U.S. Department of Transportation

TRANSPORTATION TRENDS

REMARKS PREPARED FOR DELIVERY
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
***FORBES MAGAZINE* REBUILDING AMERICA CONFERENCE**
WASHINGTON, D.C.
DECEMBER 1, 1995

Good afternoon. I'd like to thank Tom Bradshaw for that introduction, and *Forbes Magazine* and its associated sponsors for supporting this conference.

It's especially appropriate that *Forbes* -- the "Capitalist Tool" -- is the lead sponsor of a conference on infrastructure financing, because "capitalist tools" are exactly what President Clinton wants to use to help build the highways, transit systems, and other infrastructure America needs.

He proved that on Tuesday, when he signed into law the National Highway System Designation Act legislation that makes a whole package of new innovative financing tools available to state and local officials. These strategies will give our partners greater flexibility in how they use federal funds and enable them to more easily involve the private sector in highway and transit projects.

The President's action builds on a record of progress we've made on infrastructure since he and Secretary Peña put it at the center of the Department of Transportation's agenda three years ago. Even with that progress, we shouldn't make the mistake of thinking that the problem has been solved.

Our needs -- and the consequences of not filling them -- are growing even though we at the federal level and our state and local partners have been investing more in transportation. The challenges we face -- and how to meet them -- is what I'd like to talk about today.

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All levels of government together are spending about $40 billion a year on capital improvements to our nation's highways, bridges, and transit systems. However, a report that Secretary Peña recently submitted to Congress estimated that we need to invest $57 billion annually just to maintain the current conditions of those systems. That is to say, today's number of potholes, today's levels of congestion, today's average age of buses and railcars.

And if you think today's conditions aren't satisfactory, that report also projected that an additional $23 billion could be invested in projects whose quantified benefits -- such as savings from congestion reduction -- would outweigh their costs. Given those levels of need and opportunities for improvement, it's no wonder that we see the impact of our investment shortfall every day.

We see a shortage of capacity -- in all modes -- that causes congestion, resulting in what amounts to a $40 billion-plus annual tax on the American traveling public. We all know what the public thinks about paying taxes, but I think they feel the same way about the hidden congestion tax.

We see changes in the way our transportation system works to serve the economy -- such as "just-in-time" delivery or double-stack railcars -- that are true efficiencies and ought to be providing us with a national competitive advantage -- if they aren't thwarted by poor intermodal connections and bottlenecks.

We see changing patterns of commuting and goods movement that our existing system wasn't designed to handle.

And we see -- all too often -- aging, crumbling infrastructure that causes disruption and delays and risks our safety.

Now some of these needs *are* being met through sound investment policy and by making better use of the flexibility offered by ISTEA -- the Intermodal Surface Transportation Efficiency Act, which authorizes federal highway and transit programs. For example, we can reduce pressure on airports by promoting intercity rail, and we can reduce the need for highway expansion if we encourage ridesharing and transit use. And we can make our transportation system operate more efficiently through better management and through new technologies we call Intelligent Transportation Systems -- much of which focus not on exotic systems but on the infrastructure-based solutions that are the nuts-and-bolts of transportation management.

But there's no getting around the fact that -- as things now stand -- this country needs far more investment in its transportation infrastructure than will be provided by the traditional forms of public sector participation.

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We all know about constraints at the federal level. President Clinton has already cut the deficit nearly in half, and is working with the Congress on the best way to get us to a balanced budget. That's something we all agree on, but it is going to limit future federal funding in most programs.

Nor can we expect a lot more from state and local governments, which already face competing demands for such vital needs as education and health care. They're likely to be under even more pressure as Congress devolves responsibilities to them.

But if we take a broader view, we can look to partnerships with the private sector to help close the investment gap. We took a big step this past January, when President Clinton announced the Partnership for Transportation Investment -- better known as innovative financing.

DOT's involvement with innovative financing began with provisions in ISTEA that permitted us to experiment with different ways of financing projects, and -- in the last three years -- we've tried to turn America into a nation-wide laboratory for those experiments. I challenged our staff and our constituencies to be more flexible, to be innovative, to learn by doing -- and they've done all that.

This innovation is critical to meeting our infrastructure needs, because our current system of paying for projects only through the reimbursement of grants is outdated. Besides adding a lot of red tape that slows projects and increases costs, the current system makes it hard for states and localities to involve private investors.

The innovative financing program that we put together as an experiment under the existing statutory framework let us waive many of those restrictions or requirements, and gives local decision-makers greater flexibility and authority. We've already had some concrete successes, if you'll excuse the pun.

For example, in Michigan, the required match for a new interchange will be put up by the owners of a nearby industrial zone, letting work get underway faster, freeing up state funds for other projects and -- not incidentally -- giving new value to their property.

And in Texas, a new bridge in Laredo to cut congestion brought about by the increased traffic developed through NAFTA trade will be paid for by toll revenues and rental income from the property.

Altogether, the first round of projects that the President announced in January included 35 potential investments around the country which -- as they are built -- could have a total

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value of about $2 billion. That's only the start, because we have a *second* round of projects -- worth perhaps another $3 billion in construction value -- that we hope to announce shortly.

So innovative financing is not about petty cash -- even in terms of the large volume of national needs, it can make a real difference in the money available to transportation agencies. For example, I'm told that the Ohio Department of Transportation is funding a third of its new capital projects using innovative financing tools.

Nor is innovative financing only about highways. Although many of our early projects have been ones to build new roadways, other modes -- such as transit, rail, and aviation -- have equally-great potential.

For instance, Norfolk Southern put up the money to add a third track on a rail right-of-way in Cincinnati, greatly cutting rail congestion and thereby attracting traffic off of congested highways. This project opened last Wednesday -- just 10 months after we approved it this past January. Norfolk Southern will be reimbursed for this over time through the state's ISTEA allocation using the technique known as advance construction funding.

In Chicago, the FTA recently helped that city's transit authority get 800 new railcars and save between $35 and $40 million through a sale-leaseback arrangement.

And a few days ago I was pleased to participate in ceremonies to mark an agreement for a private developer to put in an entire new station on Washington's Metro system, again so that their property can realize its true value.

Airport construction -- which relies on the capital markets for as much as three-quarters of its funding -- has in many ways served as the prototype for involving the private sector in public projects. We're committed to working with airport sponsors to find new ways to improve that partnership.

Our early efforts under the Partnership for Transportation Investment have focused on two major concepts.

First, the idea of building more projects with fewer direct federal grant dollars by using leveraging, thereby making more total money available to transportation agencies. That means strategies such as flexible matches, which let states use private sector contributions to match federal grants. All told, these approaches have already attracted about $1.5 billion in increased public and private investment above the level available through conventional cost-sharing.

The second strategy is to get projects on the ground faster through cash flow tools. These make funds available faster, and let federal and nonfederal funds work in a more complementary fashion. As a result of such tools, the innovative financing projects that we've approved will start construction as much as two years earlier than they would have under conventional financing.

That'll let us see reduced congestion and faster freight shipping -- and all the resulting economic benefits -- *years* sooner. We'll also save the taxpayers money, because earlier construction will lower costs by avoiding inflation and by reducing the interest burden on loans or bonds. Together, all of these time and money savings could produce average annual benefits over a project's life that equal about 15 percent of project costs.

Innovative financing -- which is in great part about public-private partnerships -- also has tremendous potential for helping us deploy such innovative solutions as Intelligent Transportation Systems. These high-tech communications and information systems, encompassing everything from "smart cars" to "smart roads" to "smart subways and buses," are a leading priority for us, and are already cutting congestion and increasing safety.

Deploying more of them will take resources, as well as ideas, from all levels of government *and* from the private sector, so innovative financing is especially suitable as a source of their funding.

We're already seeing such cooperation. In Missouri, an entrepreneur is laying fiber optic cable along highway rights-of-way. This cable will serve as the conduit for a statewide transportation management and information system -- free of charge to the state. To further leverage that investment, the private investment will also count towards the state's match for other transportation investments. It's an excellent example of how innovative financing can help everyone win.

All of these projects make it clear to us that we're on the right track, so the question is not *whether* to continue innovative financing, but *how* to continue it -- and where to go next. Much of our authority under ISTEA is for experimentation, with projects being approved under temporary authority. As I said earlier, the National Highway System bill signed this week by President Clinton makes many of these innovative financing tools a part of our permanent arsenal.

Infrastructure banks are one of these -- like innovative financing itself, they're an umbrella concept to attract more capital into transportation investment. The President proposed infrastructure banks in the 1996 budget that he submitted to Congress last February, and Congress included them in the NHS bill as a pilot program. They'll be created and

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operated by the states using federal seed money, and would focus expressly on leveraging private and other public capital dollars.

These banks give the states the opportunity to use such tools as revolving loan funds, short-term construction loans, contingent lines of credit to attract private capital, and low-cost pre-construction capital for privately-developed projects. We can do 10 state or regional pilots under the NHS act, and I'd like to see them up and running *soon*. We held a conference in Denver on Wednesday to explore this concept with potential state participants, and it was definitely a standing-room-only crowd.

Of course, the infrastructure bank isn't the only ingenious strategy that will be made available through the NHS legislation. Advance construction funding, which is playing a role in such projects as the Norfolk Southern rail expansion in Cincinnati, lets states start building based upon anticipated federal apportionments.

Bond financing will be more feasible, since states can choose to allocate their federal grants to reimburse not only bond retirement costs but also bond interest, issuance, and insurance costs.

States can loan federal funds to both toll roads and non-toll projects that have dedicated revenue streams -- with the flexibility to offer below-market interest rates to increase the feasibility of projects that make sense from a public standpoint but may be on the margin financially.

Finally, states will be able to accept private funds and other assets for their projects -- as is being done at the experimental highway interchange in Romulus, Michigan -- and count them as part of their match to federal grants.

Most of these strategies are already being used today by creative transportation agencies taking advantage of ISTEA's experimental authority. They -- and other agencies around the country -- will be able to make these ideas part of the mainstream -- the way they do business every day.

We're helping them by providing the guidance and technical assistance they need to make this a success. For example, both the FTA and the FHWA have issued handbooks on innovative financing that give these public agencies the basic information they need to get started.

Nor are we stopping with the innovative financing strategies included in the NHS bill. Instead, we're looking for other new ideas. For instance, we're exploring some new rules related to loans.

The Credit Reform Act of 1990 redefined how federal agencies count project loan guarantees against the budget. Now, the scoring is based on the actual risk associated with default. That lets us provide a degree of support for privately-developed transportation projects without tying up excessive amounts of federal funds.

Special legislation has already let us do one project in this manner, a toll road in Southern California. Prospective lenders worried that the road wouldn't generate enough revenue to pay off the debt service during the first years. In order to provide the necessary security, the legislation permitted us to supply the developers with a $120 million line of credit -- counted against our budget as just $8 million. That supported them in borrowing $1.3 billion of construction loans. In short, our $8 *million* helped lock in $1.3 *billion*. *That's* leverage.

We're still exploring this concept's potential, but we may have a proposal about its further use in transportation ready for Congress as soon as next year.

All of these initiatives stem from President Clinton's directive that we be more innovative and more cooperative with our partners in order to meet America's infrastructure needs.

As a former Governor, he views state and local governments and the private sector as full partners with the federal government in the effort to build the highways, transit systems, rail lines, and airports that will carry us into the next century.

That's also an approach implicit in Vice President Gore's National Performance Review, which emphasizes the need for better planning and the use of market incentives as we bring common sense to government's operations.

None of this, as I see it, is an abdication of government responsibility nor is it an ideological statement about government's value, but rather it's a simple recognition that the federal government can achieve better results through such partnerships, and, after all, what we are about *is* results.

We hope that state and local governments and the private sector will join with us to take advantage of the opportunities that innovative financing offers so that we can give our people a more prosperous future and a better quality of life. Thank you.

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REMARKS AS PREPARED FOR DELIVERY
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
RAIL STATIONS: GETTING ECONOMIC DEVELOPMENT ON TRACK
WILMINGTON, DELAWARE
DECEMBER 11, 1996

Good morning. I'm Mortimer Downey, Deputy Secretary of Transportation, and I'll be moderating this panel. Let me take a moment to introduce the panel's members: David Lewis of Hickling Lewis Brod...

...David King of the North Carolina Department of Transportation...

...and Jackie Grimshaw of the Center for Neighborhood Technology.

Before I begin I want to thank Governor Carper and the Delaware Department of Transportation -- and Tom Downs and Amtrak for co-sponsoring this conference.

Amtrak, of course, has been a driving force behind America's rail renaissance, and Delaware -- through Governor Carper and through the efforts of Senators Biden and Roth -- has been among this revival's strongest supporters. It's good to see them all coming together to make this conference a reality.

I'd like to start by bringing you greetings from Secretary Peña. As you know, the Secretary recently announced that he plans to leave office next month.

He's been a strong supporter of passenger rail and we're going to miss his leadership. But -- as he departs -- he leaves us a sound legacy, that includes a strengthened commitment to transportation infrastructure.

Today, I'd like to review two areas of support that were made possible by that commitment and that may have some relevance to the issues we're here to talk about today: Our Livable Communities initiative and our Partnership for Transportation Investment.

Livable Communities has created a new focus for federal support of transportation while firmly linking transportation to the communities it serves.

The promise of Livable Communities reflects two fundamental facts: transportation doesn't solve anything if it doesn't take people where they want to go -- and development can't achieve its promise if people can't get there.

Transit systems in places such as San Francisco, Washington, and -- especially -- Portland, Oregon have become tools to shape development and spur land-use patterns that make sense. Livable Communities is the latest step in this process.

Although the early emphasis has been on transit, it's equally applicable to intercity rail -- obviously in those cases in which Amtrak shares a station with a commuter rail or subway line, but also in those cases in which an Amtrak terminal can become a major destination in its own right, as is already the case with Washington's Union Station.

By centering development around transportation hubs that combine other uses -- such as offices, shops, or housing -- we can create instant destinations that can be served by transit and intercity rail.

In the case of transit, research shows that combining it with mixed-use development can reduce auto trips by 18 percent without inconveniencing travelers, and increase transit ridership by 4 percent or more.

That doesn't sound like a lot, but a relative handful of auto trips can spell the difference between congestion and free-flowing traffic -- benefitting not only transit users and area residents but also the remaining drivers.

Simple steps such as safe and secure pedestrian access -- conversion of unused terminal space to new stores and similar amenities -- and other improvements can have real impact. The sale or lease of unused air rights can also produce revenue to pay for station construction or renovation.

I say renovation because it's important that these efforts not be limited to new stations. They also can make older neighborhoods around existing stations more vibrant even as they increase transit's viability by attracting more riders.

We're doing our part through Livable Communities.

We've made $35 million in grants to 16 different projects -- projects as diverse as the SEPTA commuter rail station in Chester, Pennsylvania and a subway station on 110th Street in Harlem.

These projects work best when they leverage other funding, from such sources as Community Development Block Grants and the Enterprise Zone program, as well as from the private sector.

This type of cooperation -- leveraging funding from other sources -- is a theme which runs through our efforts to pay for transportation.

In spite of the significant funding increases that the President's budgets have provided, there just isn't enough federal money available for all of the infrastructure we need. We're going to depend more and more on private sector and nonfederal public capital to build these projects.

So that brings me to the second new source of federal support for transportation infrastructure: the Partnership for Transportation Investment.

Secretary Peña announced this effort two years ago, and it's an umbrella term for a wide range of innovative financing strategies.

We accelerated concepts like the flexible use of federal funds -- making loans or providing credit assistance to projects with potential revenue streams -- and other means of generating capital.

And we cut red tape to move projects ahead faster and to attract private and nontraditional public sector resources that leverage federal funding.

At last count, these strategies have produced more than 70 new projects in 31 states with a construction value of more than $4.5 billion -- including more than a billion dollars in new capital. Many of these projects are moving to construction two years ahead of their prior schedules.

We've also begun state infrastructure banks, which use federal seed money to leverage other public and private funding. Earlier this year the Secretary announced 10 pilot states -- a number which may increase -- and we're providing $150 million in new seed capital to help get them underway.

Finally, we've worked outside of the envelope to provide standby lines of credit for toll roads in Orange County, California and a direct loan to the Alameda highway-rail corridor in Los Angeles.

Most of these strategies have focused on building highways, transit stations, and related facilities, but we're ready to explore ways to apply them to passenger rail stations.

The opportunity to do so is coming. Much of what I've talked about has been made possible by ISTEA -- the Intermodal Surface Transportation Efficiency Act, which authorizes highway and transit programs through 1997.

ISTEA expires next year, and we plan to submit a reauthorization proposal to Congress when the President delivers his Fiscal Year 1998 budget message in February.

Our draft proposal is being reviewed, so it's at a very awkward stage -- too old to be kept in a playpen, too young to be let out on its own.

Although I can't discuss its details, I *can* give you insight into some of the general principles which may affect rail station development.

We want to continue creating new ways to pay for the infrastructure and technologies we need, and to explore how we can use them for all forms of transportation.

We want to see greater decision-making authority granted to state and local officials so they'll have the flexibility to use federal funds in ways that best meet their communities' needs.

We want to see the playing field levelled so that projects can be chosen on their merit, rather than on whether they happen to fall into some fixed category.

And we want to ensure that our transportation and community development policies and programs support each other.

As we move towards reauthorization, it's vital -- whatever our views -- that we work together to build the kind of broad consensus that gave us ISTEA -- and that will put transportation on a sound basis for the 21st century. I hope that you'll make *your* voices and your ideas heard.

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REMARKS PREPARED FOR DELIVERY
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
NATIONAL CONFERENCE OF STATE LEGISLATURES
ENERGY AND TRANSPORTATION COMMITTEE
WASHINGTON, D. C.
DECEMBER 14, 1995

Good afternoon. I appreciate the opportunity to talk with you today. As we're fast approaching 1996, this is a good time to reflect on our actions of the past year and discuss what the future may have in store for transportation.

I'd like to focus on what is -- with safety -- our highest priority: helping to provide America with the transportation infrastructure needed for economic prosperity and a high quality of life.

We've made substantial progress in meeting our infrastructure needs over the past three years.

Last month, we took a very big step when President Clinton signed the National Highway System bill.

The President's action is a prime example of how we want to strategically invest federal resources.

The NHS legislation was mandated by -- and builds on the success of -- ISTEA -- the Intermodal Surface Transportation Efficiency Act of 1991.

ISTEA has provided the catalyst for many improvements that directly affect you at the state level: more surface transportation funding than ever before... a strong planning process that can help to direct funds to the highest-priority projects... and greater local decision-making and empowerment.

The NHS legislation, like ISTEA itself, is a key building block in a transportation strategy to take us into the next century.

The NHS bill provides about six billion dollars annually for the approximately 160,000 miles of roads -- just four percent of our nation's total -- that carry more than 40 percent of our nation's highway traffic -- three-quarters of heavy truck traffic -- and 80 percent of all tourist traffic.

The NHS is critical to the smooth flow of people and goods that powers our economy, and this bill ensures that state and local governments will have the money they need to keep the NHS moving.

However, our vision for transportation is not just about building new roads or repairing existing ones -- as important as those goals are -- but about creating a National Transportation System -- one that connects not only roads, but transit systems, railroads, airports, waterways -- indeed, *all* modes.

As we do this, we need to initiate partnerships between state and local governments and the private sector.

It's in this area where the NHS legislation takes its boldest strides -- making innovative financing, such as the new infrastructure banks that it authorizes -- available for your use in meeting your infrastructure needs.

Make no mistake: those needs -- and the consequences of not filling them -- are growing even though we at the federal level and our state and local partners have been investing more in transportation.

All levels of government together are spending about $40 billion a year on capital improvements just for our nation's highways, bridges, and transit systems -- and we've increased the federal contribution to that total in the last few years.

However, a report that Secretary Peña recently submitted to Congress estimated that we need to invest $57 billion annually just to maintain the *current* conditions of those systems.

And that means just holding our own -- the same number of potholes, the same congestion on our roads, the same number of standees on buses.

That report also projected that if an additional $23 billion were available, it could be invested in projects whose measurable benefits -- such as savings from congestion reduction -- would outweigh their costs.

Given those levels of need, we see the impact of this investment shortfall every day.

We see a shortage of capacity -- in all modes -- that causes congestion resulting in what amounts to a $40 billion-plus annual tax on the American traveling public.

We see poor connections between modes and bottlenecks that prevent us from realizing the full benefits of those transportation changes -- such as "just-in-time" delivery and double-stack railcars -- that are sweeping business and ought to be providing us with a national competitive advantage.

We see changing patterns of commuting and goods movement that our existing system wasn't designed to handle.

And we see aging, crumbling infrastructure that causes disruption and delays.

Now, it's not *all* bad news. Some of these needs *are* being met through sound investment policy and by making better use of the flexibility offered by ISTEA and related programs.

For example, we can reduce pressure on airports by promoting intercity rail, and we can reduce the need for highway expansion if we encourage ridesharing and transit use.

And, increasingly, we can make our transportation system operate more efficiently through better management and new technologies such as Intelligent Transportation Systems -- much of which focuses not on exotic systems but on the nuts-and-bolts of transportation management.

These systems provide such basics as better information for motorists and transit riders, better traffic control, and improved emergency response -- and there's no limit to what they can offer in the way of safety and capacity improvement in the future.

But there's no getting around the fact that -- as things now stand -- this country needs far more investment in its transportation infrastructure than will be provided by the traditional forms of public sector participation.

We all know about constraints at the federal level. President Clinton has already cut the deficit nearly in half, and -- as we speak -- he's working with Congress on the best way to -- balance the budget. That goal is something I think that we all agree on, but it's going to limit future federal funding in most programs.

And nobody knows better than you that we can't expect a lot more funding from state and local governments. You already face competing demands for such vital needs as education and health care, and are likely to be under even more pressure as Congress devolves responsibilities to you.

One of the best remaining answers is to look for partnerships that can involve you -- can bring in local governments -- and can find a role for the private sector.

We took the first big step in this direction this past January, when President Clinton announced the Partnership for Transportation Investment -- the innovative financing effort I mentioned earlier -- which is an umbrella term covering a wide range of strategies.

DOT's involvement with innovative financing began with provisions in ISTEA that let us experiment with different ways of financing projects, and -- in the last three years -- we've aggressively pursued such experiments.

When we began this process, I challenged our staff and our constituencies to be flexible, to be innovative, to learn by doing -- and they've done all that.

This innovation is critical to meeting our infrastructure needs, because our current system of paying for projects only through grant reimbursements is outdated.

Besides adding red tape that slows projects and increases costs, the current system makes it hard for states and localities to involve private investors when they choose.

The innovative financing program that we've put together under the existing statutory framework lets us waive many of those restrictions or requirements, and gives local decision-makers greater flexibility and authority.

Our early efforts have focused on two major concepts.

First, the idea of building more projects with fewer direct federal grant dollars by using leveraging, thereby making more total money available to transportation agencies.

That means strategies such as flexible matches, which let states use private sector contributions to match federal grants.

The second strategy is to get projects on the ground faster through cash flow tools. These make funds available faster, and let federal and nonfederal funds work in a more complementary fashion.

As a result of such tools, the innovative financing projects that we've approved will start construction as much as two years earlier than they would have under conventional financing.

That'll let us see reduced congestion and faster freight shipping -- and all the resulting economic benefits -- *years* sooner.

We'll also save the taxpayers money, because earlier construction will lower costs by avoiding inflation and by reducing the interest burden on loans or bonds.

We've already had some concrete successes, if you'll excuse the pun.

Altogether, the first round of projects that the President announced in January included 35 potential investments around the country which -- if we're successful and they're all built -- could have a total value of about $2 billion.

That's only the start, because we have a *second* round of projects -- worth perhaps another $3 billion in construction value -- that we hope to announce shortly.

So innovative financing isn't about petty cash -- even in terms of the large volume of national needs, it can make a real difference in the money available to transportation agencies. For example, I'm told that Ohio is funding a third of its new capital projects using innovative financing tools.

Nor is innovative financing only about highways. Although many of the early projects have been ones to build new roadways, other modes -- such as transit, rail, and aviation -- have equally-great potential.

One of the most powerful tools is the infrastructure bank -- like innovative financing itself, an umbrella concept to attract more capital into transportation investment.

The President proposed infrastructure banks in the 1996 budget that he submitted to Congress last February, and Congress included them in the NHS bill as a pilot program.

They'll be created and operated by the states using federal seed money, and would focus expressly on leveraging private and other public capital dollars.

These banks give the states the opportunity to use such tools as revolving loan funds, short-term construction loans, contingent lines of credit to attract private capital, and low-cost pre-construction capital for privately-developed projects.

We can do 10 state or regional pilots under the NHS act, and I'd like to see them up and running *soon*. We have reason for optimism: we held a conference in Denver a couple of weeks ago to explore this concept with potential state participants, and it was definitely a standing-room-only crowd.

Information-sharing efforts like that conference are critical, and one thing I hope you'll let us know is: how can we better help you to get innovative financing projects underway in your state?

Now, I'd like to turn to a provision in the NHS legislation that is of particular concern to the President and Secretary Peña -- the repeal of the national speed limit.

Our National Highway Traffic Safety Administrator, Doctor Ricardo Martinez, is meeting with you this afternoon to talk about a variety of safety policies and will discuss this in more detail.

However, I'd like to like to make a couple of points. Congress's action was a mandate for *one* thing: not for automatically raising speed limits, but for putting the decision-making power back in your hands.

The statistics about traffic fatalities are clear, and they're frightening. And, in the end, it's really not about speed limits, but about deaths and injuries and costs.

I hope that you'll make your decisions about speed limits and about other strategies to preserve lives based on a foundation of good research and data.

Please know that we want to work with you as you make these decisions, and that we stand ready to provide the extensive research and information we've collected. I hope that here, too, you'll let us know the most effective way of making our assistance effective.

All the initiatives I've discussed today stem from President Clinton's directive that we be more innovative and more cooperative with our partners in order to meet America's infrastructure needs.

As a former Governor, he views state and local governments as full partners with the federal government in the effort to build the highways, transit systems, rail lines, and airports that will carry us into the next century.

It's a partnership with tremendous promise, and we look forward to working with you to make it a reality. Thank you.

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REMARKS PREPARED FOR DELIVERY
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
AMERICAN FEDERATION OF STATE, COUNTY,
AND MUNICIPAL EMPLOYEES CONFERENCE
WASHINGTON, D.C.
DECEMBER 16, 1995

(Introduction to be made by William Endsley, Vice President, AFSCME, Columbus, Ohio)

Thank you, Bill, for that introduction -- and thanks to all of you for your warm welcome on such a cold day. I'd also like to thank you for inviting me to speak about what's going on here in Washington.

Given what's happened this year, the relationships that we've built over the years are more important than ever. And, as we begin a new year, it's a good time to review our track record and talk about what the future has in store for transportation.

President Clinton -- and all of us in his Administration -- values the long and proud Democratic tradition of standing with working Americans.

We share -- and seek -- a common goal: prosperity and security for America's working families.

Achieving these goals has never been easy, and today it's harder than it has been in two generations. That means we have to work together if we're going to provide working American families with the opportunities they need to succeed.

Both President Clinton and Secretary Peña are strongly committed to preserving the rights of working Americans in the transportation industry to bargain collectively -- rights that have been won through years of determined effort.

And -- despite the repeated assaults this year on transportation worker protections -- organized labor, the President, and our department stood firm against efforts by the Republicans in Congress to roll back generations of hard-won protections for labor -- such as 13(c) and Davis-Bacon.

We understand the importance of these protections, and are committed to the collective bargaining process they embody.

That's why we joined with you to block the effort to repeal the 13(c) provision for mass transit and the comparable protection of intercity rail workers. The Coleman amendment to the House transportation appropriations bill, which removed the repeal language, won by a stunning 244-186.

We're proud we stood with you on that fight, and we'll stand with you again if the repeal forces return -- but I hope that they've seen the light so that we can devote our efforts to protecting funding and building a future for transportation programs.

Similarly, earlier this summer we also stood with you to ensure that the Davis-Bacon rules continue to protect workers on federally-funded transportation projects.

We've also reiterated our support for the collective bargaining process in legislation that we've sent to the Congress.

The Amtrak legislation we sent to the Hill in April reflects this. As the Amtrak bill moved through the House, organized labor was successful in making the case that the appropriate place to change labor arrangements is over the bargaining table, and not in the halls of Congress.

We'll work to make sure the final legislation respects the important relationship between Amtrak's management and its employees.

Although we held the line on repealing these vital protections, we do have to recognize the pressures that publicly-funded transportation operators face in a time of limited public funding.

For example, transit agencies lost $300 million in operating assistance to Republican budget cuts this year, and we want them to make the most of the funds they do receive. It doesn't help any of us if these agencies are forced into spiralling cuts of service and jobs.

That's why we've worked with our colleagues at the Labor Department to reduce red tape and move money out while still protecting workers' rights. Last week that process culminated with Labor issuing new guidelines that streamline how the 13(c) process operates.

This is a realistic approach, one that has worked elsewhere -- working with labor and with transportation operators to balance our interests where they may differ. It's an approach we want to continue in 1996, a year in which we face new challenges.

These challenges include steadily-rising transportation demand -- on our highways, at airports, and on railroads -- that strains the capacity of our existing system.

No one knows that better than bus drivers stuck in congested traffic or highway engineers working to solve the problems of congestion.

These conditions pose additional challenges to us at a time when a new report that Secretary Peña recently submitted to Congress estimated that we as a nation need to invest $57 billion a year just to maintain current conditions on our surface transportation system.

According to this analysis, we also could invest an additional $23 billion annually in projects whose benefits -- such as savings from congestion reduction -- would outweigh their costs.

At the same time, whether we like it or not, federal funding is going to be limited in the future as everyone works to balance the budget.

That means we're not going to have all the money we would like to invest in the roads, bridges, buses, and other transportation facilities and equipment America needs.

First, the good news: The transportation appropriations bill for fiscal year 1996, provides for $37.1 billion in total funding, so transportation has done better than many other government programs.

It provides adequate funding for DOT safety programs, and maintains infrastructure grants close to 1995 levels. In addition, federal-aid highway grants to states were increased to almost $19.9 billion.

However, transit funding was particularly hard hit, with a $500 million cut from last year's budget, including the $300 million loss of operating aid I'd mentioned earlier.

Secretary Peña fought hard for this program -- and succeeded in retaining operating assistance when many in Washington were looking to zero it out all together -- and still have that objective.

The Secretary also worked to gain Congressional support for his proposal to make bus rebuilding and overhaul costs eligible for capital assistance. It was enacted, and it'll help transit properties stretch their operating dollars.

We recognize the importance of these funds and we are committed to fighting for the continuation of operating aid as deliberations for the next year's budget begin.

And yes, although many of the 1996 spending bills haven't yet been approved, we'll need to focus at the same time on crafting the 1997 bills!

Next year will also see the beginning of discussions about the reauthorization of ISTEA -- the Intermodal Surface Transportation Efficiency Act of 1991, which guides our highway and transit programs.

ISTEA won't expire until the end of 1997. However, there are some on Capitol Hill who favor the reauthorization of ISTEA a year early.

ISTEA has been a success -- and one on which we must build -- and we believe that it should be allowed to run through its entire six-year authorization period. That's why we opposed the Republican efforts to mandate its reauthorization by this Congress.

We think it's important to have as much experience with ISTEA's programs and policies before we revisit them. We also would rather go to it in 1997 -- with *this* President *but* with a *new* Congress.

As it stands, ISTEA has provided the catalyst for many improvements that directly affect your partners in providing transportation to all Americans: more funding for surface transportation than ever before... a strong and open and more inclusive planning process... new partners at the table... and greater local decision-making and empowerment.

Secretary Peña has said that we've achieved too much with ISTEA to turn back the clock. The most critical factor to bear in mind as we approach reauthorization is that ISTEA has provided all of us with the tools and flexibility to stretch our resources and tailor solutions to different challenges.

We must protect those innovations when the debate on reauthorization begins.

I've talked about the budget constraints we face at the federal level. President Clinton has already cut the deficit in half, and is working with Congress on the best way to balance the budget *and* protect our priorities.

That's something that I think we all agree is necessary, but it is going to limit future federal funding in most programs.

Nor can we expect a lot more from state and local governments, which already face competing demands for such vital needs as education and health care.

They're likely to be under even more pressure as Congress "devolves" responsibilities to them. I know that AFSCME's members understand this problem as well as anyone.

We at DOT have looked for creative solutions to our funding difficulties. One answer has been to look at funding partnerships with the private sector.

We took the first big step this past January, when President Clinton announced the Partnership for Transportation Investment -- better known as innovative financing -- which is an umbrella term covering a wide range of strategies.

This partnership cuts red tape to speed up $5 billion in construction projects -- providing immediate jobs and long-term growth in our communities.

DOT's involvement with innovative financing began with provisions in the ISTEA legislation that let us experiment with different ways of financing projects, and -- in the last three years -- we've aggressively pursued such experiments.

This innovation is critical to meeting our infrastructure needs, because our current system of paying for projects only through grant reimbursements is out-dated and makes it hard for states and localities to involve new funding partners.

In addition to what I've already said, I want to touch on a couple of other issues that directly affect your members.

Collaboration between management and labor is something that the Clinton Administration is trying to foster. Within the federal government itself, a majority of all employees now have the ability to resolve their workplace issues within one of the partnership councils that the President initiated more than two years ago.

I co-chair our department-wide labor-management partnership council at DOT, and there are active partnerships covering 85 percent of our unionized workers. I can tell you that these councils already have been a success in broadening the dialogue between management and employees.

In the broader transportation field, our efforts seek cooperation between the federal government, labor, and management on issues of real concern.

For example, the Federal Railroad Administration has created safety partnerships to bring affected parties together without confrontation.

We've resolved issues ranging from the Brotherhood of Railroad Carmen's complaints on Southern Pacific's air brake tests to an innovative assessment of Conrail accidents in Ohio.

We reached an agreement on the proper means to achieve safety for trackside workers through an unprecedented negotiated rulemaking process.

The Federal Transit Administration has pioneered labor-management cooperation in such areas as a standardized bus operators' training program and maintenance worker training.

We're confident that efforts such as these are the future of labor-management relations in the transportation industry, and we'll do everything we can to support them.

I know another issue of great interest to you are the transit service privatization rules. During President Clinton's first year in office, he proposed rescinding the transit privatization regulations put into place under the Reagan Administration, and we stopped the practice of funding the itinerant lobbyists who were seeking to spread these policies in the states.

Things like this take a while to get done, but the Federal Transit Administration issued a final notice earlier this year rescinding those regulations.

Our policy is consistent with our general philosophy of empowering local decisions-makers by ending burdensome regulations on how transit properties consider how service should be provided.

We -- in partnership with our Labor Department colleagues -- have also been revisiting the Bush Administration's executive order on privatizing federally-funded assets.

Cash-strapped state and local governments have been pressing for more privatization, and sympathetic Congressmen have introduced legislation to codify the Bush Administration's order.

We think legislation like that would be a mistake, but we do want to balance the legitimate concerns of state and local governments with the broader public good -- including respect for labor laws.

One approach that could work would be to give the Secretary far broader authority to protect the public interest, without being forced to approve all privatization proposals that simply meet some basic financial test.

I can assure you that whatever solution we propose will be developed only after close consultation with all those involved in the issue.

As with everything else we do, the initiatives I've talked about today have in common their commitment to working men and women.

The Clinton Administration is the heir to a long and proud tradition of standing with working Americans, and today's relationship between the labor community and this Administration builds on this history.

Despite adverse circumstances, this year has proved that, working together, we *can* make a difference. There are things we can still accomplish during the *next* year -- just as there are risks we create if any disagreements open wedges for those who would roll back generations of progress.

The ways in which we sustain the prosperity of America's workers are changing as we make the transition from a heavy-industry economy to a high-technology, information-based, global economy.

We can't turn back the tides that are changing our world -- but we *can* make the passage smoother for working Americans.

That's in the best tradition of organized labor -- a tradition that fought to create and to preserve workers' rights as America industrialized during the first half of the 20th century.

It's that tradition which we look forward to sustaining as we move into the 21st century. Thank you.

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