is very simple. And that is that transportation and funding needs to be commensurate with the need. We need to prioritize. And I understand the administration of that is very, very difficult, especially at the federal level. It's very difficult at the - - at the state level, but just because it's difficult doesn't mean that we shouldn't attempt to do that.

If I ran the Georgia Power Company without prioritizing the resources we have, we'd probably be having this hearing in the dark today. So it's a very simple concept, but it's one that I think we need to -- We need to focus on. We need to put the dollars -- The limited dollars that we have, we need to put them where they're needed. So some prioritization is needed.

It's hard to do in politics, and I understand that, but certainly something you've

got to try to do.

COMMISSIONER CINO: Thank you very much.

COMMISSIONER SCHENENDORF: Just before --
I just want to comment. One thing about this commission is this is an independent commission. And so we're not really restrained to current political limitations. Our job is to go out and see what's needed and hear ways to do it, and you know, then drop that into the lap of the decision makers that will be in our Congress. We're taking much more of a look without any preconceived notions that we can't do X, Y, and Z just because it's been difficult in the past.

With that, Commissioner Geddes.

COMMISSIONER GEDDES: Thanks. I would like to address Mr. Ekern for a second. Sir, you mentioned that there was -- There's been a role for public/private partnerships in ports in Virginia. And I was just wondering if you could flush that out a little bit and tell me what the nature of that role has been and how that's worked out.

DAVID EKERN: It's a very recent development for us, the facility in Portsmouth

and I'll caveat this just a little bit. I've been on the job sixteen weeks. I've been down there and toured. It's really a neat deal, but in the context of that development, we have, in fact, done two things that are unique. One, we've been able to now take advantage of a corridor in which we built bridges that were large enough to take container trains. So we had four feet of clearance when the facilities were built. This was several -- many years ago, as a matter of fact.

But secondly, now we have fast-tracked, and now our PPTA around the interchange improvements that are needed to support that new terminal facility. So that's how we were able to marry together the private investment that the Maris Corporation is making in renovating and creating that deep water port on the East coast with our public/private partnership to encourage and, in fact, be able to handle the truck volume and the train volume that will service that facility.

COMMISSIONER GEDDES: Okay. Thank you. I notice one of the bullets in your written

testimony said that the public sector has an obligation to ensure that partnerships address the genuine public need. So I interpret that as saying the partnerships actually operate in the public interest. And how do you achieve that? How do you -- how do you -- How do you ensure that?

DAVID EKERN: That's been one of the hardest things for us to deal with. It is around the art of doing the deal. It's in the contract. And we established about four years ago what we called an innovative finance projects office. We have a high-level director, a chief, Barbara Reese, and our chief engineer who function as our negotiating team when we enter into a public/private partnership. They are deals that rise and fall throughout their negotiation, but that is their driving -- That is their driving expertise that we bring to the table as a transportation agency, which is how is the public interest being protected. What is the public investment as you notice -- As you recall I noted, PPTAs are not free.

COMMISSIONER GEDDES: No free lunch.

DAVID EKERN: There is no free lunch. And so that's an expertise, however, that is hard to foster within a traditional DOT structure. We are very fortunate because we have the talent in the department to be able to do that. But it does take a team to come together to work that negotiation when you're putting together that kind of a deal.

COMMISSIONER GEDDES: I would just like to address Mr. Garrett in your capacity as president and CEO of Georgia Power. So Georgia Power is a privately owned; you have shareholders?

MICHAEL GARRETT: Investor-owned, yes.

COMMISSIONER GEDDES: Investor-owned shareholders to which you are accountable?

MICHAEL GARRETT: That's right.

COMMISSIONER GEDDES: And you have a duty, but you're regulated, I assume. Your rates are regulated by the Georgia Public Utility Commission?

MICHAEL GARRETT: That's correct.

COMMISSIONER GEDDES: Do you have any authority to turn away a customer? Can you tell

a customer I'm not going to give you power?

MICHAEL GARRETT: Not at all, no.

COMMISSIONER GEDDES: So you are required?

MICHAEL GARRETT: We are required to serve.

COMMISSIONER GEDDES: Okay. You are required to serve common carriers?

MICHAEL GARRETT: Yes.

COMMISSIONER GEDDES: Okay. Thanks. Not unlike a public/private partnership, but you can't keep anybody off -- You can't keep anybody off your road?

MICHAEL GARRETT: Absolutely not.

COMMISSIONER GEDDES: Okay. Thanks.

COMMISSIONER SCHENENDORF: Commissioner Odland.

COMMISSIONER ODLAND: Mr. Robison, it's interesting that you run a parking company, and one of the major problems we have on the roads here is the parking. And so my solution is that they give you a parking concession, and you raise the rates so that nobody can afford to park on the highways anymore and we solve all the problems.

MICHAEL ROBISON: Can we make that law today?

COMMISSIONER ODLAND: It is interesting. It's a form of congestion pricing.

MICHAEL ROBISON: I would agree with that.

COMMISSIONER CINO: He priced himself out of the market.

COMMISSIONER ODLAND: Yeah, he priced himself out of the market. That was a joke. It's getting late guys.

COMMISSIONER SCHENENDORF: I thought we finally had some vision.

COMMISSIONER ODLAND: Mr. Garrett, you talked about national Livable Spenders Initiative, and I'm interested in hearing more about what you meant by that.

MICHAEL GARRETT: Sam would probably have more experience with that than I have, so.

COMMISSIONER ODLAND: Okay.

SAM OLENS: He doesn't give me electricity, but I'll answer the question. We started that about five years ago. What we do is we have sort of an RP type process where we ask local governments to respond. The first

thing we do is we give them planning money. For instance, it may be a city that really doesn't have a town center, but wants a town center. It may be an area that frankly just isn't as nice as it should be, and they seek that additional advice for a planning perspective on how to improve their environment.

So the first thing is a set of planning monies where they do a twenty percent match, the local government. And there's a full public/private initiative -- excuse me, a full public involvement initiative, what does the community want to see happen here. And then after that process is finalized, then there's the second round which is implementation monies, road improvements, other infrastructure improvements, streetscapes, etcetera. And once again, that is RP -- not RP but the context that it's a competition.

And what we found in the region is not only that there's a huge desire for those funds, both the planning and the implementation funds, but we have found that it's created many mixed-use developments that otherwise would never have

occurred. And it provides that opportunity to give people more of what they want, reduce the BMTs, and to improve their equality, and to give those folks a sense of belonging in their community.

We now have many projects in the Atlanta region that are great examples of mixed-use that have really brought back full neighborhoods using transportation investments with land-use planning to improve their area.

COMMISSIONER ODLAND: So I presume the reason you brought this up is you think it's a model, potentially, for broader use in transportation?

SAM OLENS: It's a great model that's been -- that's been much desired by local governments. The only impediment candidly is the planning process. That you may only take a million dollars in federal funds, but you have to go through the same process as if it's a hundred million and you frustrate the local government seeking to make improvements.

COMMISSIONER ODLAND: So what is the difference in this process that you're

championing versus that process in what we're doing today as it relates to infrastructure projects?

SAM OLENS: Well, it's generally a smaller scale.

COMMISSIONER ODLAND: Can the scale up though?

SAM OLENS: Well, it could except with the limited funding in the Atlanta region and in the country, we don't really have the ability to provide more dollars. We generally, you know, I think that our current plan is 50 million dollars.

COMMISSIONER ODLAND: So there is money there. I think your point is that to get people to buy into it and fund it, you go based on some sort of ROI test, I guess. Whether it's right, that's where you're going at this time?

SAM OLENS: Absolutely.

COMMISSIONER ODLAND: Now, do you see -- So set aside money for a minute. Assume it's there. Assume the funding can be there, right, private or public. How do you see that working on a much larger scale, say the scale of an

interstate highway system and what would be the federal government's role in it?

SAM OLENS: Well, once again, I think it's best use is in helping the older areas that really need that push, that energy -- that reenergization, shall we say. Where it helps, for instance, we have many interstate areas that frankly were developed forty years ago and it's not thriving, you don't have a vibrant tax base. Every jurisdiction has their area that they wish was better. That it had less crime. That it had more mobility, etcetera. And what that would do is provide great economic tool in local governments to encourage their redevelopment. And at the same time you're encouraging redevelopment, you're reducing BMTs and improving air quality because you're putting the infrastructure where it can handle the initial density.

COMMISSIONER ODLAND: Okay. So you would -- And I don't mean to put words in your mouth, but you don't really see a federal role here. You think it's more of a local kind of a thing. Mayor.

MAYOR FRANKLIN: We've actually used this. I mean, it's been used in a city the size of Atlanta, which is maybe older, more complex, as well as in a small town. And we've used it around transit stations. We've used it along corridors that might be typical in any other community. And I, from the City standpoint, we were able to get additional federal funds, we would be able to do the -- Instead of doing these plans in sequence, we would be able to do more of them. And if we knew that ten years from now we would still be in this process and there would be federal money coming down the line, we could probably complete the kind of planning around interstates, around transit that would then be the foundation for almost a city-wide plan for underdeveloped areas.

COMMISSIONER ODLAND: Yeah, I see that. I was thinking, you know, it seemed like a model maybe you could take to a different level.

MAYOR FRANKLIN: I don't know that -- It's strength is really in your ability to deep dive into a community. I mean, it's real strength is -- I mean, you can -- You can do city-wide

planning, but this gives you the ability to actually have buy-in so that when the plan comes out, you don't -- you're not trying to jam it down somebody's throat.

COMMISSIONER ODLAND: Mayor, can I follow up on another comment. You were talking about commuter rail system and you were championing that commuter rail. How do you deal with a situation like you have here in Atlanta where you have a really new bus service, but in some areas of the City, it's very well used and other areas of the City it's not well used. Isn't one of the -- one of the concerns about rail is -- inner-city rail is usage?

MAYOR FRANKLIN: Yeah, no question about it. I mean, there are certain parts of the country where rail is used -- commuter rail is used and heavily used. I just happened to grow up in Philadelphia and the Northeastern corridor, and I spent my entire childhood and college years on rail. And in spite of that, the rail system has suffered from sufficient funds to maintain itself and to upgrade, etcetera. So clearly the issue of -- for us is

there is a breaking point from -- I mean it just is. And to the extent maybe we haven't reached it yet. But the chances of us expanding our highways in Atlanta to what I saw in Beijing, which was thirteen lanes of highway, that's not going to happen in Atlanta. So the question is how do we accommodate this growth? We're grappling with the same questions you are. How do we accommodate what we know is going to happen in the next twenty to thirty years. That's the answer we've been able to come up with so far local, speaking only from Atlanta. It starts with an integrated system.

What's that market? What is the market demand for what you're providing. And combined with, frankly, cultural shifts in how people move around the metro area.

COMMISSIONER ODLAND: So perhaps you settle on that. Because once you plant those rails, you know, it's a big investment and they don't move very easily, why did you come to that as a conclusion versus the thinking about other rolling stock like buses that you could --

MAYOR FRANKLIN: No, I do think we need

buses as well. I mean, that's why -- My presentation, I hope said it has to be an integrated system, assuming that there's going to be some rail coming at least from the North, if not from the South in the next thirty years.

COMMISSIONER ODLAND: Okay. All right.

MAYOR FRANKLIN: Yeah. I mean, I said bike paths. I said walking paths, pedestrian. I don't see how this region can solve it's long-term transportation challenges without looking at the integrated system. It has to be market-based. There is no question about that. You can't put rail where people are going to drive. And it doesn't make any sense to put bike trails where no one is going to ride.

MIKE ROBISON: Can I touch on that for one second? This is, again, a metro chambers member working with the regional commission board to address this issue. So the dummy-downed business perspective looking at this thing, Atlanta currently has seven major rail right-of-ways that have been there for the better part of one hundred years. Some are largely used, some are a lot worse than not, but they are there.

They almost mirror identically the interstate highway system. So having not delved deeply into this yet, the bottom line is people are getting on these interstates every day, and they are crossing these railroad tracks to get on the interstate.

And again, looking at it from an efficiency standpoint to what the government can do to help communities be efficient, when the same people are going to and from the same place every day, it's a basic business philosophy in economies of scale, specialization of labor, everybody getting on the same thing and being able to be productive, that the general concept to us is there. And we are, again, just digging down deep into this right now. And we hope to, in the next year or so, have research that's going to support that.

But because the right-of-way is there, and because it follows the interstate highway system, which is where the people are already, we think that there is money there.

MAYOR FRANKLIN: And their rail is unused. Their existing rail that was the foundation of

Atlanta economically over a hundred years is now unused. So it's like any other asset. You want to do an assessment as to whether there is a reuse that could be beneficial to solving the problem.

COMMISSIONER ODLAND: Okay. Let me just do one more set of questions. And I don't want to hog it, but Mr. Ekern, you talked about needing a sustained presence of the federal government, and then you talked about that this Commission needs to develop a vision, and then you went in to outline the division needs to be a web of highways, rails, safety, environmental, which sounds exactly like we have today.

So your description of the vision, to me, sounds just like a description of status quo. So what I was trying to understand is what were you advocating in terms of what that future vision should look like? How is that different from today because obviously today is not a sustainable vision and then what's the federal government's role.

DAVID EKERN: Mr. Chairman, let me amplify a little bit on that in the sense of in the

Virginia experience, and then I've worked in Idaho and Minnesota. So I bring a little bit of those two experiences to the table. My sense over the last ten to twelve years is that we have been narrowing and narrowing the focus of the federal government to say, well, it's just the interstate system or it's just the national highway system and trying to renarrow that as opposed to building a broader-based partnership which says there could be a federal interest in a variety of initiatives. We just heard one described at a local level, a citizen.

If the federal government is a true partner with us at the state and local level, then they should play in all parts not just a narrow part. In Virginia, as we're addressing our future, we're informing and linking land-use and transportation by informing decision makers. I.e., we passed a statute last year that required that before a local unit of government could make a zoning change, that VDOT provide a trafficking pattern analysis to the local unit government or in partnership with that. So they understand the traffic impact or the

transportation impact of a land-use decision. It's in its infancy in a Virginia example, but it is already shaping some decisions, changing some decisions that a local unit of government might have otherwise made without that information.

The examples then that we talk about is if we learn from our EPTA experience, you bring your partners to the table. You negotiate the deals. You don't use solid regulations and rules and say what's participating and what isn't participating, if you really want to take it to its extreme.

Virginia is now dealing with the equivalent of creating a pentagon along I-95 in Fort Bellville. And the Deputy Secretary knows that we have been most articulate in our language about this is a true -- You need to have a multi-mobile, multi-funding source solution to that problem because you do not pick up 23,000 people and say it's all about an interchange. That's my understanding of where we would be heading with a vision.

It is a vision that is unlike what we did

with the interstate system. It involves modernization of that. It involves improving the national highway network where that's appropriate, but it also allows the federal government to participate in what we are currently seeing is strictly multiple issues. And those -- That, to me, is significant change in the way the vision could operate. I understand what the Commission has been hearing. And I sympathize with you because it's one thing to tell you, but you need to give us a vision. If we are to forge that vision, I think there is some room, and he testified and said there is a way to emerge that. And if that is the charge, we can come together and help do that.

COMMISSIONER ODLAND: Well, so, you know, basically, you're saying that your vision is to have federal participation in all of these things, right? I'm paraphrasing.

DAVID EKERN: The potential of federal participation.

COMMISSIONER ODLAND: Well, but you know, everybody wants a handout from the federal government. Is everybody willing to have the

federal government retain a piece of ownership of it and to -- if that's the point, retain a piece of it and also govern that asset or do you just want a handout.

DAVID EKERN: That's a question that's on the table. It's not a handout. It is a partnership. And when people deem a partnership as we do, we have a stake in what that partnership is all about.

COMMISSIONER ODLAND: Right. So you're willing to let the federal government have an equity ownership stake and help the government out?

DAVID EKERN: Appropriately correct. As a partnership.

COMMISSIONER SCHENENDORF: Thank you. And just before I start with a question or two, just a reminder that after this panel, we are willing to hear from people in the audience. But to do that, we need you to go outside and sign up at the table outside and ask to participate.

The question I have that I guess is -- Let me start from the perspective of I think the people that created the commission in Congress

had very, very high expectations for us along the lines of the functions of the commission that we would help point the way for what this country needs over the next fifty years. And as a commission, we have tentatively agreed on a mission statement something along the lines of to create and sustain the preeminent transportation system in the world. And when you look back, we probably have that now. And when you look back fifty years from now, we're able to say we still have that despite all the increases in freight and the increases in population.

And to make that happen, it seems to me we're talking about an enormous national investment from everybody, federal, state, local, private sector if we're going to maintain our highways, our transit systems, our rail systems. If we're going to maximize the input on all of those systems and if we're going to provide the new capacities needed to meet the needs of the nation.

So I guess in that context, if we are going to accomplish that mission, if we are

going to create the preeminent system and make that kind of investment, I ask each of you to comment on what you think the federal resources involved would be. Whether it would be less than we're doing today, about the same as today, or whether we need more federal resources if that vision is going to be a reality?

MICHAEL GARRETT: I'll start that off.

And where I'm coming from in testifying before this Commission, and we appreciate what you're doing, and hopefully you're going to be successful. We're mainly taking more of a local approach as you've read the written testimony. We talked about the fact that we have a -- we have a bill here in the state trying to create a local SPLOST to do things from a local level because there's just -- there's so much -- There's so much red tape and bureaucracy to get something done. We think that the people in the local areas that need the improvements will vote for that if given the chance. And we're hoping that that will happen.

As far as the federal government's involvement, we're not just stuck on local

improvements. Any help that you can see fit to give us in any of these things that we talked about today I think would be -- would be appreciated. Public/private partnerships, I'm not opposed to that. The other things that we talked about about land-use development, we'd need some help in that area too.

COMMISSIONER SCHENENDORF: Do you think that local governments could do the whole job?

MICHAEL GARRETT: No. No, I don't. But I think it's a piece that we've got to do. And the business community has been willing to step up and take that on.

COMMISSIONER SCHENENDORF: I'm not suggesting the federal government do the whole thing. There's no question that the state and local governments are going to have to do more than they're doing today. As well as the roles of the private sectors to do more than it's doing today. I'm just trying to get a handle on whether or not they can do the whole job or whether it's a need for federal involvement.

MICHAEL GARRETT: Well, certainly the Mayor and Commissioner are a lot more qualified

to answer that than I am, but we're just trying to do the piece of it that we can -- that we can do as it relates to the Chamber of Commerce. But the help from the federal government, I think it's obvious that the coordination of all this is an insurmountable task to try and coordinate all of these efforts. If you look at what we're trying to do, you're trying to coordinate GDOT. You're trying to coordinate county commissioners, mayors, legislators and all these things to get all that done. And all these roads that really need to kind of meet at county lines and things of that nature, and all that has to be done. And those are things that we're working through, but we certainly don't think that what we're doing is the solution to what's got to be done.

COMMISSIONER SCHENENDORF: Mr. Ekern.

DAVID EKERN: Mr. Chairman, the simple answer is yes. There will be a need for more federal resources. There will be a need for greater state investment. There will be a need for greater local investments. To raise -- As it's been described, to raise all boats in this

case. The key to streamlining the regulations in the conditions under which we are allowed to use money and commingle money is what is needed while we're increasing the resources available to transportation. That's the bottom line.

COMMISSIONER SCHENENDORF: Mr. Olens.

SAM OLENS: Thank you, Commissioner. I'm going to be a little politically incorrect. Clearly we support the intentions of the Clean Air Act, but it has gone to a ridiculous extreme. Where you find a darter a mile away from an intersection where I'm trying to do left turn lanes or right turn lanes, and three years later, I'm nowhere closer to having a design authorized. I promise not to touch the darter. Let me do the project. We are at that state where we are totally unable to do what the people expect us to do.

There is a dumbing down. If there's a problem with one local government or one county, the rights are changed so that we all have to pay the price of that punishment from that one jurisdiction.

My county has a SPLOST that the state of

Georgia provides most jurisdictions to have a sales tax amount. I am literally removing federal and state dollars from some of my projects because I'll save twenty percent on the design cost and move construction up a year by not going through the ridiculous project development plan and the lack of concern and currency in that process. So I almost think that there ought to be a process from my look to government's perspective where unless we get a certain minimal percentage of federal dollars, it's an absolute loser to take it in the first place.

Now, do I want the federal dollars? Of course. But I don't want a million here or a million here with the increase for construction cost are greater than the federal dollars I'm receiving. What I'd really prefer, frankly, would be some type of certification process where an MPO could demonstrate its competence, and let them take the federal money, let them take the state money, and let them build. Because the thing that's lacking most in our region is the ability to deliver on time. And

if we deliver it on time, God knows we'd be able to build a lot more projects for less money than what's occurring now.

So, you know, I understand the issue about funding. I understand the highway trust fund. I understand all those things. But the delays bureaucratically are to the point now where -- for instance, as a local government, I'm turning down federal dollars. We need to be able -- If the ARC demonstrates, for instance, sufficient competence in the process. Sure, let the Feds come in and make sure we're following the Clean Air Act. Let us get the project built.

COMMISSIONER SCHENENDORF: We've heard a lot about that. And that's certainly something that, you know, I think we will be addressing. But again, given the enormous investment that is made to make those kind of changes, can the state and local governments and private sectors meet the investment needs or do you need more help from the federal government? I'm not talking just marginal changes.

SAM OLENS: Yeah. I think we're going to need more help, but not as much help as others

think. I think to the extent we're able to do concessions. To the extent we're able to do these DRTs. To the extent we're able to move projects on time, the number will be less than it will end up being under the current system.

COMMISSIONER SCHENENDORF: Mayor Franklin.

MAYOR FRANKLIN: Yes. I certainly appreciate the opportunity to ask that. I have looked at this issue relating to other infrastructure like work infrastructure. In the City of Atlanta, we operate the largest water and -- wastewater system. And we are funding that with limited government funds. It's largely local funds and some loans from the State. But we are the exception, not the rule. Most water and sewer and wastewater projects across the country are one per the state, one per local, and one per the federal which is the model. I mean our project is four billion dollars over the period of seven or eight years. And when we -- So if I look at what it's going to take in terms of investment in the City of Atlanta in a couple of the projects that we've identified for you like the Peachtree Corridor

or the beltline project which are transportation projects within the City that connect with the regional transportation. I mean, our expectation would be that we're looking for somewhere between twenty-five to thirty percent of federal dollars to match local and private dollars, if those projects are going to be built out in the next twenty-five years.

I think indeed we are going to go beyond that and say that we're going to build multimodal stations that accommodate whether it's DRT -- an enhanced DRT system or a commuter rail, we will not have locally, in my opinion, at the City of Atlanta, sufficient funds to fund fifty percent of these projects; fifty percent of the capital costs of the projects.

And frankly, that brings me to MARTA, which is our rapid rail -- rail system and bus system, our regional system. It's thirty years old -- over thirty years old. The local dollars in that system are almost six billion dollars from a sales tax that have been contributed by those who spend money in three -- in two counties, Fulton and DeKalb Counties. Atlanta

is one of the cities in those counties. But we spent close to six billion dollars in sales tax dollars. It's been matched by federal funds of about three billion dollars. So the system we have right now, you can see, is kind of consistent with that one-third -- You know, one-third of the funds are going to be federal for any major infrastructure. I'm now talking about in the billions of dollars of infrastructure.

And between the beltline and the Peachtree Corridor, just take the two of those, we're talking about projects in excess of four billion dollars that need to be built out over time. A combination of -- Well, you see from your documents.

So I don't see any way that we will be successful in the near term or the long-term without significant investment -- increased investment in transportation dollars in the City limits.

COMMISSIONER SCHENENDORF: Mr. Robison.

MICHAEL ROBISON: I get the easy question. More -- I think the more difficult answer is, you know, I would certainly challenge the

Commission to give any handouts. I mean, but hopefully you will work with some very qualified economists and try to determine what's the return on investment. And if you come up with some budget and double it, what does that make America look like? What do we look like? What does the economy look like? What do the returns look like if we have less oil dependency, if we have cleaner air. If citizens have a greater quality of life because they can sit in transit, and do emails, and drink coffee, and read newspapers rather than gripping their steering wheels. And how does that look from an economic perspective in terms of attracting industry and people to the United States.

I'm not smart enough to do it, but there are people who can. I think somebody can analyze increase in investment in transit dollars and figure out what kind of returns the federal government would be getting on those dollars. And I would encourage you to go down that path.

COMMISSIONER SCHENENDORF: Okay. We have time for one more quick round. Madam Secretary?

COMMISSIONER CINO: I'm good.

COMMISSIONER SCHENENDORF: Mr. Geddes.

COMMISSIONER GEDDES: A quick follow-up to Mr. Olens question. A number of other commissioners who aren't here are very interested in that issue that you brought up when you mentioned the certification process of MPOs. Do you view that as sort of a reform to Niko or if we should reform and how? What basically is it about the Niko process that's causing these problems? Are you viewing that as sort of another almost like a substitute?

SAM OLENS: More as a substitute. I think what we're running into are time delays. And we send it to one federal agency, they tell you to do X. Then you send it to -- Then you send it to the Environmental Protection you get an answer. You send it to Fish and Wildlife, you get another answer. And then if you go to the Corps of Engineers, you get a third answer. And by the time you follow up with all the federal agencies, three more years have gone by and you still haven't moved dirt.

So I think that, you know, similar to the

concept of back tracking. There needs to be a one-stop shop that says, I'm looking at the plan. This is what I want you to do, and let me do it versus the search now as you go from one agency to the next agency and watch the delays.

COMMISSIONER SCHENENDORF: Okay. Well, thank you very much. We appreciate your input. And we actually have finished just about fifteen minutes early. So you've got time to run out and sign up if you'd like to speak. Robert -- Is Robert here? Do we have any speakers?

ROBERT: Yes.

COMMISSIONER SCHENENDORF: Okay. Well, we will start with our speakers as soon as the panel has cleared.

COMMISSIONER CINO: Thank you very much.

COMMISSIONER SCHENENDORF: Okay. Can we have the following people come up and take chairs here: Rick Grandish, Sally Flocks, Myles Smith, Emory McClinton, Cheryl King, Terri Slack. Emory McClinton is the only person that's not here? Oh, okay, please pull up a chair.

Okay. What we're going to do is we'll go

through. And each person will have two minutes for their statements. And please hold it to two minutes. And then we'll ask questions. Let's start with Rick Grandish. Just speak into the microphone.

RICK GRANDISH: Mr. Chairman and Commissioners, thank you for coming to Atlanta and trying to address --

COMMISSIONER SCHENENDORF: Let me interrupt you for one second. At the outset just introduce yourselves and what organization your with.

RICK GRANDISH: Yes, sir. I'm Rick Grandish. I'm with Harrison, Warner, Webber, and Ross and for the past ten years, I have been coming out of the railroad intermobile industry. I have been trying to help governments understand what's happened with highway congestion as it relates to the truck freight component of this.

I'd like to point out that national studies over the last few years have indicated that freight has doubled in the past thirty years and is projected to double again in the

next twenty to twenty-five years. Fully forty to forty percent of some of the interstate capacity is taken up with truck freight. Again, federal studies have pointed that out.

We have, in Georgia, one of the highest density corridors in the nation between Chattanooga and Atlanta since most of the freight from the North headed to the deep South happens to travel I-75 right into the City. An old joke about Atlanta was everybody has to pass through Atlanta to get anywhere including hell. So we also have an economic census, indications that almost every state -- virtually every state, the majority of the freight originates and terminates within its borders, fifty, fifty-five some cases sixty percent. And that's an age-old truism of our regionalism over the years that many states, and thanks to federal studies, have proven that we still have a local and regional congestion problem that we have under our control. And fortunately the economic census allows us to qualify that data.

The bigger issue is globalization, and of course, import container traffic has been part

of that railroad vengeance is the Staggers Act of 1980. And it is also projected to dramatically grow over the next fifteen to twenty years. All the projections indicate that the long-haul cross-country rail traffic will increase dramatically and road capacity authority is in short supply.

But I would like to point out to the Commission one of the areas that we unfortunately miss too often is the unintended consequences of the Staggers Act, which allows to do confidential contracts with shippers throughout the world allowing the railroad industry to also have to focus that traffic onto major markets to major markets, and unfortunately, that is also the same areas that have the highest density of congestion. Atlanta being one of those areas.

COMMISSIONER SCHENENDORF: You need to summarize at this point.

RICK GRANDISH: I would like -- One last thing, as you look at funding is education may be also one of those big areas that you might look at. We've got a federal railroad

administration program that's been funded for 35 billion dollars that the states are the first priority to be able to use that railroad grant. And states like Georgia owns a railroad between Chattanooga and Atlanta that gets paid eight million dollars a year. That could be leverage to accomplish some of this rail commuter opportunity where they are underfunded today of other sources. Thank you very much for your time.

COMMISSIONER SCHENENDORF: Ms. Flocks, you are recognized for two minutes.

SALLY FLOCKS: All right. Thank you. I am president and CEO of Pedestrians Educating Drivers on Safety, which is an advocacy group based in metro Atlanta. I am also on the board of directors of America Walks and the steering committee for the Safe Routes to School national partnership. And I would like to recommend that NITSA expand its focus. For the past twenty to thirty years this focus was on safe crashing, seatbelts and airbags. And I think it's great that we're reducing occupant deaths, but if you look at the statistics in 2005, the big

categories where -- or most where the fatalities actually increased were pedestrians, bicyclists and motorcycle riders.

We don't have seatbelts when we're walking. We don't have a metal shell in any of those modes. And what we need to focus more -- What NITSA needs to focus on more is crash prevention. Twenty percent of the fatalities were in those three modes. That's one out of five people.

And I think Bob Dallas this morning was absolutely correct when he said we need to focus on speeding and we need to use photo enforcement. What I want to recommend that NITSA does is to follow the same path that it did with encouraging the states to pass -- to require seatbelts. They provided financial incentives to the states that if you pass seatbelt laws, you will get more money.

We have tried for five years to get the state of Georgia to allow communities to use cameras to ticket speeders in school zones. And every year, some very right-wing person has locked that bill up in committee and refused to

even let it be heard, or to kill it in some other way by stuffing it in a subcommittee. We really need federal help to enable the states or to encourage the states to pass that kind of legislation.

We also think there needs to be a fair share of the safety money going to the different modes. Pedestrians are not getting the fair share of the federal safety money. I think nationwide it's about one percent of the safety money goes to pedestrian safety. That -- Pedestrians account for twelve percent of all fatalities. So a fair share provision in the national law would really help. What we're finding here in Georgia --

COMMISSIONER SCHENENDORF: You need to wrap up.

SALLY FLOCKS: Okay. The final thing is that in Georgia, in Gwinnett County, one of our suburban counties that has really grown, fatalities for pedestrians have tripled in the last ten years. That is going to be happening all over the country, the suburbs, regentrification. We're getting people living

there on roads that are not safe. That's where some safety money needs to go. Thank you.

COMMISSIONER SCHENENDORF: Mr. Smith.

MYLES SMITH: Thank you. I'm Myles Smith. I work for Georgia Power. Mike's my boss, and I'm city planner. And I'd like to address the question you had, Mr. Odland, about the LCI program and how it might relate to Deputy Secretary Cino's question about the funding.

This program originated here in Atlanta with the ARC. It gives us federal transportation funds, a small portion of them, to encourage local governments to plan and implement more dense mixed-use kinds of development, and activity centers and corridors. It's simple that we provide the opportunity for people to live, and work, and play. So that our daily travel for shorter trips is going to help a lot. It's going to help reducing congestion. It's going to save transportation infrastructure dollars. It's going to help clean up the air. And in metro Atlanta, it only takes a small amount of money to implement this. They use a million dollars a year at max for planning for

small communities in this region to think through how they can improve some density area. And then they use up to 25 million dollars a year to -- from federal transportation dollars to improve the transportation items there to make that more likely to happen.

Local governments like it, so they start paying attention to density a little better. Our DOT does not like it because they see it as stealing the transportation funds that they want for other purposes. As a planner, we're convinced that it really does, over the long-term, make a major difference in any congestion and transportation needs. Therefore, it makes all the sense in the world to have a federal reform on this.

Now, Mr. Odland, you don't ramp it up by putting it on the expressway. It doesn't work that way. This is for centers. And so you ramp it up by making it nationally more available to communities and regions to use so that they can also encourage mixed-use, higher density developments in appropriate places as an option to all those problems we have.

COMMISSIONER SCHENENDORF: Two minutes is up.

Ms. Cane.

CHERYL KING: Good afternoon. My name is Cheryl King, and I'm the staff director for the Transit Planning Board. And we are an entity that was created by major stakeholders and agencies responsible for providing and maintaining our transportation infrastructure and services in the Atlanta region. Our mission is to provide a forum and a mechanism for the regional leadership of Atlanta to come together and work on our key issues affecting the regional -- the provisional regional transit service and offer solutions for efficient provision of those services.

Our board is composed of elected officials of the counties in our region as well as from the state of Georgia and represent from the largest trans operators and providers in the region as well as the regional planning commission.

Our end product is to be a regional planner of transit prioritizing lists of

projects, a financial plan for how we will pay for these projects, and a potential institutional instructor for the provision of these services.

I don't have to tell you that the traffic congestion in Atlanta is legendary. We recently made national news when a poultry convention and a motivational seminar both occurred in downtown Atlanta. People were tied up in traffic for hours and MARTA, which is the backbone of our regional transport system, our network, was backed up because people were switching to transit as an alternative. And indications are it's only going to get worse.

With over a million people that are estimated to settle in our five-fold counties of DeKalb, Fulton, Gwinnett, and Cobb, and Clayton, there's going to be a tremendous increase in traffic demand, and we don't have the transportation network to do it. We're not keeping pace with it. And we don't have the funds to build it. So we have to develop a system of transportation that's going to ensure mobility, then integrate all modes, transit as

well as roadway. And we have to even out our investment in all modes. In addition, we have to provide funds to pay for not only the building and maintaining of this infrastructure, but also the expansion of it and the operation of the services.

Locally --

COMMISSIONER SCHENENDORF: Times up.

CHERYL KING: I'm sorry. In conclusion, we'd like that and we feel that the federal government should stay in partnership with the local and state governments to provide this. And locally, we're going to get together and try and identify other ways and means for us to provide more funds to help operate and maintain our network. Thank you.

COMMISSIONER SCHENENDORF: Thank you.

Mr. McClinton.

EMORY McCLINTON: I'm Emory McClinton. I represent the Fifth Congressional District City of Atlanta here on the Georgia Department of Transportation's Board. I'm here to -- And I thank you for this opportunity to present this testimony to the Commission.

My testimony makes two recommendations. As a member of the State of Transportation Board of Georgia, I recognize the Commission has a wide variety of issues to address as it develops recommendations to Congress for national service transportation policy and revenue strategies for the future. I'm presenting this testimony on two of these recommendations that, I believe, would enhance and support a need for high-speed, inner city rail passenger service.

Georgia, currently through its gasoline tax cannot fund any rail programs and projects. We need federal assistance to do any of this. Now, one of the proposals would be extended to significantly relieve the traffic -- truck traffic on the interstate system as well.

9/11 exposed a transportation vulnerability in this country. It caused economic hardship throughout this country. One of the reasons was our passenger rail system was not in place. And we haven't put that infrastructure in place today.

We need -- I urge you to, as the national transportation policy, give greater support to

passenger rail to meet the rapidly increasing inner city commuter rail and passenger high-speed rail demands. This could be done by increasing a current provision of the transportation bill to increase the railroad crossing safety provisions, allowing the states to start that infrastructure redevelopment with those safety programs.

The other proposal --

COMMISSIONER SCHENENDORF: Your two minutes is up. Would you please wrap up.

EMORY McCLINTON: -- would consider providing the possibilities where truck traffic and the rail systems parallel along the interstate system allow the states the opportunity as opposed to expanding the interstate, expand the rail infrastructure and move more cars and trucks onto the rail infrastructure. In Georgia, that would be a tremendous relief from Washington into Florida.

COMMISSIONER SCHENENDORF: Thank you.

Ms. Slack.

TERRI SLACK: Thank you Mr. Chairman and members of the Commission. Terri Slack of the

New Treasure of Georgia State Road Tollway Authority. Previously, I was a CFO from a 100-mile system in Florida, a toll authority.

I would like to address some points that were made earlier this morning with panel three regarding Mr. Odland. The question of shouldn't public equity save the public agencies. In the capacity of the CFO of Orlando, we did look at that. I experimented a task team to look at that. A decision was made that, yes, we are in the best position to leverage the toll dollars. We are able to fund a five-year, 1.4 billion-dollar work improvement program using toll dollars. However, recognizing the benefits of private sector, this agency that ran one hundred miles at forty-three employees utilizing outsourcing contracts for most of the functions.

There are ways that you can morph both private sector concepts, leveraging the public and public accountability to accomplish the good of meeting the transportation needs. I believe both arrows will help meet the transportation targets of eliminating congestion.

And, Mr. Odland, the only thing I'd like

to say that's worse than paying a toll is sitting in traffic and not going anywhere. Thank you.

COMMISSIONER SCHENENDORF: Thank you all. We appreciate it. Commissioner Geddes, did you have any questions?

COMMISSIONER GEDDES: I do, actually. Ms. Flocks, I believe it was?

SALLY FLOCKS: Yes.

COMMISSIONER GEDDES: I think you brought up an excellent point about this issue of safety for pedestrians, bicyclists, and I think you even mentioned motorcyclists as well. There's a very interesting discussion that goes on in the policy and literature about this issue as we make cars over time. And we have become safer over time, but drivers may not be as careful as they were before. They feel safer, and they are in fact safer as a result.

But there's some cost of that that's imposed on the people outside the car, whether they be pedestrians or motorcyclists. And I think that's a very real phenomenon. The theory behind that is very, very powerful. And I'm

just wondering how we as a commission should address that? In other words, I think I have a good handle on what we can do for auto occupants to improve their safety. I'm a big advocate of that. We have to address the 63,000 deaths per year, but how do we -- How do we help address the pedestrian issue?

SALLY FLOCKS: Speed is a huge issue for pedestrians. If you're hit at twenty miles an hour, the risk of death is five percent. If you're hit at thirty miles an hour, the risk of death is forty-five percent. If you're hit at forty, the risk is eighty-five percent. So speed is the issue that most needs to be addressed.

And I do think that the law enforcement can be a huge help. Bob Dallas spoke about getting the public buy-in. We found strong public support in the community for starting out at the schools. Allow the cameras in the school zone. We did a demonstration project. There were no tickets, but for six weeks, we were measuring the speeds. A private company was using their camera system. Nine hundred cars a

day were going at least eleven miles an hour above the speed limit past the school. And you know, that's thirty-six miles an hour or faster. That mostly would be fatal if they hit someone. We need to allow those cameras.

And I do think what makes a difference in driver behavior is a moderate fine with a high chance that you're going to get a fine. It doesn't need to be a \$200 fine. Even a \$50 fine, but a very high chance you're going to get caught. Start at the school zones.

Here in Georgia, we have red light cameras now. There is a bill in the legislature to eliminate them, to ban them in Georgia. But the public is overwhelmingly in support of keeping them because they've seen what a difference it makes. It's wonderful not to have five people making left turns after a red light has come on. We like it better, so I do think the public will buy in. But start -- just start at the schools. Then maybe neighborhood streets. Then allow it on the arterials. I think you would save a lot of lives.

The other issue that we really need

addressing is our multilane arterial streets. The Federal Highway Administration has done an excellent report published in 2002 that says that a marked crosswalk alone is an inadequate protection on a multilane street with more than ten thousand cars a day. That you should be retrofitting those crossings if it's not signalized by putting in median islands or other enhancements to a crosswalk. In-street crosswalk signs have made a huge difference here in the City of Atlanta. They're also in Washington, D.C. They're right in the middle of the street on the edge of the crosswalk. In the City of Atlanta, we have cut pedestrian fatalities by seventy-five percent. And I think those signs have made a big difference.

And so there's a lot that can be done. And I think pushing the states to allocate more of the safety money for those enhancements to crossings and then also pushing the states to allow communities to use camera systems.

COMMISSIONER GEDDES: Thanks.

COMMISSIONER SCHENENDORF: Commissioner Odland.

COMMISSIONER ODLAND: No, I just wanted to thank all of you. I think you made really material contributions. It's different, but materials contributions to the testimony. Very thoughtful, and appreciate all of you coming.

COMMISSIONER SCHENENDORF: Madam Secretary.

COMMISSIONER CINO: Thanks, Jack. Ms. Flock, and I too appreciate your comments with regards to safety. NITSA has an excellent reputation as a partner in transportation and we continue to make safety first and foremost as Mr. Dallas said, our number one priority. And we'll back to the Department, your thoughts with regards to pedestrians, bicyclists, and motorcycles.

And with regards to motorcycles, we are, this year, putting more money into motorcycle education, motorcycle training. We have seen an increase with the motorcycle deaths in the last couple of years. And I think it's a special interest to our new secretary, Secretary Peters who is himself a motorcycle driver. So there will be more emphasis on motorcycle drivers,

particularly in the age of eighteen to thirty-four, which has been problematic. So you'll see an increase there. But I will also take back pedestrian and bikers.

SALLY FLOCKS: Thank you.

COMMISSIONER CINO: I appreciate your comments.

COMMISSIONER SCHENENDORF: One last question for each of you. Let's say you had your one day with the Congress to tell them in one sentence what it's going to take for the United States to be the premier service transportation system of the world fifty years from now, what would you tell them?

TERRI SLACK: Starting with me?

COMMISSIONER SCHENENDORF: Starting with you.

TERRI SLACK: One sentence. I don't know. I mean, it's difficult. There's many things to look at, many things. The federalization of projects, the funding, the getting money back to the local area. I don't know if it's one. It's a combination of issues.

CHERYL KING: I would say that the key is

connectivity and working together in partnership with the state, local, and federal government as well as the private sector to provide the money necessary to maintain our existing infrastructure, to expand it, and to provide the services that you plan to meet the needs of our communities.

SALLY FLOCKS: I would recommend that we increase the gas tax to the levels that we see in Europe and that you sub out -- Require the states to sub allocate more of the money to the MPOs so that we can remake the regional systems to be multi-mobile rather than autocentric.

EMORY McCLINTON: There are several things I think we need to do at this junction.

COMMISSIONER SCHENENDORF: One sentence. In one sentence.

EMORY McCLINTON: Well, you know, you can't give just one because it involves several of the agencies within the --

COMMISSIONER SCHENENDORF: What's the most important one?

EMORY McCLINTON: The most important one is to consolidate surface transportation

programs at the DOT level so that when we're out here trying to do these various programs and projects, we speak to one central voice. Right now, we have a different set of regulations and requirements for each of the modal administrations within DOT. By the way, I'm a retired federal highway person, so I know.

COMMISSIONER CINO: Thank you.

MYLES SMITH: I'm going to stick with my preaching about land-use and transportation being connected. To me, we only have transportation to serve people in land-uses. And if we can make that linkage better -- All the transportation people I know think that they're the be all end all of everything. The transportation is --

COMMISSIONER CINO: I just started two years ago.

MYLES SMITH: Thanks.

COMMISSIONER SCHENENDORF: Thank you.

RANDY GRANDISH: Short long sentence. Globalization has forced us to look at it at a federal level, global level. We've got to have a national policy. We've got to have a policy

that comes out of Washington and filters down and eliminates waste. The planning process, you've heard repeatedly in other hearings as well as today is a waste of development program that you're not afraid of raising taxes because we the voters have voted repeatedly for the last few years, we'll pay for your projects, just don't take ten years to get them to us.

COMMISSIONER SCHENENDORF: Okay. Well, thank you all. We very much appreciate it. And we appreciate all the hospitality of the people in Atlanta. We'll be here tomorrow morning to visit some of your facilities. And again thank you very much. And the hearing is adjourned.

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(Whereupon, the meeting was adjourned at 4:45 p.m.)

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C E R T I F I C A T E

HENRY COUNTY

STATE OF GEORGIA

I hereby certify that this is a true,
correct, and complete record of proceedings held by
the National Surface Transportation Policy and
Revenue Study Commission held on February 21, 2007,
before Stacy N. McPhaul, Certified Court Reporter.

This, the 9th day of March 2007.

Stacy N. McPhaul
Certified Court Reporter
Certificate No. B-2388