

America on the Move: Investing in U.S. Infrastructure

Guests:

Congressman Bill Shuster
Victor Mendez
Ed Rendell
Ray Lahood

Start Time: (09:09:30)

Don Baptiste:

Good morning. Morning, everybody. Got it? Great. Good morning. I'm Don Baptiste, the co-founder and head of Bloomberg Government. Thank you for either joining us today in person or via live stream for "America on the Move." For the next few hours, we'll be discussing our investment in America's infrastructure. Anyone who commutes in DC knows this is a critical issue.

09:10:00

I really cannot be the only person dodging potholes on my way up and down K Street each day. We convened a great group of experts to discuss the problems that we have as well as, I hope, more importantly outline some of the potential solutions. Just a few minutes, we'll get started. Peter Cook, Bloomberg Television's chief Washington correspondent, will start the conversation with House Committee on Transportation and Infrastructure chairman, Bill Shuster. Before we dive in, I do want to take a moment and thank our sponsor, Autodesk, and our partner, Building America's Future. Their support for this event has been instrumental. Ronda Faut [spelled phonetically], the former Secretary of Transportation from New Mexico, will say a few words on behalf of Autodesk and then hand things over to Peter. Ronda?

[applause]

Ronda Faut:

Thank you, Don. It's good to see all these people here today. Thanks for coming. I want to also thank Bloomberg Government for hosting this important discussion.

09:11:03

And to our distinguished leaders who are speaking today, really looking forward to today. Autodesk is delighted to co-host this event because investing in the infrastructure is so critical to our nation's growth. We are a design software company. By that, I mean our software is used to design and build virtually everything. Building your, you know, buildings. These chairs that you're actually sitting in today. And, of course, our roads, our bridges, and other infrastructure assets. So what does design software have to do with the challenge of how we invest in infrastructure? A great deal. Because with our

software, you can create a 3D model of what you plan to build before a single shovel has broken dirt.

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The 3D model streamlines the environmental process, helps the public visualize and understand the project, expedites project delivery, and reduces waste. When you build it on the computer first, you can avoid mistakes in the field later. It's a whole lot easier to move a mouse on the computer than to move a bridge. You can experience this technology today in our driving simulator that's right back here. You passed by it on the way in. So please take a chance to drive the simulator on your way out. Also, this same technology was used to produce an app on your iPad as a detour and to use the iPad as a detour on the San Francisco Bay Bridge Project, giving citizens a way to know exactly what they face when driving through the construction zone. Basically, you use the iPad as your steering wheel and you actually can drive the detour before you go to work, saving time and also saving lives at the same time.

09:13:01

Congress got it right in MAP 21 by creating incentives for states to use advanced technologies such as 3D modeling. Federal highways' Every Day Counts Program also promoted the benefits of 3D modeling this past year. We need to keep and expand these incentives to use advanced technologies in the next surface transportation reauthorization. This not only is good policy, but it's one of the best ways to expedite projects and ensure that every dollar is invested -- that is invested in infrastructure is well spent. We at Autodesk are your partners in building America's future. We'll continue to develop the world's most innovative infrastructure design tools to ensure that our country meets the challenge.

09:13:55

And we urge you as our policy leaders to continue to keep these and other advanced technologies highlighted in our national transportation and infrastructure legislation.

Thank you, again, for being here today to share your insights on investing in infrastructure, and I know that I look forward to what I'm sure is going to be a very interesting discussion. So thank you very much.

[applause]

Peter Cook:

I'm Peter Cook, I'm the chief Washington correspondent for Bloomberg Television. Welcome to all of you for being here, welcome to all of you watching online as well. And I'm going to get right to our next speaker, because if America is going to get moving again in terms of infrastructure investment, our next speaker is going to play a very big role in all that. Congressman Bill Shuster arrived to Congress in 2001. He's

represented Pennsylvania's ninth district, taking over the seat that his father held before him.

09:14:53

He served on the Transportation Infrastructure Committee since he got to Congress and he rose to chairman last year. He also serves on the House Armed Services Committee, and he's got a range of business experience before he got to Congress, including owning and operating a car dealership, so he knows where the rubber meets the road -- literally -- from his business experience. And he's going to come up here, deliver a few remarks, and he and I will sit down, have a conversation for a few minutes. Then we're going to open the questions up to you all in the audience. So be thinking already about the questions you'd like to ask the Chairman of the House Transportation Committee. But without further ado, Chairman Bill Shuster.

[applause]

Bill Shuster:

Thank you very much. I was told this is the biggest crowd they've had in here in a while. I'm sure it's not for me. You've got a couple other pretty big-time speakers. I just told the staff I really don't want Secretary Lahood sitting in the front row. It's too close to me. He'll --

[laughter]

Bill Shuster:

-- for -- if he starts to harass me. But I guess -- I'm honored that I'm the lead-off hitter. And the lead-off hitter is supposed to get the -- get the game going, so hopefully I'll be able to live up to that this morning.

09:15:57

Again, thanks to -- thanks for having me here. Thanks to Bloomberg [spelled phonetically] for what they do. And again, you know, you established yourself as a leader in reporting on business. And that's what transportation is all about. It's about business. It's about the business of America. It's about supply chain, getting raw materials to the manufacturing sites, to getting our products on the shelves in our stores from the fields and from those factories. And so, it allows America to be competitive in a global economy. And that's something that we have to make sure that we're continuing to build on that physical plan. It's the physical connection that we have. It's about quality of life, doing the simple day-to-day things that individuals do: going to work, going to -- getting your kids to school, going to visit your families around the country; and so, when you think about those things, you -- first you think about the business aspect of it. It's pretty obvious that business is involved in transportation.

09:16:55

But I believe that every single American is in the transportation business. I look out here today. Everybody here has been touched by the transportation system. Hopefully in a good way. But coming in from Washington, the most congested city in the United States, some of you might have had a long trip in this morning. But, you know, those are the kinds of things that we have to reduce, that we have to build upon. And I believe there is a federal role, and there has always been a federal role. The Articles of Confederation -- I know many of you have heard me say this before -- but the Articles of Confederation failed for a number of reasons. But really, the tipping point was the transportation issue. And that was Virginia and Maryland couldn't come to an agreement on the navigation rights of the Potomac River. And those folks -- Washington was involved in it. They realized that if they weren't able to encourage commerce, connect the nation through transportation, we would never be the nation we are today. And in fact, President Eisenhower said, "Without the unifying force of transportation, we would be a mere alliance of many separate parts." So, you know, going back in our history to the Trans-Continental railroad, the Panama Canal, or the interstate highway system -- those things all connected America.

09:18:01

And I might add, being a little bit partisan, they were all Republican presidents--

[laughter]

Bill Shuster:

-- that did that. And we as Republicans, we have to remind -- some of us have to remind ourselves -- remind my colleagues -- that that is something that America's supposed to do -- from a federal role, from a capital investment standpoint. When you invest in your physical plant, you get a return on investment. You make your business better. You make your nation better able to produce the jobs necessary for the American people. As we move forward in the Committee, again, our two top priorities last year was WRDA, which we're now in conference with. So, I'll talk a little bit about that. But also, the Surface Transportation Bill, which we're getting in -- gearing up. We've been gearing up for the past couple of months to move forward to try to get to that September date, where we can have something passed out and move forward. But the WRDA bill is in conference. It's been a little slow going, I will admit.

09:18:58

You know, our policy reforms -- the WRDA bill is policy reform driven. It was fiscally responsible. And something extremely important to me -- and both sides of the aisle, in the House, at least -- was that the Congress didn't give up its constitutional authority to the executive branch, which we've done for the past several decades. And when we get on the House floor and complain about the EPA or some other agency putting forth regulations, you know, Congress allowed that to happen. So, I was -- admitted -- and my

colleagues in the House. And I believe we're going to come out of the Senate with making sure that Congress' authority is intact when it comes to water resources and development issues. And I might add, too, there were no earmarks in this bill, which made it a little more difficult than other WRDA bills to move forward. But when we passed it out of the House, it was obviously a big margin for it -- 117 votes against 3. I was very, very proud of that. And again, as we went through this process, on WRDA, I learned a lot about how you bring in the stakeholders.

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You talk to members of Congress, making sure that their concerns are heard. And again, as we went through this WRDA process, learning a lot, we're going to deploy that same model as we move forward on a surface transportation bill. Again, we hope to get it done on time. We've started hearings, had our kickoff hearing here earlier in January. And we're now continuing to hold roundtable and listening sessions for the stakeholders, and then also reaching out to members to start talking to members, getting their input, trying to educate them on things they don't understand. And as you might -- as you might all know, being in this town, you know, not every member of Congress is well-versed on transportation issues. Just as I'm not well-versed on issues that come before my committee. So, it's extremely important that we get the stakeholders and the members, and bring everybody together as we move forward on this. Because I also believe that it needs to be a bipartisan bill. And I think we demonstrated on WRDA being fiscally responsible, reform-driven.

09:20:55

To maintain our Congressional authority, we were able to bring forth a large bipartisan coalition to move that bill forward. You know, we've got to make sure that we're making the investments we need in the transportation system. The -- one of the numbers that I look at, and I'm constantly reminded of, is that America took them -- took us 65 years to go from 200 million people to 300 million people. And we crossed that threshold in 2005. And now, we're nine years into that. We're on our way to 400 million people, which they said was only going to take 32 years to do. So, we're a third of the way towards 300 -- or 400 million people. And when you think about it, not everybody's going to move to Florida and Arizona. You look at the Northeast corridor, our most congested corridor. It's going to continue to expand; that congestion is going to grow outward. So, we've got to make sure that we are prepared to move the people and the stuff that 400 million people are going to need to live, to work, and all the things that we do.

09:21:53

Now, this -- as was the WRDA bill, as is this bill, it's all about jobs. Jobs, jobs, jobs. And it's not about construction jobs. Those construction jobs are certainly good. They're temporary. But I'm talking about the jobs that are created when you allow a manufacturer in America to be able to put his -- their goods, gain market share in the

world economy. And when they're gaining market share, that means they're going to produce more back home. So that means we're going to hire more people back in the plant. So, that's the first level of jobs. The second is when we get our goods to our stores efficiently at as low a cost as possible that means the American people save money. They can put that money in their pocket and use it on remodeling their homes or paying for their children's education, or buying a washer and dryer. Those are going to help to create jobs. So, when you talk about a transportation bill, you -- I believe you got to talk about jobs. The jobs that are going to come, the long-term jobs, which is -- should be the focus of what we're talking about. So, how do we get there? Some of the key principles -- again, I think it needs to be fiscally responsible.

09:22:55

And we have to build upon the reforms in MAP 21. Now, we're -- some of those reforms are starting to take hold in the administration. But it -- they're just starting to roll them out, so we're watching very closely, as we move forward here, what they've done with some of these. Have they done -- have they rolled them out and are they deploying them in the way that Congress intended, or are we going to have to put language in there to strengthen that language? But again, building on those reforms, reducing that regulatory burden, and again, making sure that our partners -- they're in -- the states, the locals -- have flexibility so they can roll these -- they could roll these projects out faster, because as we all know, time is money. If you can get a project done sooner, you're going to save money. You're going to have that money to be able to do -- to use it on another project. Freight mobility. The special panel that we set up, chaired by Chairman Duncan last year -- talked about the need to focus on the movement of freight.

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We have corridors in this country we need to focus on, need to make sure that the -- that the dollars are flowing there, because that's where much of our commerce is, moving through these corridors around the country. So, making sure that we're looking at those and a lot of the other good recommendations that the panel made. Again, I can't -- we can't be stuck in the past, or we're going to be left behind. And one of the things we need to look at is the technology. I know just yesterday, they rolled out auto manufacturers and the government about cars, talking to each other. And some of the regulations and some of the things they're looking at there. And that's a -- I think it was a good first step. I had the great fortune of riding in the autonomous vehicle, which I went from Butler, Pennsylvania to the Pittsburgh Airport; 33 miles. They started it up. They put it in gear. And basically, the guy touched the wheel one time after that, and it drove 33 miles to the Pittsburgh Airport. Stopped the car. I opened the door. Three steps to the podium for a press -- for a press conference. You talk about sticking a landing. It --

[laughter]

09:24:57

Bill Shuster:

And it truly was amazing to be in this vehicle that is going to make -- this car is going to be safer out there, it's going to take away human error, it's going to help with congestion. I mean, just the whole litany of things, positive things. Now, it's not ready to be rolled out yet. But they are working on it and they believe within several years it will be -- you'll be able to buy it, and within a decade -- or, excuse me, a generation it will be deployed through most of the fleet. So, again, we've got to start thinking about those things today, because the roads we build in the next five, 10 years are going to be the roads that those new vehicles and that technology is working on. So, again, we need to include that into a surface bill this year. Again, one of the big challenges that we face is the funding, and I'm not ignoring the funding. But I think you start with making sure that people understand the importance of transportation, the jobs they're going to create.

09:25:55

They make sure that folks understand that if we don't do it, what does that mean? It's congestion, it's less competitive, we're going to have less jobs. And talk about some of the problems that are out there: our bridges that are in bad shape; and as we build that case, I think the funding almost becomes a byproduct of that. Once you make the case to the American people and once we make the case to -- and I make the case to other members of my conference and the Congress. And I think we have to build a broad coalition of stakeholders to go out and make that case, because it's not going to be easy and, as I said, it's something that's vital to the United States. We've got lots of concerns, lots of problems, and we know what some of the solutions are. But as we move through this process, I'm confident we can make the case and be successful. And finally what we're working on in the committee, it's not something that's going to come up this year, but I think it's extremely important that we started talking about it now. It's about our aviation and our airline industry. America invented aviation.

09:26:59

We're the leaders in the world on aviation. Much like we've -- many other things we were the leaders in the world on. But we are under attack by foreign carriers, by foreign manufacturers, and even by our own regulatory bodies that are making it so difficult for our industries to succeed. And I made a speech in December and we're starting this conversation about the next FA authorization comes up in 2015, and I think it's incredibly important that we start this conversation now, because it's very complicated, it's high technology, it contributes a trillion dollars -- these industries contribute a trillion dollars to our economy -- and, again, I don't want to lose America's leadership, like we've lost in textiles, steel, and autos. This is something we need to focus on now and make sure that the government is not overregulating and driving these companies to foreign shores, to foreign competitors. So, again, we started that process. Frank LoBiondo is leading the effort from the subcommittee on aviation and we've got Sam Graves to sign on.

09:28:00

Sam Graves, as many know, is the voice of general aviation in the Congress. So it's going to be across the board, this conversation. Looking at what are the Europeans doing different than we're doing? What -- the Canadians, for instance, have public private partnership with their air traffic control system. You know, looking at these, trying to understand. Is it something that's possible to work in America? Is it something we need to do to make our system stronger? So that's -- again, that's something we have a keen interest on and we'll be talking about that as we move forward. Again, once again, I thank you very much for having me here today. I appreciate this opportunity, and now it's -- I'm taking questions, so, Peter? You're up. Thank you all very much. Appreciate it.

[applause]

Peter Cook:

Mr. Chairman, thank you again for being here. I know you're on a tight schedule. You're on, I think. If everything's going according to plan, you're on.

Bill Shuster:

If I say a curse word, I'm sure I'll be --

[laughter]

Peter Cook:

I'm sure it will be documented in some form or fashion. Again, appreciate you being here. And we're going to open up.

09:28:59

I'm going to save a few moments for questions at the end, but I want to begin -- let's get right into it: the nub of the matter here, and perhaps arguably the biggest challenge you're going to face this year with the Service Transportation Bill is the funding question. Do we not have the microphone? All right. So curse away, Mr. Chairman.

[laughter]

Peter Cook:

Is it time to consider raising the gas tax in this country in order to fund the infrastructure needs of America?

Bill Shuster:

No, I don't think at this -- the times we're at economically, it's not the time. But there are things in talking with the chairman of Ways and Means Committee and members of the Ways and Means Committee, you know, there are things out there we can do to save money in other areas and invest that money in the transportation system. And I've had

these kinds of conversations. I just don't believe the American people -- there's a will out there in the American public or in Congress. Even our president has said, you know, that we're not going to do that. So we've got to figure out different ways at this point in time.

09:30:00

Peter Cook:
It's been since 1993.

Bill Shuster:
Sure, I understand that. But our economy is not in good shape. I think that one of the things -- and I said, I believe there are ways we can fill that hole in the trust fund. There's a lot of different -- and not to get into the weeds, here -- but there's a lot of different ideas out there.

Peter Cook:
Can you float two or three for us, just to give us a sense what you're thinking.

Bill Shuster:
Sure. Talking -- well, it's not coming out of my committee, so I've got to deal with the Ways and Means Committee, but there's the idea out there of bringing back for-profits and some of those dollars flowing into the trust fund. We've talked about for a number of times -- a number of years, about as we open up oil and gas exploration off the shore and in federal lands, those dollars flowing in into the trust fund. Those are a couple, and then there's just the straight-up if you're in business and you want to invest money and you don't have the sales revenues to do it, you find other places to cut. And you take a portion of those cuts and say, "This is an important investment into America."

09:30:56

And there's a whole lot of departments around Washington D.C. that were never intended to be part of the federal government. So, you know, I say we can start there. So a number of things. Now, I do think we need to start the discussion on -- and I don't believe it's going to be solve in this bill, but start the discussion on, you know, down the road how -- is it vehicle miles traveled? You know, what are the other ways to generate the funds? Because the trust fund, we all know, everybody's -- in the next couple of years, we'll all be driving cars going 50 miles an hour, cars that don't use fuel, use electricity or some say use coal if you use electricity -- 50 percent of it is oil; I like to remind that to people. So we've got to figure out a way to make sure that the user fee -- and that's what it is. It's a user fee. If you use the roads, you pay for the roads. So, again, we need to start that discussion, and I know that the last in both -- the last two transport bills, I guess was this Safety Lew [spelled phonetically] -- we've expanded a study on vehicle miles traveled in 10 cities, I believe it was. I believe Iowa State University is running that.

09:32:00

You know, where are we going? We've got to figure out --

Peter Cook:

Do you think Americans are open to that idea, the user fee approach, the vehicle miles traveled? There's obviously concerns about is the government going to be watching where my car's going?

Bill Shuster:

That's a huge issue, and that's from the left and the right, saying -- and I understand that. I don't want the government being able to monitor me. And so that's a huge issue. And I think it's also a generational issue. I have a 22-year-old and a 25-year-old --

[break in audio]

Bill Shuster:

-- the other thing is I'm technologically challenged, so I can barely use my Blackberry, but, you know, so I think it's a generational thing, but it's something we have to start the discussion with. It's just -- like I mentioned about the aviation industry and all of a sudden saying, "Here's a new technology, here's a new idea." People have to really embrace and understand it. Understand it before they can embrace it."

Peter Cook:

Let's talk about, again, the big picture. Getting back to the funding question, also how big of a bill are you talking about? How many years -- is it going to be a five-year transportation bill? Because obviously the two-year solution the last time around didn't satisfy a lot of people.

09:33:04

Bill Shuster:

Sure. Well, the two-year solution was driven by the dollars. And in talking with members of the Ways and Means Committee, they believe there are solutions out there -- not raising taxes, but solutions out there -- and they're committed to trying to find those dollars to do a longer-term bill. To actually do -- we talked about trying to figure out how to shore it up for 10 years. I don't know if they can get there, but at least have something where -- we don't want a two-year bill. We want a five-year, six-year bill, something like that, which historically the highway bills have been.

Peter Cook:

What is your sense right now about the appetite in Congress for this legislation in this election year? There was a time when transportation bills were bipartisan, as you've pointed out. This is usually a bipartisan issue, Democrats and Republicans getting

together to fund what was arguably at one point the world's greatest infrastructure. Something's changed since then.

09:33:59

What's your sense about this moment in time right now and the ability to bring Democrats and Republicans together around this kind of legislation?

Bill Shuster:

Well, I think we proved it in the WRDA Bill, which is a much, much, much smaller bill. But I think it's important that you bring together the stakeholders, which we did in the WRDA Bill, and then deploy those stakeholders and members on the committee to talk to our colleagues. And we did, I think, a very good job of making sure that -- for instance, we had the whole Georgia delegation and South Carolina delegation vote for this because the Port of Savannah and the Port of Charleston are in there. There's not a -- it's not a chief's report ready for Charleston, but we put provisions in there to allow that they can continue to move forward on developing those projects. And that's what, I think, you have to do. And I think that most Americans understand their commute or, you know, on the farmer when it's tough to get his products to the market -- they understand the need for the transportation system, and we've seen several states deal with the funding issue, deal with getting a transportation bill.

09:35:04

And I might add, most of those states were states governed by Republicans. So I think there's an appetite out there, but it's an educational process, to go out and explain to our constituents, to the American people, so that they understand -- they're on-board and supportive. And then making sure we make that case to my colleagues, who have to vote on it.

Peter Cook:

I could ask you questions all morning long, but I want to make sure I open it up for our audience here. If anyone has a question, please, if you could raise your hand, I'll go to -- my good friend, Bob Litan, right here, who's a -- he's a Bloomberg plant, I'll just tell you.

[laughter]

Peter Cook:

Bob, please identify yourself, and welcome.

Bob Litan:

I'm not a potted plant.

Peter Cook:

That's true.

[laughter]

Bob Litan:

So, I direct research here. Mr. Chairman, thank you for being here. So, given the funding constraints, I want to throw two ideas -- additional ideas on the table and ask your reaction to them. One is congestion pricing, to alleviate congestion with perhaps rebates to low and middle-income people to solve the equity concerns that a lot of people have raised about that.

09:35:59

And second, why don't -- why aren't we talking more about privately-owned roads, so that the government doesn't have to issue debt, and that we enable and do whatever's necessary from a regulatory point of view to facility privately-owned roads?

Bill Shuster:

Right. Well, congestion pricing is out right here in the Beltway with the new lanes they put out there. I've driven by when it's low price, and driven by when it's double or triple the price, based on congestion. You know, I think that's a smart thing to do. I believe the Pennsylvania Turnpike has started to do that. If trucks are on the roads later at night, they're paying -- they're paying lower fees than if they're traveling during daylight hours. So, that certainly is one of the solutions. And again, it's already being used out there. The second question, private roads. You know, the history of America -- you look back. Private roads -- private companies come in and invest -- they haven't been successful. You know, we've got a road out here -- I think it's the road from Dulles to Leesburg -- the Greenway?

Male Speaker:

Greenway --

Female Speaker:

Green --

09:36:56

Bill Shuster:

I think it's at least under two owners, now a third. I think the state now might even have come in and taken over. And even when we had the private sector -- the private sector wants to come in and invest, and we need to encourage that, absolutely. But even on this -- on the Beltway in Virginia, my understanding is the private sector is about 80, 85 percent of the money, and the state had to come in with -- to lower the cost, because, again, a business is going to come in. And if they can make a profit, they'll fund it. But it appears as though most of the times you're looking at it, there's got to be some element of government -- of government investment to lower the -- to lower the costs so that they can get the return on their investment. But I think that the private sector is out there,

ready, willing, and able. But they're looking at it from -- those I've talked to, it's a public-private partnership. So, that's means that the public has to be in there, but I'm all for -- we put some of that in the last -- the last highway bill. We need to expand upon it because, I think, it's part of the solution.

Peter Cook:

Another question here, sir, right here in the front? If you could identify yourself.

09:37:56

Joseph Boardman:

Thank you. Joe Boardman.

Bill Shuster:

I know him.

Male Speaker:

Yeah.

[laughter]

Joseph Boardman:

Good morning, Chairman. Joe Boardman with Amtrak. Just a question, Bill. I was really pleased to hear you talk about for the surface transportation bill a six-years or maybe even up to 10. One of the critical elements for Amtrak is to have more than one year of funding at a time, and you and I have discussed this in the past, of course, on the infrastructure investments, especially for the Northeast corridor. And without that for the future and a funding program for Gateway and the -- just the -- what you talked about in your speech, about the growth in the Northeast Corridor, we're going to be in real trouble for moving people and the economy.

Bill Shuster:

Right.

Joseph Boardman:

I'd like to hear your thoughts on that.

Bill Shuster:

Sure. And I think you know my thoughts on that, Joe.

[laughter]

Bill Shuster:

But for --

Joseph Boardman:
I'd like to hear them here.

Peter Cook:
We'd like to hear them as well.

Bill Shuster:
But for everybody else -- the Northeast corridor is, in my view, it is a corridor -- the most congested corridor in America, the most densely populated corridor -- maybe one of the most dense -- it's one of the most densely populated in the world.

09:38:57

We've got 19 -- 18, 19 percent of our population living on 2 percent of our land mass. We cannot build two more lanes on I-95. I mean, it's just not possible. Whether it's the environmentalists that won't let us, or the people in the neighborhoods, or the legal system, or the funding, it ain't going to happen. So, focusing on Amtrak, getting Amtrak where it needs to be, not carrying 11 million people, but it should -- experts have told me it should carry 20 or 30 million people. And so, focusing on that -- I think, you know, we've made mistakes about trying to invest in other corridors around this country, when this is a corridor that, because of the population density, because of the need to move people, and because of -- we own the track -- we don't own the tracks anywhere else in the country. We've got to deal with the freight rails. But here we own it. We should really focus like a laser on this corridor. And for those of you that know I'm from Pennsylvania, I do not live on the Northeast corridor. I'm from Western Pennsylvania. So, this is not a parochial, you know, Shuster's backyard.

09:40:00

This is about this corridor that generates so much commerce for America. So, again, I think we need to focus all of our efforts and our funding on the Northeast Corridor to try to solve -- and learn from -- learn from this experience. So, we can take it to the -- you know, San Diego, Los Angeles is the second most-used corridor. And again, we've got money up there in the Central Valley that, again, experts tell me, if you spend a billion dollars from San Diego to Los Angeles, and a billion dollars from San Jose to San Francisco, you can improve rider -- it can improve the times that -- commutes. You can get more people on those -- on those rails. And again, if any place in the world needs to take cars off the road, it's southern California. I'm getting the signal back there.

Peter Cook:
You're getting the signal. Let me sneak in one --

Bill Shuster:
Yes. Yes.

Peter Cook:

-- last one before you go. And let me just follow-up on that -- high-speed rail.

Bill Shuster:

Yes.

Peter Cook:

Your take right now on high-speed rail and what this administration has been trying to do, and what --

Bill Shuster:

Right.

Peter Cook:

-- what the reality is.

Bill Shuster:

Well, it depends on what you consider high-speed rail.

09:40:58

There's high-speed rail [unintelligible] which, you know, that's not going to happen in my lifetime. High-speed rail, in Europe, would -- is a good thing. The Europeans have been able to do it. But in this country, what I believe is higher-speed rail, making sure that the Northeast corridor -- the Acela, which travels -- it can travel up to 150 miles an hour -- it averages about 89 miles an hour. With the right investment, and we can get those speeds up. We can reduce those speeds. So, I'm all for higher-speed rail in this country. Pennsylvania, Harrisburg to Philadelphia, the Keystone -- the state and Amtrak invested about \$100 million each, reducing the ride time about 20 minutes or so. In the last six years, that ridership has gone up over 70 percent. And I'm one of those riders. I -- and I'm -- I should be the poster child for rail in this country, because I said to my father 20 or 30 years ago, as he was trying to solve the problems with Amtrak, I told him, "I'm never going to get out of my car. Why would I ever give up my freedom to ride on the train?" And today, I don't go to Philadelphia by car.

09:42:01

I do -- take the train from Washington. Where my district -- gets close to Harrisburg, I drive to Harrisburg and get on the train there, because the service is good. I'm more productive. You know, instead of being on the highway -- and I don't have the headaches, to deal with traffic. So, you know, there are -- there are places in the country -- we -- and this -- one of the things was higher speed on the Keystone. So, I think that's something we really ought to focus on. And the American people -- I saw a study in England. There was -- Virgin Rail runs a line into London. And they were going to be able to reduce the time from an hour and 15 minutes down to about 50 minutes. And so, as any good company would do, they went to their customers and said, "Hey, we're going to reduce the time by 20 minutes," or something like that. And it came back overwhelmingly -- they didn't want to get there faster, because as it turns out, an hour and

15 minutes gave a passenger the time to get on the train, get a cup of coffee, boot up his computer, do some work, get to work, and be productive.

09:42:54

Fifty minutes -- by the time he got his cup of coffee and booted up his computer, they said, "We're not that productive." So, they didn't -- they didn't decrease the time. So, again, I'm not so -- there's certainly going to be places that -- faster and faster trains, but right now, I just think higher speed would solve a lot of our problems. And we would learn so much if we were able to do it, and we got a place right here to -- that we ought to be -- focus on, the Northeast corridor.

Peter Cook:

I'm waiting for Mr. Boardman to come back, see if you'll star in a poster for him --

Bill Shuster:

That's --

Peter Cook:

-- sometime soon. I'm not sure --

Male Speaker:

Well, we've got him on a poster.

Peter Cook:

All right. Good.

[laughter]

Male Speaker:

Listen -- but it's in the Post Office.

[laughter]

Peter Cook:

Listen -- I know you're tight on time. Thank you very much for --

Bill Shuster:

All right. Thank you, thanks very much.

Peter Cook:

-- joining us and I appreciate your --

Bill Shuster:

Thank you.

Peter Cook:

-- your thoughts, and good luck this year.

Bill Shuster:
Thank you.

[applause]

Peter Cook:
Well, with that, I'm going to introduce the next segment of our program. And my colleague, Nela Richardson, who's a senior economist with Bloomberg Government. Is going to come up here, get a perspective from the administration, from the Department of Transportation, from the acting deputy secretary, Victor Mendez. So, Nela, please come on up. Bring your guest along. And they're solving some problems right now, I can see off on the side. So --

09:43:59

Nela Richardson:
It's good to have politicians talking to each other --

Peter Cook:
Come on up. Thanks very much.

Nela Richardson:
Thank you.

Peter Cook:
Welcome.

Victor Mendez:
How are you?

Peter Cook:
Thank you.

Victor Mendez:
Thank you. Good morning.

Nela Richardson:
Good morning, everybody. I -- it is my pleasure to introduce to you today Mr. Victor Mendez. He is the acting secretary of the Department of Transportation. He has -- he oversees the Federal Highway Administration. He's also -- was the leading person behind President Obama's America's Recovery and Reinvestment Act that made \$30 billion available for highways and bridges around the country. He is formerly director of the Arizona State Department of Transportation. Together, that's 20 years of state DOT

experience. A wealth of federal experience. So, we are really honored to have Mr. Mendez here with us today.

If you are Tweeting during our discussion, please use the hashtag -- please use the Twitter -- what is it -- handle?

09:45:01

Was that what the word -- Twitter handle @USDOT. It's permissible to now use cellphones during these kinds of conversations, as long as you're tweeting.

[laughter]

Nela Richardson:

Thank you for joining us, and thank you. We're going to start with some remarks and then go right into Q&A.

Victor Mendez:

Okay. Well, thank you all very much. Good morning. Thanks for joining us. Pat Kal's [spelled phonetically] here. You know. When you walk through here, you see all the busy people out there, so, you know, good things are happening out there. I do want to say it's a real pleasure to be here, to be able to, you know, kind of have a dialogue with all of you. I'm sure you all have all kinds of questions. But I do want to take a few minutes to maybe just talk a little bit about what we're going at USDOT. First and foremost, as was mentioned, I've been with the administration now for about four-and-a-half years. Primarily up until maybe a month or so ago, I was the federal highway administrator.

09:45:58

So I'm trying to get up to speed on all the other issues beyond highways. And, you know, we always have been talking for the past four-and-a-half years about making sure that we coordinate all our investments properly within transportation, and making sure that we look at multi-mobile aspects of everything that we do at DOT so that we make wise investments for the American people. And so that's really what we've been doing for about four-and-a-half years, making sure that we do that. We've been trying to do everything we can to make sure that we streamline our processes. We have talked consistently about doing things in a smarter, faster, and better way. And so we've done a lot of that. I can tell you Nalanger [spelled phonetically], our secretary Anthony Fox -- a couple of weeks or so ago, he did outline several of his priorities that he wants to advance in the next three years or so, and so we're focused on that as well.

09:46:54

Now, the one thing he has talked about consistently, and I'm sure Chairman Shuster talked about it, was what do we do in terms of investing for the future? Secretary Fox was very clear that we do have in fact an infrastructure deficit, and so we need to bring

all of us together in the industry with the policymakers to address that issue. But beyond that, we also at USDOT believe that we have to take the lead role in ensuring that we make wise investments. As I mentioned earlier, we want to make sure that everything we're doing within USDOT, we're doing it in the smartest fashion possible. We also want to make sure that in today's environment we address the issues as we see them today; not as we saw them 10 years ago. And so that's part of what we're really focused on is trying to advance concepts that really will help the American people not just today, but also into the near future. And so we're looking at a lot of new ideas. Clearly we want to work on reauthorization with Congress, but as you know that's going to be a difficult discussion and has been for the past decade or so.

09:48:05

But we're prepared to do that and we're more than happy to, you know, find the right people and sit down and have those discussions and dialogue with Congress. So with that, I think I'll leave it at that and I'll turn it back over to you.

Nela Richardson:

So I'll start off with this reauthorization bill. And first to the Surface Transportation Bill that was passed two years ago, we're halfway through that bill. There were a number of very ambitious policy measures that were articulated in that bill. Where are we on the implementations status of those policy measures? How far do we have to go to implement them completely?

Victor Mendez:

Well, MAP 21 in fact from a policy perspective really did advance a lot of, I guess, I would say policy reforms that hadn't been used probably for a decade. So it was a very ambitious schedule that was laid out for us. Unfortunately it was only a two-year bill, and unfortunately it did not address the funding issues, as we all know.

09:49:06

Now, a lot of the items that need to be implemented do take time. You know, some of the things, unfortunately, have to go through rulemaking; and I like to tell people when it comes to rulemaking, when I was back at the state level, rulemaking to me was just an onerous process that you have to go through. And I get over here to the federal level and it's not any better. It's still as onerous and, you know, it just takes time and a lot of effort, and we have gone all out to ensure that we have stakeholders at the table, bringing ideas, and making sure we incorporate what we're hearing into our rulemaking process. So when it comes to, for example, the freight policy issues, all that is under way; performance management, which is really, from our perspective, very critical as we move into the future.

09:49:59

We're working on that as well. So everything really is in play. We're pretty much on schedule on a lot of things.

Nela Richardson:

What's left to do? What's the key initiative that still needs to be implemented?

Victor Mendez:

Well, there are a lot of initiatives. There isn't one key initiative. We're still trying. We're in the process of identifying, for example, a primary freight network. And, you know, we've gone through a process there. We've extended by 30 days the deadline at the request of stakeholders. So we're working on that. Performance measures, that's going through a three-tiered approach, which is on schedule, but again, because we're working within a two-year timeframe, some of those are pushing right up to the end of MAP 21 into October, November.

Nela Richardson:

Right. My understanding is this freight network doesn't have funding as of yet. Will that be folded into reauthorization talks, or how's -- where is that funding going to come from?

09:50:53

Victor Mendez:

Well, again, I think that that's an issue for Congress to maybe try to figure out. Once we give them the information -- again, information that we have put together, given input from the industry and from a lot of stakeholders -- is to identify what we believe is a primary freight network that really will connect the entire nation and address freight issues at a very high level. Now, whether Congress takes that information and uses that as a guide to help us guide some of the investments for the future, you know, that's for Congress to determine. We're assuming that that's what they will do, but we don't know that for a fact.

Nela Richardson:

How involved are you, how engaged are you, with Congress in setting these priorities?

Victor Mendez:

Well, you know, we do have our communication with the various committees and with Chairman Shuster, and some of the other committees as well; Chairman Boxer. You know, very critical for us in a lot of these discussions. We have continuous discussions and dialogue with staff and stakeholders for that matter.

09:51:58

And, you know, we've done a lot of outreach with what we would call -- in the past, some of the groups that we traditionally did not really reach out to, we have reached out

to. Many, many efforts. Many different ways. Webinars, using a lot of technology, and really face-to-face meetings.

Nela Richardson:

So the funding and the certainty does play a role in how these policies are implemented and discussed with the states. How are the states dealing with this in terms of trying to invest in long-term projects with uncertain funding?

Victor Mendez:

Well, let me address that from my previous experience, having been at the state DOT in Arizona. And I think a lot of you kind of understand this. When you have that level of uncertainty, when you're trying to invest -- you know, you're basically running a, you know, \$50 billion business, in some cases, two months at a time when you're going through these extensions, continuous extensions. You cannot do that.

09:52:57

People in the private sector would not run a company two months at a time. And when you're investing \$60 billion every year, that's a pretty massive investment. You cannot do it two months at a time, three months at a time, six months at a time; so you have to have -- it does introduce a very high level of uncertainty, and I can tell you for some of the states -- you know, again, going back to my experience, where we used to have a five- or six-year long-term plan. It's very difficult to actually make those investments or those decisions to move forward on a five-year plan when you really don't know what level of federal funding is going to be available. So you have to make some assumptions, you scale back on major, major projects that you know are critical to your infrastructure, you know are critical to the economy and to the jobs, and yet you're not able to move forward on that. So it does introduce a very high level of uncertainty.

Nela Richardson:

So one thing that MAP 21 did was it shifted from the earmark system more to give states more flexibility. Has that helped states set priorities and kind of negotiate some of this uncertainty?

09:54:03

Victor Mendez:

Maybe to some degree. I think a lot of that may be -- you know, if you're looking for certainty, you cannot find it in a two-year bill, because a lot of the work that we do, whether it's in transit or highways or rail, these are long-term major projects. And you simply cannot make those long-term decision in a two-year bill.

Nela Richardson:

So there's about a \$20 billion deficit between the gas tax revenue and the \$54 or \$60 billion that you've discussed. Chairman Shuster was just up here saying, there's no way the gas tax is going to be raised. President Obama in his State of the Union Address

talked about tying some revenue to corporate tax reforms. There's other measures being tossed around in Congress. Is there something that you see that's viable in the short-term for funding?

Victor Mendez:

Well, I think what we need to do is really bring together the key players and figure that out. You know, it's like I think all of us are pretty well aware.

09:55:00

You know, it's -- any time you introduce an idea, it can create a lot of controversy. And you immediately will have detractors. So, our position has been -- is we want to sit down with Congress and talk through the issues, bring the right people to the table. Let's sit down and figure out what is viable and what isn't. There are some issues that, as Chairman Shuster mentioned, probably aren't going to go anywhere.

Nela Richardson:

So, how do we -- if the federal side is still in this discussion period, what initiatives are there to bring more private capital into infrastructure spending and rebuilding?

Victor Mendez:

Well, there have been, actually, some pretty innovative financing elements in the past. We do have a loan program, the TIFIA program. It's got a long name. I try not to remember it, so it's T-I-F-I-A -- TIFIA --

Nela Richardson:

Okay.

09:55:56

Victor Mendez:

We have been very successful with that. I believe, in the last decade or so, we've been able to finance 40 major projects to the tune of, I think, of about \$55 billion. But it is a loan program, so you do have to pay it back. So, most of these major projects that have actually moved forward have been projects with the private sector. And a lot of them have been toll roads. And so, that's the way that they help pay back the loan. There are long-term deals. Some have been close to, I believe, 50-year deals, because that's what it takes to move some of these projects forward. So, that's one area where you do bring the private sector into the mix. It is very innovative. The other thing that I would say -- I would say, for the last maybe four years, we have had a -- through Congress, they've allocated a TIGER program, which has been very -- a very creative approach that allows us to really invest in projects that, in the past, we could not. Because our funding streams are siloed, you know?

09:57:01

You have a highway silo, transit, and on and on. Through TIGER, we have been able to bring together funding that helps us connect a lot of that. So, we've been able to move forward on port projects that traditionally we could not find a way to fund those, some rail projects, public transportation projects, that really, in the past, would have been very difficult for us to actually advance.

Nela Richardson:

One more question before I turn it over to --

Victor Mendez:

Sure.

Nela Richardson:

-- audience Q&A. Will the DOT be asking for certain funding initiatives in the -- in the second round of reauthorization? Is there some get that you would like, as an agency?

Victor Mendez:

Well, you know, we're looking at a lot of policy matters that, we believe, still need to be either reformed or may be improved for MAP 21. And so, it's not just a matter of funding. I think we need to look at still advancing some policy issues, like, you know, better project delivery.

09:57:58

How do we advance our permitting process, which a lot of us that have been engaged in major, major projects that include permitting know, you know, that process takes a long time.

Nela Richardson:

Okay.

Victor Mendez:

So we've been doing a lot of interagency coordination with other federal agencies to advance our permitting process in a more positive manner. So they are, beyond the funding issues, we believe, some other policy matters that need to be addressed.

Nela Richardson:

Okay. Thank you. With that, I'll turn it over to the audience. Is there a question we have for Mr. Mendez? Yes?

Male Speaker:

Hi, Victor. Congratulations on your recent move --

Victor Mendez:

Thank you.

Male Speaker:

-- there, and the State of the Union message, it used to be rare for transportation to be mentioned. This year -- you know, in the Obama Administration, I would say it's become sort of typical that transportation is mentioned. This year was sort of a reference that in a -- in a global economy, competitive businesses require world-class infrastructure, something like that.

09:58:59

There was also a call for an enactment of the transportation bill this summer. Yesterday, I heard Jack Lew, in a speech he gave, and infrastructure was one of the emphases. Is this a -- is it ramping up in the administration? Is this going to be one of the top issues for the administration this year, to see a transportation bill get enacted?

Victor Mendez:

It is, indeed, ramping up. And if you don't believe me, you just need to listen to Secretary Fox. We have been very focused on these issues. We -- one of his high priorities is, in fact, reauthorization. And so, everywhere you -- you know, if you just tune in and listen to what people are saying, it's about investing in infrastructure, but not for the sake of transportation itself. But really, what we're looking at is, you know, advancing the economy, creating jobs, and connecting people to jobs.

09:59:54

You heard President Obama talk a lot about opportunity. And that's what we do, through transportation -- it's not simply building infrastructure. You know, the bridge that connects, you know, Point A to Point B. It's really more about connecting people to opportunity, and to jobs, to health care, to education. And yeah, I'll just quickly comment on what you just said. It seems like every year at the State of the Union, we hear about infrastructure. I have to tell you, I served on the transition team -- the Obama-Biden presidential transition team back in late '08. And the first day we checked in, and the following day, about noon -- Jack, you were with me -- about noon, we received a call from transition headquarters, wanting to know what are we proposing for infrastructure. And that -- you know, eventually, we started talking about, you know, the RA or what became the Recovery Act. But from -- I would say from -- at least my experience, from Day 2 of the Obama Administration, we were talking about infrastructure and transportation.

10:01:01

Nela Richardson:

Another question? Yes?

Joan Bondareff:

Hi, Victor. Joan Bondareff, now with Blank Rome. Also was on the transition team on maritime issues. Good to see you, and congratulations. I'll just make a pitch for ports,

because we represent port clients in the primary freight network. Probably because of how MAP 21 defined it, the network does not extend to ports. And of course, I don't see how you can have a freight network in this country without recognizing that ports are how the goods come in and out of the country. So, I encourage that in the next version of the Service Transportation Bill. The maritime administration has a strong ports program, but no funding in the budget for that. So, since the President said in the State of the Union he'd like to upgrade ports, it would be good to take a look at that for the '15 budget. And finally, I encourage you to take a look at the Title XI loan guarantee program as one option for building up ports and shipyards in this country. And thanks very much, and all the best in the new job.

10:02:05

Nela Richardson:
Thank you.

Victor Mendez:
Well, thank you. And I should have taken notes on your comment, because you covered a lot. But let me comment on a couple of things.

[laughter]

Victor Mendez:
On the port issue, the importance of ports to the nation, I think, is -- the message has been pretty clear. If you would look at -- I would say the last two to three months, maybe longer -- the vice president has been at many ports, trying to tout, again, the importance of ports and infrastructure and the connection that we all make. On the primary freight network, Congress did, in fact, within MAP 21, relegate the primary freight network to the highway system. But within USDOT, we're having the discussions about, how do we connect ports, rail, and everything else? So, we're meeting the Congressional mandate, because we have to, but as experts in the arena, we are expanding to make sure everything gets connected.

10:02:57

Nela Richardson:
Okay. While we're thinking of other questions, there's one I'd like to ask on the news that came out yesterday about the vehicles that talk to each other, this V2V technology. Is -- and I know you've been a great advocate of safety. Is it -- will we see more initiatives with technology and safety at DOT? And how do you bridge the gap between technology and privacy, and privacy concerns?

Victor Mendez:
Well, you asked the tough question last. You know, to me it's very exciting. We have been engaged, for many years, on the technology end, and try to use technology, primarily focused on safety. How can we make our commutes safer for everybody,

whether you're a toddler, all the way up to driver adults? And, you know, one of the things that we are advancing as well is safety for pedestrians and bicyclists through the use of technology. I think that'll be the next big issue.

10:03:54

So, it's very exciting for me to know that we are now officially moving forward on V2V -

Nela Richardson:
Right.

Victor Mendez:
-- vehicle-to-vehicle.

Nela Richardson:
Yeah.

Victor Mendez:
And eventually we'll have vehicle to infrastructure, V2I discussions and dialogue. And you know, we're all -- those of us in the industry are very excited about that, advancing that initiative forward. Of course, as a nation, we do have concerns about privacy. And those are the issues that have been discussed, you know, and really researched for a long time. We don't have an answer on that. And we know that through the use of technology, it's not just a matter of privacy. It's also a matter of security.

Nela Richardson:
Right.

Victor Mendez:
Those are some --

Nela Richardson:
A very good point.

Victor Mendez:
-- really heavy policy issues that we have been researching, working on, and will continue to work on. Do we have an answer on that? No. But, you know, I think the message for us is to ensure that the traveling public understands, at least in the V2V arena, that we are not tracking or collecting data on the drivers.

10:04:56

It's really about ensuring that vehicles are communicating with each other, so that if something bad is about to happen, maybe technology will help you avoid that. So that's a key element there.

Nela Richardson:

You're not the only agency who doesn't have all the answers in terms of privacy.
Another question for Mr. Mendez? Yes, right here in the center?

Female Speaker:

Hi, I'm Amanda Reed [spelled phonetically]. I was wondering if you could -- you started to get to this a little bit with the permitting, but I was wondering if you could talk a little bit about the Every Day Counts Initiative, and what do you see as the successes of that program so far, and what are the next steps?

Victor Mendez:

Thank you. Every Day Counts, that's my favorite. You know, this was an innovation initiative that really was spawned by, I guess, my frustration on project delivery, both having been at state level and now at the federal level. And really just hearing from constituents, you know, the average tax payer out there, they always ask, "Why does it take so long to build a roadway?"

10:06:03

And so we started advancing a way through innovation of bringing all the stakeholders together in the road building arena to find innovative ways to deliver on our infrastructures. So we advanced 28 strategies that were not really government strategies. You know, we went out and talked to, you know, the industry and said, "Bring us your ideas. Private sector, public sector. Not just FHWA. And let us know how we can advance this initiative." So right now we're moving forward on 28 strategies. Round 3 has now just been unveiled about three, four weeks ago. So we're looking for new strategies to implement. But through that process, we've identified many ways to actually streamline our project delivery process. For example, programmatic agreements in the environmental arena where, you know -- when you go through projects and clear similar elements project after project after project, maybe we don't have to do that all the time.

10:07:05

Maybe we have an agreement with all the agencies that are engaged, and just have to do it once. We've done a lot in the bridge building arena through accelerated bridge construction and -- I mean, states now are replacing interstate bridges -- interstate, very busy interstate bridges -- over a weekend. Where we used to take --

Nela Richardson:

Over a weekend, really?

Victor Mendez:

Yeah.

Nela Richardson:

Not here in the District, though.

Victor Mendez:

Actually, they did. You know, there was one where they used a different technology where -- I call it -- like, think about it like Legos. A giant set of Legos, where you bring in the pre-fabricated elements and just, like, plopping them on top of each other over a weekend. And, in fact, they did it here on the Baltimore/Washington Expressway on one of those. So it is being done. And it is -- some of those new ideas, we call it innovation where we can bring to the table different ways to build infrastructure faster, to get permits faster.

10:08:03

And many other elements. We're also introducing technology that -- a lot of it is really ready-made technology. It's sitting on the shelf. We in the industry just have not utilized it, and so we're moving those technologies forward to help us with congestion.

Nela Richardson:

That resonates here, for sure.

Victor Mendez:

Yeah, okay. See? That resonates everywhere because we all are on the system.

Nela Richardson:

Right, right. That's true. I saw a question here, and then one behind you afterwards.

Joseph Boardman:

Deputy Secretary Joe Borden of Amtrak. Also a former state commissioner of transportation, and the one thing I learned when I came here was that with Amtrak is you don't have any contract authority. You don't have any multi-year funding. And the thing you learned when you were a state transportation commissioner -- excuse me -- was that once you've decided you're going to do a project, it will get done.

10:08:59

Because the funding will come, and you have contract authority to do that. So in my previous question -- and I think the general public and many people don't understand the difference between the way a highway is funded in a trust fund, and the way other modes are funded, whether it be ports or whether it be Amtrak. The necessity for us to have multi-year funding is critical if we're going to have -- whether it's private investment or any other kind of investment for the future that really delivers. And the need for us to have DOT help articulate that is important. And we just ask your thoughts on that.

Victor Mendez:

Well, I totally agree with you. It's important for all of us to be on the same page. I think you've heard consistently from our administration the emphasis that we have placed not

just on one mode of transportation over another, but we have been talking about advancing a system approach.

10:10:01

We have been very supportive, as you know, of passenger rail and commuter rail. Amtrak, we know, is an issue that we need to focus on as a nation. And along with public transportation, with ports as I mentioned, we know everything has to connect along with the highway system. We are also taking a very hard look at how we can better coordinate our investments at the local level. As you know, the MPOs do in fact receive federal funding, and is there a way to better, you know, make decisions at the local level to, you know, like I said earlier, it's to make better and wiser investments. You know, we have very limited resources now, and so we want to make sure that as a nation we're doing the best we can with those limited resources. So --

Nela Richardson:
We have time -- oh, sorry.

10:10:55

Victor Mendez:
Just wanted to say on multi-year funding, I think we all -- those of us that have had to run major, major programs, we know the importance of multi-year funding.

Nela Richardson:
We have time for one more very quick question from the back, here.

Male Speaker:
Is this on? Chris Schneider from Associated Builders and Contractors. Thanks for taking my question. Chairman Shuster called for a special panel on public-private partnerships, and I just wanted to get your opinion, or maybe the DOT's stance on P3s and how you see that as a new and innovative funding source for the future.

Victor Mendez:
Well, we've always said that the private sector has to be engaged. We simply do not have enough public sector dollars to do everything that we believe needs to be done out there. And so no question about it, we're very supportive of P3s. How we advance that and how we actually bring the private sector to the table, I think, has been -- we haven't figured that out completely. So we need to continue working on that for those of you that are in the private sector.

10:12:03

The ideas that you bring to the table are going to be very critical. But I think as an industry my opinion is that we have a little more work to do on how we actually make all that happen. Because I can tell you, for example, through the TIFIA Program a lot of the

loans that we have worked on have been very successful. But getting through the negotiations has been somewhat onerous. Every deal is different. Every deal is -- which I expected. But some of those can get very, very complex. And so being able to get through the negotiations in a more streamlined fashion, I think, is something that's going to be important for all of us as an industry, not just for USDOT.

Nela Richardson:

Thank you. Thank you, Mr. Mendez. We appreciate your comments. Please join me in thanking Mr. Mendez. It was good to talk to you.

[applause]

Nela Richardson:

Thank you very much. So we are about ready for our last panel of the day.

10:13:00

There is a terrific Autodesk simulator just outside of this room. If you haven't tried it yet, you should, because I'll be trying it after this session. It's a lot of fun. And also if you are tweeting, again, during the session please use the hashtag #BGOVBuild, and without further ado, I'll turn it back over to my colleague, Peter Cook, for our last panel of the day. Thank you.

Peter Cook:

Thank you, Nela. I think my microphone is working, hopefully. We'll be joined right now by two people who really need no introduction, particularly on these issues. We've got the former Secretary of Transportation Ray LaHood, who of course also spent 14 years in Congress representing Illinois. He's now an advisor, senior policy advisor at --

Ray LaHood:

Go ahead, let's hear it.

[applause]

Peter Cook:

And we have -- and Governor Ed Rendell, two-term governor of Pennsylvania, mayor of Philadelphia.

10:14:01

[applause]

Peter Cook:

A whole host of other titles, DNC chairman -- my favorite, though, is the title of your book, which I don't know if there's been a better named book. "A Nation of Wusses: How America's Leaders Lost the Guts to Make Us Great."

[laughter]

Peter Cook:

It's been out a few years. You can track it down in your local bookstore or on Amazon, I'm sure. These two gentlemen also, I need to point out, are the co-chairs of Building America's Future, along with a certain former mayor of New York City, who also happens to be the majority owner and founder of Bloomberg LP, our parent company at Bloomberg, Mayor Bloomberg. And so we're really pleased to have both of you here to talk about these issues. You've heard a little bit from what's going on in Congress, from Chairman Shuster, as well as a prospective from the administration. And I wanted to give you both the opportunity, perhaps Secretary Lahood first: paint the picture as you see it right now for how grim America's infrastructure outlook is. What is the challenge ahead?

10:15:00

Ray Lahood:

Well, we're not number one anymore. We're number 16. You've heard me say this ad nauseum, but America is one big pothole. Any of you that drove here today know what I'm talking about, but it's true all over America. Bridges are falling down, roads are crumbling. And if it weren't for some very innovative governors around the country, we would really be in a terrible state, because governors around the country -- you saw what happened in Virginia. They changed the formula and came up with some creative funding. Other states are doing similar things. And -- but it -- this is -- this is a big mess. And we're not creating any jobs. We're not creating any opportunities. We're not rebuilding America. America is falling apart. And we need some people -- if any of you have read Ed's book, what he talks about is having people in office that are willing to take risks, and do things, and get things done, and not duck issues.

10:16:08

And that's what we need in Washington right now. We need somebody to step up and say, "We need a six-year bill. We need to raise the gas tax. We need to index it." I would raise it 10 cents a gallon. I would index it. If they'd indexed it in '93, we wouldn't be in the mess we're in. We wouldn't be running out of highway trust funds by the end of September. Passing a two-year bill is a joke. It's chintzy. It gives no certainty to any contractors anywhere in the country. We need a big, bold vision in Washington -- not in the country. You talk to any governor -- any of the 50 governors -- they have vision. And they've stepped up. We need it here in Washington.

[applause]

Peter Cook:

I'm going to let you amplify on that, and then I'm going to come back with a question for you.

10:16:55

Ed Rendell:

I would, of course, echo everything that Ray just said. I wanted to add three other things that I think it's important, after the first two speakers, to understand. One, money matters. The American Society of Civil Engineers issued its five-year report on infrastructure, and we got a D+. Slightly improved. Only four areas -- they broke it down by specific areas improved: roads, bridges, drinking water, and waste water. Someone tell me for two tickets to the next Wizards' NBA championship game --

[laughter]

Ed Rendell:

-- somebody -- somebody --

Peter Cook:

And they have a winning record now --

Ed Rendell:

That's right. That's right. You can't pick on them anymore. Somebody tell me what those four things had in common, quickly?

Female Speaker:

[inaudible].

Ed Rendell:

No. It has something to do with the guy on my right. The stimulus. All of them received additional funding under the stimulus. In Pennsylvania, we got a billion dollars for bridges and roads. We ourselves got about \$400 million for water and waste water. We did an \$800 million water and waste water bond issue.

10:17:54

Money matters. There's no -- there's no way we're going to get better infrastructure without spending and investing. We have to invest in our future. Secondly, there has to be a federal role. What the states are doing is terrific. And in Wyoming, Republican legislature, Republican governor -- 10 cent hike in the gas tax. Pennsylvania, with a Republican governor, who took a no-tax pledge, a huge 26 cent increase in the gas tax, because states understand how important it is to our economies and our public safety. But there has to be a federal role. There isn't enough money in states to do it. Third, we're all for the 3Ps. Building America's Future wants to lift the cap on private activity bonds. We want to radically increase TIFIA funding. We want to make sure that you lift the cap on interstate tolling, interstate highways so they can be a return on investments. But remember, private funding is only going to take a small slice of the problem.

10:18:55

Pennsylvania had 6,600 structurally deficient bridges when I took office. Because of a special state bond issuing bridges and because the stimulus, we were working on 1,400 bridges in September of my last year as governor. We're now down to 4,500 bridges. That's great progress. We still have 4,500 structurally deficient bridges. And only 10 of the 4,500 could be tolled. And the private sector, in case you haven't noticed, they're not going to invest unless they can get a return on their investment. So, 3Ps are great. That'll take care of 10 of our 4,500. Federal, state, local government have to step up and do it. I will tell you, if the gas tax could be voted on by a secret ballot, it would get over 400 votes in the Congress.

Peter Cook:

Well, you need a secret ballot, because, as Chairman Shuster said, the politics are out there, they're --

Ed Rendell:

Because they're a bunch of wussies.

[laughter]

[applause]

Ed Rendell:

They're a bunch -- by the way, nobody notices a gas tax increase. Governor Ridge --

Female Speaker:

Right.

Ed Rendell:

-- to his credit, raised the gas tax in his second to last year in office.

10:19:57

Governor Ridge has always been a good governor, but he had great luck. When it -- when the gas tax went into effect -- when the gas tax went into effect, there was a feud among the OPEC nations, and gas prices dropped 25 cents a gallon. Nobody ever knew that there was a Ridge gas tax increase. But even if they know, do it. I mean, all these men and women who were resigning from Congress, stick around, vote your conscience, and let's see if we can get the country back on track.

Peter Cook:

And Governor Rendell, I mean, let me push back there. There are Americans out there who are going to hear this argument and say, "Can't Congress find this money somewhere else? We're being taxed enough right now. The economy is not great. There's still 6.5 percent unemployment -- 6.7 percent unemployment. Things are challenging around -- this is not the right environment to raise the gasoline tax in America."

Ed Rendell:

Sure. And I remember when I became governor, people did not want -- they were dead set against any tax increase. They said, you know, "Cut programs." And then there was a poll. Education. No, increase education spending.

10:20:57

Transportation. No, don't cut that. There wasn't one program that people were willing to cut. So, you can't have it both ways. And sometimes you have to lead. The very essence of leading is to do things that right -- at least initially, people don't want. My first year as governor, we had the second highest tax increase in Pennsylvania history. \$2.7 billion in total taxes increased. Everyone thought I was dead for governor. But we actually used the money to do things. And three years later, I got re-elected by a margin of 21 points. And by the way, no one said I should run for president.

[laughter]

Peter Cook:

Secretary Lahood, speaking of president, the current president isn't talking about some of these ideas himself right now -- raising the gasoline tax.

Ray Lahood:

Well, look at, Peter. You mentioned, in your comments with Chairman Shuster, this president has talked more about infrastructure in his State of the Union than any president, combined of all the presidents that have given State of the Unions. You've -- you stated that. Nobody's talked -- no president has talked more about infrastructure than President Obama.

10:22:01

He's the one that put the stimulus bill together. And now you talk to most members of Congress -- rather than \$48 billion coming to DOT, they wish \$480 billion had come -- because we spent it properly. We spent it in two years. We put friends and neighbors to work. We put 65,000 people to work on 15,000 projects -- thanks to good governors like Governor Rendell and governors all over the country. The idea that President Obama hadn't talked about infrastructure is not accurate based on what you just said two hours ago --

Male Speaker:

That's right.

[applause]

Peter Cook:

But on the funding side of the equation, though, on solving that --

Ray Lahood:

On the funding side, the president has proposed -- while I was Secretary -- a \$550 billion transportation budget, paid for. Now, when people said, "Well, we don't like to pay for it," fine, come up with another one.

10:22:54

But the idea that the president hadn't talked about it is not accurate. We had a proposal, \$550 billion over five years paid for, which we submitted to Congress. Every year the president's talked about \$50 billion upfront investment in infrastructure. He's talked about the infrastructure bank. The idea that there's no pay for is just not accurate. We need some other people in this town with a vision and a little courage to step up.

Peter Cook:

Well, let me get your sense right now, in this midterm election year, whether or not the wusses here in Washington, as you refer to them, what are the opportunities here for some sort of bipartisan compromise? We're going to have a farm bill that -- if that actually gets passed by the Senate today. That's --

Ed Rendell:

There's an easy answer to that.

Peter Cook:

There was a budget deal --

Ed Rendell:

Easy answer to it.

Peter Cook:

-- transportation, infrastructure, one of those things.

Ed Rendell:

Wait until after the election. That's the easy answer to it.

[laughter]

Ed Rendell:

That's about the only time we've got a chance to get this thing done. And look, the people are smarter --

Peter Cook:

The problem, governor, is, of course, that the funding here runs out --

10:23:55

Ed Rendell:
Yeah, they can --

Peter Cook:
-- September.

Ed Rendell:
-- they can finance that. They always have. In fact --

Peter Cook:
We -- look, we had 26 extensions --

Ed Rendell:
Right. Right.

Peter Cook:
-- before the last bill.

Ed Rendell:
We [unintelligible] --

Peter Cook:
Before MAPS 21 was --

Ray Lahood:
So, that's where we're headed now.

Peter Cook:
-- passed.

Ed Rendell:
That's not a problem. But look at it. The basic problem here is that there's one difficult choice after another. And really, why do we not get infrastructure spending? Because it can't compete. When I had a -- I had a debate with Grover Norquist over at Union Station a couple of years ago. And finally, Grover said, "No, I'm for infrastructure spending. But just take it from existing spending." But infrastructure, which is long-range investment, can't compete with short-run needs, like LIHEAP. People are going to freeze to death if we don't have LIHEAP. So, that takes priority. The infrastructure should not be in the operating budget. What is the one political subdivision in this country that does not have a capital budget? What is the one -- in every county, every city -- every state has a capital budget so that long-term investments don't have to compete with short-term spending.

10:24:58

The only that doesn't is the federal government. It is time for us to have a federal capital budget. It is time for us to do something about the Budget Act that will allow us to have a federal capital budget. It's the only way we're going to do long-term investments. Folks, do you know that every one of the G20 nations in the last 15 years -- either that or it's currently underway -- it's had a long-term infrastructure revitalization program. Building America's Future did a study, ASCE did a study, the Service Transportation Commission of Congress did a study; we need to spend \$200 billion a year more on the American infrastructure. Not just transportation. Each and every year for the next 10 years. That's \$2 trillion more than we're spending now. It's not all federal -- it's state, local, federal, private. If we did it, if you take the DOT figure of \$1 billion creating 25,000 jobs, which was verified in Pennsylvania by stimulus, that would produce four-and-a-half million well-paying American jobs that couldn't be outsourced.

10:26:03

It would help American manufacturing -- steel, aggregate, asphalt, concrete, timber. It would be unbelievably economy vitality that would bring to our construction industry and our manufacturing industry. Why in the heck aren't we doing it? It's an investment in our future. Name me one company that's grown successful in this country that didn't invest in its own future, that didn't put money into a new product line, or research, or additional factories. It's the only way to grow, and we stopped growing, we're stagnating, and we're in trouble.

Ray Lahood:

Peter, let me just mention, too, just to remind everybody -- most people in this room are too young to remember this -- after President Reagan was reelected, he asked Congress to pass a six-year transportation bill. And by the way, they raised the gas tax. A Republican, a conservative.

10:26:55

So what Ed is suggesting here maybe should be looked at. Maybe the courage will come after the election. But we can't wait much longer. You all know that. That's why you're all here. Because you have a deep interest in infrastructure. But it's been done before, Peter. That's the point.

Peter Cook:

Let me get your take: in the event that Congress can't confront the issue of the gasoline tax -- we heard Chairman Shuster talk about the idea of maybe repatriation. All those corporate dollars being earned overseas, bringing those back, and dedicating that to infrastructure. That's an idea that some folks in Congress have talked about. Also Republicans have talked about taking royalties earned from expanded offshore drilling. Are there other options out there? User fees -- that sort of thing -- that you think could be solutions if the gas tax issue can't be dealt with?

Ray Lahood:

When you look at the rich history of this country, whether it's the Golden Gate Bridge, the Hoover Dam, the interstate system, our freight rail system -- these big, bold projects that put a lot of Americans to work and made America number one were done because of the highway trust fund.

10:28:08

This is a federal program. It needs a federal initiative. It needs a federal vision. Shit, look: I mean, we can throw out all these other ideas. Nothing is going to create the kind of money that increasing the gas tax 10 cents a gallon and indexing it would -- it would be a great jumpstart, and then use tolling, use 3Ps, use --

Ed Rendell:
Raise TIFIA.

Ray Lahood:
Yeah. Yeah, raise TIFIA. It was raised to \$2 billion in MAP 21. Do more TIGER money. Do all of these things, but only do it after you replenish the fund that has built America, and put Americans to work.

Ed Rendell:
Interestingly, Peter, one of the most effective things that, again, was done out of the stimulus era was Building America Bonds.

10:28:58

We used Building America Bonds -- "we" being the states and the cities -- we used Building America Bonds terrifically. For those -- I guess you're all familiar, but the federal government paid a percentage of the debt service on state and local bonds. It caused an explosion of activity. Unfortunately, at sunset. We need to come back and I think Senator Wyden has a proposal for what he calls the Fast-Track Bonds or something. We need a bonding proposal too, because we're not going to get a capital budget even though it makes abundant sense, because this is Washington. But maybe we can get a mini-capital budget, like Building America Bonds was.

Peter Cook:
Let me ask you about one aspect of one proposal that's been out there and talked about, and that's the idea of an infrastructure bank. Why has this proven to be such a tough sell, Secretary Lahood?

Ray Lahood:
Because it's President Obama's idea.

[laughter]

Ray Lahood:

I mean, you know, that's the simple political answer. You know, it's like high-speed rail.

10:30:00

You had Republicans in places like California and other places that voted for a high-speed rail, that were for high-speed rail, and as soon as it got into the stimulus under \$8 billion and became President Obama's -- one of his signature programs, Republicans decided they didn't like it. So that's the political answer. The other answer is that Congress doesn't like its prerogatives taken away, and they think the infrastructure banks, it doesn't give them the kind of opportunities that they want.

Peter Cook:

Your take on the infrastructure bank?

Ed Rendell:

I think Secretary --

Peter Cook:

I know John Delaney, the Congressman from Maryland's, got a --

Ed Rendell:

[unintelligible] have one. Senator Kirk actually has, I think, the best proposal of all. But, look: the infrastructure bank -- also it has to be funded. And, again, it has to have seed funding. We're not talking about a lot of funding -- \$5 billion a year, \$10 billion.

10:30:59

Repatriation. Congressman Delaney wants to sell bonds to raise \$50 billion. There are ways to do it. And you don't have to look very far to see the success of an infrastructure bank. The European infrastructure bank, which all of the Euro nations contribute to, it has been enormously successful. It's a loan program at a very low rate, and it makes money. The bank pays for its administrative costs from the return on the loans, and it makes a profit, which gets plowed back into further loans. It's an extraordinarily successful project. It's helped Europe rebuild its infrastructure, and it's a sin -- sinful that we don't have one. It's just -- it makes no sense.

Peter Cook:

What are some of the other ideas, as you all have done your work with Build America's Future -- ideas you're seeing executed overseas, other countries that America should look at? What are they doing that we're not?

10:31:59

Ed Rendell:

Well, they're ahead of us in vehicle miles traveled tax. Actually, VMT doesn't have to be intrusive in terms of security. I heard Deputy Secretary Mendez talking about that.

There's a new technology that's being piloted -- VMT is being piloted in Oregon with Governor Kitzhaber. But there's a new technology that's at the pump. It doesn't track your -- where you're going, but it just tracks your usage of gasoline. And it's an innovative process, and Governor Markel of Delaware and Governor O'Malley of Maryland are instituting a pilot of that. VMT has to come. I think Earl [unintelligible] bill, which doesn't even have a co-sponsor, is the right thing. He extends the gas take for 15 years, and then sunsets it to give us time to find a replacement that will do something on miles traveled, whatever it is. And that's probably the right time.

10:32:56

It may be 10 years, 15. But those are some of the things we need to be doing. There's no ifs, ands, or buts about it. And there is a great market for the private sector. I think -- I heard Congressman Shuster talk about the Northeast Corridor and high-speed rail. The Acela it makes money. You all understand that. If the Acela works standalone line, the Acela makes money. Now, the Acela has the advantage that the original infrastructure was paid for by the federal government, but the Acela operating makes money. If you turn the Acela -- let's assume you can get from Washington to New York for -- in one hour. In one hour. How many of you would like to take that train? Washington to New York in one hour. That would make money hand over fist. We don't need a big government subsidy; we need some government help from state and federal governments in building out the infrastructure necessary. But after that, that can be a profit-making venture. So there is a role for the private sector, but we've got to find the way to do it, the way to incentivize it, the way to structure it, and it can't be the sole answer.

10:34:03

We've got to attack this problem on all fronts. There is no one silver bullet. We all agree with that. Stimulus did a great job. I mean, the untold story of stimulus -- because it got tied up in politics -- was the road and bridges part of stimulus was enormously successful and raised right -- even Republicans say we should have spent more on infrastructure out of stimulus. We spent -- I love it when people say, "That was an \$850 -- \$870 billion spending bill." No, it wasn't. \$350 billion of it, 40 percent, were tax cuts -- were tax cuts, which judging from the result didn't do a whole lot to stimulate the economy.

Peter Cook:

How big a challenge is it, Mr. Secretary, the story about stimulus? You tell the story about the investment and infrastructure highways, the \$48 billion, and the 15,000 miles of roads that were improved or refurbished in some form or fashion, but that is not necessarily the story that a lot of Americans have heard themselves or what they think about it.

10:35:05

There are still a lot of Americans who think there was money wasted, and that's one reason they're reluctant to let Washington run off with more money.

Ed Rendell:

Well, what happened was some of the other stimulus money was controversial.

Peter Cook:

Right.

Ray Lahood:

The only thing that people can remember about stimulus, in this town, is a word called "Solyndra." And if you take that word out and put in what we did with our \$48 billion, this is a huge success. You talk to any governor -- Republican or Democratic governor -- in this country, they will tell you, they benefited from the \$48 billion, because their people went to work. And a lot of orange cones went up all over America. And that's why -- I've had more members of Congress say, "I wish that it had been \$480 billion." And I think if the president and Rahm and others had to do it over again, it would have been \$480 billion.

10:35:57

Our money was spent correctly. And America benefited from it. And it's proof that when you make the investments, friends and neighbors go to work. We rebuild America's infrastructure, and we get back to being number one again.

Peter Cook:

Just -- I want to open it up to question from the audience for our two guests, who obviously have a lot to say on this subject. So, if there are questions, please go ahead and raise your hand. I'll keep going. I could talk to these two all day, but -- sir, you've got a question here? If you could identify yourself again, sir, and where you're from.

Art Gazette:

Hi. I'm Art Gazette. I'm with the American Public Transportation Association. The last two times there was -- at the federal level -- funds raised for transportation, '93 and '91, before that, it was in the broader context. But parts of the funds went to deficit reduction. Part went to transportation. That's how it was packaged. That's how it was sold. I was hoping the same thing would happen again in a -- in a grand bargain agreement, but that doesn't seem to be the case.

10:36:56

Thoughts on that? Is it better to go straight up for transportation or is it -- of course we'll take it any way we can get it, but I just raise that strategic point about packaging and selling it.

Ed Rendell:

Well, you are correct. Simpson-Bowles, the original Simpson-Bowles called for it to be part of a grand bargain -- called for increased spending on infrastructure to be folded in.

And maybe that's the only way you can do it. But again, the one thing that's crucial here - and the president did great work on stimulus, in his jobs bill -- August of '11 -- he had a jobs bill before the Congress. There was \$50 billion additional money for infrastructure in that. But it can't be a one-year or two-year commitment. BAF supported the president on each of these initiatives. But it can't be one year. It can't be one year, because we need to plan. In case you haven't noticed, we are -- the Building America's Future report a couple of years ago said, "Falling apart, falling behind." Our infrastructure is falling apart. We're going to see more and more bridge collapses.

10:37:59

We're going to see more and more pipes blow up. And we're falling behind. The -- what Ray talked about at the beginning was the World Economic Forum, rates infrastructure. We used to be number one. As recently as 2005, the quality of our infrastructure is down 19th; and our competitiveness, based on our infrastructure, is 16th. It's pitiful. And it loses jobs. Let me give you one example of how many jobs we're losing. Forget how many jobs we could gain. But most of you know, of course, the Panama Canal is being deepened. And these super mega tankers are coming through. And you need to have 50 feet of depth if your port can take these mega tankers. Right now, of the 12 Atlantic Coast ports, and these -- they're coming through to the Atlantic Coast. Of the 12 Atlantic Coast ports, only two are ready to receive these ships. Only two, Miami and New York, are working to try to get there by 2015.

10:38:57

As a result, most of the unloading of these goods is coming from China through -- and Asia -- through the Panama Canal are going to be unloaded in Canada. The jobs that will be created, the long shore man jobs, and trucking jobs. Blue-collar jobs. You don't have to be a college graduate -- that pay 60, 70, 80, \$90,000 a year with overtime. We're going to lose tens of thousands -- maybe hundreds of thousands of those jobs because we're not ready. We're not ready. We haven't invested in our ports. And you know what the interesting thing is? The people get it more than the politicians. Every time there are transportation referendums on the ballot, they get approved. Last year, 91 percent of the transportation referendums on the ballot, calling for either taxes, tolling, or borrowing were approved by the voters. The year before, 79 percent. The average over the last 10 years, 75 percent. Only one year it dipped below 70, and that was 2010, the most conservative -- in terms of spending -- election in our lifetime.

10:40:01

And even then, 61 percent of transportation referendums were approved. The American people get it. They get it. They understand. They're not for a gas tax for the reason you said, Peter, because they don't have confidence. Those referendums all specify projects so they can see -- in the red state of South Carolina, the voters agreed to increase their sales tax by half a penny to revitalize the port of Charleston. Well, the voters knew that the port of Charleston was key to their economy. So, we've got to find a way to make

sure that there's a plan that's long-range; it touches everybody and people see the benefits from it, in addition to, as Ray says, the jobs. Right now, Americans want jobs more than anything else.

Ray Lahood:

You know, the answer, I think, is -- the reason that half of it went to deficit reduction in '93 is because Gingrich and Clinton were trying to put a delicate budget together that would get to balance -- which it -- ultimately it did.

10:40:59

And in order for Gingrich to get the Republicans to vote for that raise in the gas tax was the idea that part of it would go for deficit reduction, which ultimately would get to a balanced budget, which it did. The only thing I would add is if that's what it takes to get Republicans, then they should do it. But let's index it. The idea of indexing, I think, is so critical --

Ed Rendell:

Right.

Ray Lahood:

-- for the future. If they would have indexed it in '93, I don't know if we'd be having these discussion now.

Peter Cook:

Other questions from the audience here?

Ray Lahood:

I think a gentleman back there had a question, yeah.

Peter Cook:

Yeah.

M. J. Carrabba:

Thanks, guys. M.J. Carrabba with the American Composites and Manufacturers Association. And assuming that we could come up with a pay-for, and have money to invest in the future, how important is it to look at innovative materials for reinforcing infrastructure, making our infrastructure last longer, so that those monies that we spend today can pay off 50, 60 years in the future, instead of just five or 10?

10:42:03

Ed Rendell:

Crucial. Crucial. We've got to be able to use -- maximize the use of our dollars. And there have to be innovative techniques. There's bridge-monitoring techniques that are being developed -- a few companies are developing them -- which can tell you --

structurally deficient bridges don't mean they're about to collapse. There are different levels. There's a sustainability index. But that's not very accurate. By this bridge-monitoring, it can tell you which bridges really do need help and which don't, which could dramatically reduce the cost of bridge repair and bridge revitalization. We need to get all those technologies employed in reducing the overall costs, because if you can reduce the overall costs, we can do twice as many bridges, twice as many roads, twice as many waste water systems for the same dollar. So, technology may turn out to be the long-run savior of this problem.

Ray Lahood:

Yeah. I agree. Yeah. We -- look at it.

10:42:59

There a lot of smart people around the country -- and probably including companies like yours -- that are figuring out ways to make sustainability so important, as we -- as we start to reinvest. Sustainability is something that we really emphasized during the Sandy debate, about how much money to give to New Jersey and New York. And we got additional \$5 or \$6 billion in the bill just for sustainability, so that things were not being built to the standards that they were destroyed at. And that's what you're talking about, the future, how do we build things to last a lot longer?

M. J. Carrabba:

Is it going to take a disaster to move this bill? Are you worried about that?

Ed Rendell:

No, because --

Ray Lahood:

We're in a disaster.

Ed Rendell:

Well, we are.

Ray Lahood:

We're in a disaster.

[laughter]

Ed Rendell:

And as --

Ray Lahood:

The country is in a disaster when it comes to infrastructure. Drive around. Get in your car, drive -- go anywhere. Drive around these lousy bridges and roads. Or on a 50-year old transit system.

10:43:58

Ed Rendell:

And the disaster that cost lives, the ones you're referring to, for two or three weeks afterwards, everyone is head up. They're all excited. "We got to do something about our infrastructure." And then nothing happens. I-95 was closed for three days in 2008 because, by accident, a PENDAC [spelled phonetically] contractor was -- parked his car under 95. He got out, and he looked up, and he saw a crack in one of the piers holding up one of the bridges of I-95. It took 3 days to steel-reinforce that bridge. I-95, it looked like a horror movie. In the broad daylight, you could see the city skyline in the background, and not one vehicle on I-95. That bridge gets 75,000 cars and trucks a day go over it. But that pier has been fixed. But there are 15 bridges in Philadelphia. And the 22 miles that 95 goes over -- it goes through Philadelphia -- there are 15 bridges that support it. Price tag to revitalize all of them -- and all of them are older than 40 years -- the price tag to revitalize them would be \$10 billion.

10:45:04

The city's capital budget for everything -- police stations, fire station, potholes -- is \$180 million. So \$180 million. \$180 million. State of Pennsylvania just passed a terrific gas tax increase that's going to produce \$2.3 billion of additional transportation money. That's for the whole state, folks. Where are we going to get the \$10 billion to ensure that that pier didn't collapse, causing a tragedy that would dwarf what happened in Washington or Minneapolis? Where are we going to get that money? Ray's right. It is a disaster.

Peter Cook:

We talked a lot about roads and bridges. I want to get your take on the aviation infrastructure in this country, and the chairman mentioned earlier the FAA reauthorization is going to be coming up soon enough as well. What's your take on the prospect that technology can solve this in terms of the aviation side of things, next gen technology, and the cost there?

10:46:02

Ray Lahood:

Well, I do think that Congress passed an FAA bill the last time that was a good bill, put a lot of resources into next gen. Next gen is the future for aviation in terms of reducing the use of jet fuel, and guiding planes in and out of airports safely, and relieving congestion. And I'm proud of the work that Michael Worth [spelled phonetically] and his team is now doing using that money, implementing next gen. It's in a number of airports around the country now under a pilot program, testing the technology. But, you know, part of the dilemma will be making sure that it's in every airplane, that pilots have access to it, that it's in every airport. So that needs to be number one, but we also have aging infrastructure in our airports.

10:46:55

We have airports that are -- and, again, we're being outcompeted. I'm told that in China they're going to build 85 new airports over the next couple of years. Those are, again, all projects that create jobs, and then these airports are economic opportunities for communities, for jobs. And with the consolidation of airlines now, you're going to see communities around America modernizing their airports the way they're doing in Chicago, adding runways and so-forth. But --

Peter Cook:

There's some lawmakers worried about losing airports, too, in rural parts of the country.

Ray Lahood:

Well, that will always be the case, and as we -- you know, as consolidation finishes up, here which I think it really has, and mergers -- that's part of what happens.

Ed Rendell:

And there's an easy way to fix it. I mean, and Ray's right. The FAA bill was a step in the right direction, but there's an easy way to get all the money we need to fix this. How many of you know how much money you pay in an airline ticket for something called a passenger facility charge?

10:48:02

Raise your hands if you know how much you pay? And I would guess that this is a slightly better educated audience than most people. No one -- some of it goes back into the airport and some of it goes to the federal government, and some of it can go to the state government. If we raised the passenger facility charge by \$10, do you know how many Americans -- how many Americans fly a year now, Ray?

Ray Lahood:

I don't know.

Ed Rendell:

Approximately 90 million, at least, I would think. Two billion? So the passenger -- if you raised the \$10, that would be \$20 billion. You know what you could bond off \$20 billion? You could fix airports. Next gen. You could do it all. And the airline companies charge you \$25 for a bag and everybody complains but they pay the \$25.

10:48:58

What's the big deal? What's the big deal? Nobody wants to spend money in this town for anything, no matter how reasonable it is, no matter how less onerous it is. It's pathetic. "Nation of wusses" is not strong enough.

[laughter]

Peter Cook:

Secretary Lahood, let me get your take on one aspect of that, and that is Speaker Boehner, who you know well. Where do you think this ranks on priorities for the speaker and the House Republican leadership right now?

Ray Lahood:

Infrastructure and transportation bill?

Peter Cook:

Yeah, and getting it all done, if not before the election, after.

Ray Lahood:

Other than Chairman Shuster, I haven't heard anybody in leadership talking about it. I've heard the president talk about it many, many, many times, including in every State of the Union. And I haven't heard anybody in the Republican leadership talk about it. I've heard people in the Senate leadership talk about it, but I don't hear people talking about it except for Chairman Shuster.

10:50:02

Peter Cook:

What do you think the chances are -- again, in this mid-term election year, either before the election or afterwards -- that there is a bill passed in 2014?

Ray Lahood:

Zero.

[laughter]

Peter Cook:

Are you as pessimistic?

Ed Rendell:

I agree. Unless they do it after the election --

Ray Lahood:

Oh, I thought you -- did you say before the election?

Peter Cook:

Before or after.

Ray Lahood:

Well, I mean, look at -- like most people in the media, you want to have it both ways. Before the election, zero. After the election, maybe 100 percent.

Peter Cook:
It's going to happen?

Ray Lahood:
Use the Regan playbook.

Peter Cook:
Any other questions out here for our panelists? Yes, sir, right here in the front.

Lee Kincaid:
Lee Kincaid with the American Maritime Congress. We've heard some talk here about rail and highway and the airlines, but is there any role for America's maritime industry to play in moving the cargo away from the U.S. ports when those big mega container ships do come through the new Panama Canal, or to relieve some of the highway congestion, for instance, on I-95.

10:51:07

Ray Lahood:
Well, I'm very proud, while we were at DOT for four-and-a-half years that we used the TIGER money to invest in 19 ports in America. That's 19 more ports than were ever invested through DOT. You know, there really is -- there's no way to invest in ports except through the WRDA Bill, now, if it ever passes. Now they freed up some of the money so that some of these ports can get the depth to 50 feet, which is very, very important. The maritime industry is critical to our economy, and delivering goods around -- not only around America, but around the world. And they contribute vitally, and we work closely with the maritime industry and with big shippers, because we know that they are an integral part of our transportation system in America and always will be.

10:52:02

Ed Rendell:
And sadly the U.S. does not have one of the 10 -- one of the busiest ports in the world anymore. If you do it by through-put, China has six of the 10; we don't have any. And worse the port of Shanghai will by this time next year be taking more through-put than the top 10 American ports put together. And Brazil is building a super-port that will be bigger than the Isle of Manhattan. Bigger than the Isle of Manhattan, and we are -- you're begging for crumbs. For crumbs. Understand what the secretary said. In WRDA, there's a maritime trust fund, harbor trust fund, harbor maintenance trust fund. For years, it's been producing \$1.5 billion a year in fees, of which only \$900,000 is used for harbors and ports. \$600,000 went to offset the deficit. It has a \$7 billion surplus, but nobody's allowing that money to be used for our ports.

10:53:03

Now, WRDA -- at least the proposal on WRDA -- frees up some of that, right?

Ray Lahood:
It does. It does.

Ed Rendell:
Not all of it, but some of it, right?

Ray Lahood:
That's correct.

Ed Rendell:
But with WRDA being passed in a bipartisan fashion by the House, we still don't have a bill.

Peter Cook:
How many of those east coast ports need to have that 50 meter depth criteria you talked about? What would be reasonable for this country to have?

Ed Rendell:
I think at least six. At least six.

Ray Lahood:
Almost every port in America does, right?

Ed Rendell:
Needs it, but right away if we could go to six or seven that would be terrific.

Peter Cook:
Any other questions here? Sir? Microphone coming to you from over there.

Male Speaker:
Hi, I'm Peter Piser [spelled phonetically]. It's good to see you both. I want to come back for a minute to high-speed rail in part because, when you were talking about aviation, it sort of brought to my mind what both of you have said many times, which is that you can't disconnect the problems with our airports from the problems with our other modes of transportation, particularly in the rail area.

10:54:08

If you got to an hour or an hour-and-a-half from Washington to New York, what would that do to the airports between here and there, and what benefits does that bring to them? And in California, Governor Brown pushing hard for high-speed rail against a lot of opposition. Again, big benefits to the aviation network in California by getting high-speed between San Francisco and Los Angeles. So all leads to the interconnectedness of this system. So what about the idea of giving governors even more flexibility than they

have now to take federal money that they're already getting and move it around the transportation network? I mean, the money is raised right now from the highway users, but 30 years ago they allowed that to go to public transit.

10:55:00

Joe Borden's talked about using trust fund for Amtrak. The same thing should go probably for other modes. So is that an idea that could bring more people to the table on Capitol Hill to sort of give flexibility, which is usually popular with Republican members. And also, that kind of builds the constituency for more money, when you sort of get more people into the pool.

Ray Lahood:

Look, and I'm in favor of having rail included in a transportation bill. We need to do that. And not just lip service, but the funding part of it too. And giving governors more flexibility is something that should be a part of the debate. But this idea of doing a separate rail bill, separate from a transportation bill --

Ed Rendell:

Right.

Ray Lahood:

-- is silly. That's a -- it's an antiquated way of doing it.

Ed Rendell:

Right.

Ray Lahood:

Should be a comprehensive --

Ed Rendell:

Right.

Ray Lahood:

-- approach.

10:55:55

Include rail, include funding, include the opportunity to do what we need to do for our friends in Amtrak, but also give leverage to people like Governor Brown, Governor Quinn, Governor Snyder -- all of these governors that are now trying to implement more passenger rail in their state. And all the governors along the Northeast corridor are doing it.

Ed Rendell:

Yeah. I think the question is a great question, because it brings up exactly what Ray says. If I were president -- and I have no interest in being president -- I don't want to spend --

Peter Cook:

Let's make some moves.

Ed Rendell:

-- I don't want to spend two or three of my last remaining years in Iowa, New Hampshire
-- no offense to those states.

[laughter]

But if I were president, the first thing I would do is I would say -- I would take the best people from all of the segments and say, "You've got six months. I want by -- as president-elect, I want, by the beginning of May, a 10-year infrastructure revitalization program for America that I can put in the -- in the next year's budget, in the following year's budget."

10:56:57

We have to do it. We have to invest. And we've got to do it comprehensively. Peter is right. Take -- high-speed rail on the Northeast corridor? It solves the problems in LaGuardia. It solves in the problems in Newark. It solves the problems in Philadelphia, BWI. All those problems -- most of the congestion going East-West is caused by the North-South shuttles. We can end the shuttles. And by the way, the airlines aren't going to care about ending the shuttles. In Europe, there's no flights less than 500 miles, because it's all done by rail. Comprehensive. Freight? Yes, we've got to do ports but we've also got to do rail lines. And they've got to be consistent with each other. In TIGER, one of the best things in TIGER was there were two rail projects. I was governor at the time. CSX and Norfolk Southern came to me independently. One of them wanted a program that went south to Midwest, to do something on the freight lines all the way. And one wanted to go south to Northeast.

10:57:55

They wanted to involve six states. They wanted the states to pony up some money. They were going to put some money in it. And then we were going to go to TIGER to ask for the remaining money. I was the first governor to put money into both projects. We got every single governor -- Republicans and Democrats -- to contribute. And then the Secretary funded -- not all of what they wanted, but funded a significant part of what they wanted. And those two freight projects are revolutionizing freight delivery in the eastern half of the country. And they were tremendously successful. And it's the way we ought to be doing things. But most of all -- good God -- let's plan a program. Ray was talking about the projects that happened across the country. The Erie Canal. The Erie Canal was essential to opening up the commerce of this country from the Atlantic Coast to the Midwest. They told Jefferson it would never work. The technology wouldn't exist. It

wouldn't be able to do it -- and it was too expensive. Fortunately, Jefferson had foresight. He had foresight. And we built the Erie Canal.

10:58:58

Abraham Lincoln, in the middle of the Civil War, with all of his other problems -- decided that we needed to invest in a transatlantic rail system.

Male Speaker:
Yeah.

Ed Rendell:
And we built a transatlantic rail system that opened this country wide open for commerce and exploration. We've stopped doing these things. We've stopped doing big things. We've stopped going bold things. We've stopped investing in our future. And we are going to hell in a hand basket unless we change.

Ray Lahood:
Peter, can I just say a word of thanks to Bloomberg, because this gathering is so important. If we're really going to make a difference, all of us in this room, we need to keep the pressure on. And all of you showing up here today, and sitting through all of this stuff that you've all heard before is important. And Bloomberg has contributed so much -- over a long period of time, to a lot of things.

10:59:51

But you know, when you look at -- I know the Bloomberg organization is different, but what people like Ed and Mike Bloomberg did in New York and in Pennsylvania -- and they're still hanging in there, and still keeping the dialogue going -- that is the only way we will ever get this town to move. So, you all play a very important role, not only by coming here this morning, but what you're going to do when you leave here. We got to keep the pressure on. If we do, we will be successful --

Peter Cook:
And --

Ray Lahood:
-- eventually.

Peter Cook:
Can I ask you about that? Because you do have on this issue a variety of American industries and business organizations that have a shared interest in getting this done. There are very few businesses that don't like the idea of improved infrastructure in this country. So, why are we still fighting this fight the way we are, at this point in time? Has the business community not done enough on this front to push this over the -- over the --

Ray Lahood:
Look, and I give --

Peter Cook:
-- edge a little?

11:00:55

Ray Lahood:
-- Tom Donahue [spelled phonetically] a lot of credit. He and -- he and Rich Trumka, the head of the AFL-CIO, teamed up several times in the last two or three years, with press conferences, with meetings, with joint speeches. Tom has probably done more as far as the business community goes representing the Chamber, the National Chamber than maybe anybody else; and teaming with the AFL-CIO, and coming out for an increase in the gas tax, and really providing a lot of leadership. We just -- we have to keep on keeping on. We just have to keep the pressure on.

Peter Cook:
Isn't the reality, though, that the fiscal state of the country -- that there's still a central question about spending federal dollars right now, and a lack of confidence on the part of many Americans that it -- Washington is using their money wisely. Is that the central issue --?

Ray Lahood:
I think --

Peter Cook:
-- that has to be overcome?

Ray Lahood:
-- when it comes to infrastructure, no, Peter.

11:01:53

For what Ed said. Almost every referendum in the country has passed when it comes to infrastructure, because people see where their money is being spent. And as Ed said, they -- some states, like California, they actually list the projects. And then they have to fulfill their obligations once the referendum passes. When it comes to infrastructure money, people see a pothole being filled by a friend or a neighbor, a bridge being rebuilt by a friend or a neighbor -- they get it. They know their money is being well-spent. That is what people in Washington are blind to.

Peter Cook:
Yeah. Just another moment or two, here, with our two guests. Any other questions from the audience? Mr. Boardman?

Joseph Boardman:
Thank you. I'm Joe Boardman.

[laughter]

Joseph Boardman:
Secretary -- you're a damn good secretary. You supported us when we needed it. I didn't know what I now know that Ed Rendell figures that I-95 died and rose again in three days. I understand that. But so did our tunnels during Sandy.

11:03:01

And it took about two days for us to get back in business. And when Peter, you asked the question, "Does the business community of this nation understand what we really are today?" We are one disaster -- and we are in the middle of one, I understand -- away from not being able to provide transportation, the mobility that this nation needs, especially in the Northeast corridor. Thank you, Peter, for the question you asked, because clearly, we need one surface transportation program funded. And our transportation systems balanced: aviation, rail, highway, ports, maritime all need to be balanced to make this country a global leader again. Thank you.

Male Speaker:
Thank you, Joe.

Peter Cook:
Other questions here? I thought I saw another hand up somewhere? Well, let me just wrap up here.

11:03:59

I want to get to your final thoughts. You've been pretty pessimistic. America's a pothole. Going to hell in a hand basket. Everyone's a wuss here in Washington. Give this crowd one reason to be optimistic that the nation's infrastructure challenge can be solved.

Ray Lahood:
Because this is what America has always done. This is what we've always done. Eisenhower, with a vision; Reagan, passing a bill and raising taxes. And I think -- I'm obviously very prejudiced about this. We've got a guy in the White House who gets when it comes to infrastructure; what we need are some people on Capitol Hill that have that same kind of vision. And -- but it won't happen without you all. I'm optimistic, because when I walked in this room, it was full of people who care a lot about where America is going with infrastructure.

11:04:55

I'm optimistic because of what -- all of you showed up here today. Now, the second part of that is you've got to make something happen with our friends on Capitol Hill.

Peter Cook:

Governor Rendell, I'll let you have the final word. He did mention two words in there that are pretty controversial in this town and in this country: raising taxes.

Ed Rendell:

Well, back's against the wall. And I think Ray's right. We Americans are slow to do things sometimes, but we tend to always come through when our backs are against the wall. I just think the public needs to know, and that's why these conferences are so important. That's why, as Ray said, you've got to go out and spread the word not just talking to people in the industry. Talk to people in your men's club and your rotary and your [unintelligible]. Tell them our backs are against the wall. I mean, what alternative do we have? I mean, can that Grover Norquist? I mean --

[laughter]

11:05:56

Ed Rendell:

What alternative do what have? I was kidding. Grover, if you're listening, I was kidding.

Peter Cook:

I guarantee you he's listening. We're happy just to invite him to the next one of these, if you'd like.

Ed Rendell:

Well, he's for infrastructure spending. Again, I had this debate with him at Union Station. Finally he said, "No, I think we should spend money on infrastructure. We should just take it from food stamps," and he went through the whole litany.

Ray Lahood:

You know, let me just -- I'll tell you another reason I'm optimistic. You've got guys like Rendell and Bloomberg who could be out clipping coupons. But what Ed is doing --

[laughter]

Ray Lahood:

-- what Ed is doing -- we could be out making a lot of money, I'll put it that way. Think of the time that he's devoting, not getting paid one dime for any of this. He's doing it because he believes in it. And the same for Mike Bloomberg. They made a difference in their states -- in Bloomberg's case in the city and in the State of New York -- and now they're taking that message. And you should all really feel good about that. That there are people who are willing to do this stuff and really make a difference.

11:06:59

Ed Rendell:

And if I can say one last word? The original founder, Ray is replacing Governor Schwarzenegger. It was Governor Schwarzenegger, Mayor Bloomberg, and I -- Republican, Independent, Democrat -- and Governor Schwarzenegger helped us raise the profile, obviously, because he always does that, but he also gave the best definition of infrastructure ever. When we did our initial press conference in a -- on an island in the midst of a California freeway, he said that the night before his eight-year-old son -- that eight-year-old son saw on his schedule "infrastructure press conference." And he said, "Daddy, what's 'infrastructure?'" And Arnold says, "It's what Daddy blows up in the movies."

[laughter]

Peter Cook:

On that note, Governor Rendell. Secretary Lahood. Thank you both for participating in this event. Thank you all for coming.

[applause]

Peter Cook:

I want to remind you, I think our guests will be around here for a few more minutes if you want to come say hello, have another question you couldn't get out here. The Autodesk simulator is still over there, I believe, for a few more minutes. Please check that out. Thank you, again, for coming from all of us here at Bloomberg. We'll see you next time.

11:08:02

[end of transcript]