

FINAL**REMARKS PREPARED FOR DELIVERY****DEPUTY SECRETARY OF TRANSPORTATION
MORTIMER L. DOWNEY****NATIONAL ASSOCIATION OF STATE TREASURERS
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NEW ORLEANS, LOUISIANA**

Thank you for that introduction. I'd also like to thank the National Association of State Treasurers for inviting me to speak at your annual conference. As many of you know, I was Chief Financial Officer for the Metropolitan Transportation Authority in New York, so I well understand the challenges you face in a time of fiscal trial. So, I'm pleased to be able to speak to you about how the Clinton Administration proposes to help you meet these challenges.

Introduction

To those of you who heard DOT Assistant Secretary Louise Stoll speak at your meeting in March, it will come as no surprise that this Administration believes that the federal government should play a central part in stimulating investment in America's infrastructure. Simply put, this is because efficient and effective transportation systems, communications, and other infrastructure are *vital* to our long-term national economic health.

Today, I'd like to offer my perspective on these issues.

First, I'd like to discuss the importance of sustained investment -- both public and private -- in our permanent assets, especially transportation facilities.

Then, I want to lay out several of our strategies: increased federal funding, the National Transportation System, increased efficiency through technology, and transportation demand management.

Finally, I'd like to talk about the role of state governments and the private sector in meeting these challenges, and especially the Federal Highway Administration's emerging Innovative Financing Program.

The Critical Role of Investment

The emergence of a global economy over the last generation and the increasing mobility of resources pose significant challenges to the United States and other industrialized nations.

Many resources -- capital, technical knowledge, production equipment -- are easily transferable among nations. Indeed, it seems there is only one class of assets that is entirely fixed within our borders, and that's our infrastructure.

President Clinton understands -- better than any President in our recent history -- the necessity of investing

in these permanent assets if we are to ensure the continued economic growth America needs for long-term prosperity.

The President is undertaking a broad range of programs to invest in America's human capital. Initiatives such as greater educational and job training opportunities, welfare reform, and health care reform are all intended to increase the ability of the American people to compete in a global economy.

But at the same time, the President has proposed extensive and increased investment in America's physical capital of roads, mass transit systems, railroads, airports, and communications systems. Effective systems to move people, goods, and information are essential to improved productivity.

Moreover, the sheer size of the transportation sector -- one-sixth of our economy and a trillion dollars a year -- means that even small improvements can yield large returns. For example, just a one percent increase in efficiency would save our economy \$100 billion over a decade.

The Impacts of Investment

Investment in our intermodal transportation network is indispensable to the safe and rapid transport of people and products that sustains our economy. Although there's no absolutely "correct" amount of investment in this sector, there is a clear consensus that a sound, well-

maintained infrastructure is essential to sustained economic growth.

For example, in the short term, nearly 25,000 construction jobs are supported by every \$1 billion invested in transportation infrastructure. In the longer term, DOT research predicts that user benefits -- reduced congestion and fewer delays -- could amount to three dollars for every dollar invested in new highway facilities.

Our economic rivals around the world understand this longer-term linkage: Asian governments will spend upwards of \$1 *trillion* on infrastructure in coming years, and European governments are developing a multi-year plan to invest in a high-speed interregional transportation network that will improve their competitiveness.

The Decline of the U.S. Transportation System

Our transportation system, by contrast, has worked so well for so long that we tend to take it for granted. As a result, over the last decade we've neglected to adequately invest in transportation infrastructure. Now, limited capacity, outdated connections, and congested conditions have decreased the system's reliability at the same time they've increased its costs.

In 1989, half of our nation's roads were rated in fair or poor condition. 23 of our primary airports experienced more than 20,000 hours of flight delays in 1990. Congestion on our highways has been estimated to cost

more than \$43 billion per year in the 50 largest American cities.

These problems are a drag on our economy and contribute to a lower quality of life for all Americans.

That's why Secretary Peña's Strategic Plan for the Department of Transportation includes as one of its seven key goals "investing strategically in transportation infrastructure" to increase productivity, stimulate the economy, and create jobs.

Increased Federal Funding

President Clinton shares an understanding of the magnitude of this challenge and the importance of meeting it. And so he's worked hard to provide as much federal funding as possible for transportation infrastructure.

Indeed, 71 percent of his proposed FY1995 transportation budget -- *more than \$28 billion* -- is dedicated to such investments. That's the most ever, nearly \$2.9 billion *more* in total infrastructure investments than in 1993 -- the last budget enacted under the previous Administration.

The President's request includes *full funding* for the highway and transit formula capital grant programs under the Intermodal Surface Transportation Efficiency Act -- ISTEA. Compared to 1993, we proposed almost \$3.5 *billion* more for these core investment programs. Such

funding would renovate our deteriorating roads and bridges and allow modernization of the nation's aging transit fleet.

The budget also includes major funding for aviation, especially for projects to improve and modernize our air traffic control system. And it includes landmark programs to ensure that America retains the domestic ship-building and merchant marine capabilities it needs.

At the same time, the President is fully -- in fact, I should say *painfully* -- aware of the budgetary constraints that all levels of government face as they attempt to bridge the gap between America's infrastructure needs and available public funds.

He's directed us to explore ways of meeting these demands without burdening taxpayers or neglecting other pressing national needs. We're looking at several strategies to do this.

The National Transportation System

We're working with Congress as it considers the National Highway System. The NHS, which will include 159,000 miles of strategically and economically important roads, will help to maintain the pace of our economic growth while accurately targeting our investment on the four percent of roads which carry more than half of America's commercial and interregional traffic.

The NHS is an important step towards a National Transportation System -- an NTS -- which will consist of the infrastructure components of *all* modes of transport -- highways, waterways, airports, seaports, rail lines, and even pipelines -- both passenger and freight, as well as their connections.

The NTS's purpose is two-fold: first, to foster intermodalism. And second, to provide a strategic focus to our efforts in infrastructure investment well into the next century.

The ownership of America's transportation system is diverse, reflecting past and future investments made by multiple layers of government, public authorities, private carriers, and shippers of goods. This has often led to investments made without consideration for an alternative's efficiency, or for the connections between modes.

The NTS will promote more, and better, investment in transportation facilities. We expect this to result from the better understanding that both the public and private sectors will have of actual needs, allowing better targeting of investment dollars.

In addition, the NTS will make clearer the opportunities that government and business should seize to develop greater efficiencies and synergy in the movement of people and goods.

Improvements in Technology

As important as such insight will be to better planning, the national infrastructure deficit can't easily be bridged.

It would cost about \$212 billion to eliminate the full backlog of deficiencies on our road system and \$78 billion to do the same for our bridges. And our aging transit systems require \$18 billion to replace overaged buses and repair deteriorating rail transit facilities. This daunting task can't be done all at once, but we need to begin cutting away at this backlog.

Another strategy we're working on is the development of innovative technologies that enable us to make better use of existing facilities.

In order to increase the efficiency of existing facilities, we have made a major commitment to the development and deployment of IVHS --Intelligent Vehicle/Highway Systems -- which might indeed better be called *Intelligent Transportation Systems*, since they are truly intermodal. At this most basic level, this means technologies that allow existing highway facilities and transit systems to handle greater levels of traffic while not only maintaining but actually improving safety.

Such technologies have great potential for spanning the investment gap by reducing the need for greater capacity. They also could become the basis for innovative

toll and fare collection systems which might provide new financial resources to meet our long-term needs.

Efficiencies Through Transportation Demand Management

We're also exploring transportation management strategies to ensure that better use is made of current facilities, especially during peak periods.

We're promoting the increased use of mass transit, telecommuting, and ridesharing as alternatives to driving alone.

And we're exploring market-based measures, such as our Congestion Pricing Pilot Program, to reduce the demand for additional capacity.

But increased efficiency, whether driven by technology or economics, can only go so far. In some cases, there's no viable alternative to building new facilities or expanding existing ones. But, as you well know, there's not going to be enough public money to make *all* of the improvements we need.

Involving the Private Sector

So, we're seeking to close the gap by raising resources in the capital markets -- *and we're succeeding*. The municipal bond market recently hit its highest level ever for new bonds issued, with transportation financing comprising a third of the market.

Clearly, the financial community thinks transportation is worth the investment, and we're exploring other new financing techniques which maximize the use of private funds.

Creative Uses of Funding

These include federal-aid financing of state-level loan funds for private and cooperative projects. For example, states can now work with private entities to develop efficient concessions and franchises.

For the future, we're considering a wide range of additional options, such as revolving loan funds, loan guarantees, credit enhancements, and project finance agreements to further stimulate needed investment. And Vice President Gore's National Performance Review endorsed the use of federal funds to serve as capital reserves to guarantee debt.

An example of the financial innovation we seek is a deal we recently worked with WMATA, Washington, D.C.'s transit agency, to refinance the Metrorail system with the lower interest rates many Americans have used to lower their home mortgage bills.

The agreement we secured retires federally-guaranteed debt, lowers WMATA's costs on the remaining locally-supported debt, and allows them to secure a line of credit for the fast-track construction of the rest of the

Metrorail system, at a total \$800 million savings to the nation's taxpayers.

Corporatized Air Traffic Control

Our efforts to introduce innovative funding of crucial national services extend to our newly-proposed Air Traffic Services Corporation, or ATSC. This government corporation, which also stems from a recommendation in the Vice President's National Performance Review, would modernize, operate, and maintain the nation's air traffic control system.

In doing so, it would allow us to purchase new technology faster and more flexibly and deploy and reward workers more productively. It will increase the air traffic control system's efficiency and cost-effectiveness even as it preserves its safety in the face of continuing growth.

What's important for this group is that the ATSC will no longer be constrained by the uncertainties and limitations of the 22-month-long annual federal budget cycle. That process restricts the flexibility needed for a capital-intensive, high-technology-driven operation. As a not-for-profit corporation along the lines of the Tennessee Valley Authority, the corporation will be supported by user fees levied on commercial airlines.

That reliable income stream will allow the corporation to borrow from private markets the billions of dollars needed for timely capital improvements. We could

significantly accelerate air traffic control modernization and investment to deliver reduced costs and other benefits to users.

We believe that this corporation is the key to ensuring safe, technologically-advanced, and competitive air service in the U.S. We look to the private capital markets as partners in developing the air traffic control system of the future.

Public-Private Partnerships

And there are many other opportunities for the private sector beyond providing project funding. Public-private partnerships and fully-private facilities will have a prominent place in the transportation systems of the future. They offer not only a source of start-up capital, but also the continued discipline of business-driven efficiencies.

Recent advances in technology, such as vastly more efficient toll collections, combined with changes in state and federal laws, also have increased openings for private involvement in toll roads, and growing travel could create markets big enough to ensure an adequate return on investment. Facilities such as the Dulles Toll Road extension in Virginia are prime examples of this.

The FHWA's Innovative Financing Program

Perhaps the most exciting set of opportunities today are being developed through the Federal Highway Administration's Innovative Financing Task Force: we hope the task force will provide a model for similar efforts in other modes, and I'd like to talk about it at some length.

This task force grew out of a series of 10 public roundtables on ISTEA's implementation which we held around the country last autumn. We wanted to hear what America was saying about transportation. I chaired half of those meetings, and can tell you that I heard *a lot*.

One issue which came up at *every* stop was the fact that ISTEA's funding -- even though it is now at the highest level ever -- was *still* not enough, given the backlog of unmet needs. And the gap in funding was undermining the flexibility and creativity ISTEA was meant to foster. Besides, ISTEA's procedural demands were viewed as overly complex.

That was especially frustrating, because ISTEA was meant to *eliminate* the rigid funding categories and restrictions which discouraged states and localities from choosing the best mode or project for their needs.

ISTEA authorized greater flexibility in the use of funds, new revenue options such as tolls on federally-

funded roads and bridges, and greater private involvement in facility development and operation.

After the roundtables were completed, Secretary Peña formed a task force to increase use of ISTEA's innovative procedures. We wanted to translate ISTEA's concepts into reality, and make it easier for government agencies to take advantage of ISTEA's programs and other new financial techniques.

Strategies to Attract Private Capital

We've worked to make these opportunities more attractive by establishing incentives for their use and removing barriers to increased investment in transportation.

In our review, we found that we'd inadvertently set up obstacles to innovation -- and *those* obstacles were *very* effective. So we formed a pilot program to iron out the administrative details and demonstrate ISTEA's full potential.

We looked for places in which flexibility would spur project development.

For example, the guidance on the reconstruction or replacement of toll-free bridges and tunnels required that construction work be "major" in scope in order to allow conversion to toll facilities. We realized that was overly restrictive, and are willing to consider a broader definition

of "reconstruction" to give states greater options on financing improvements.

We also realized that the guidance on "soft-match" credits -- which allow states to use toll revenues in lieu of local match for federal grants -- provides for earning credits in the current year based only on previous spending. We've changed that so states can propose to earn a credit prospectively for a specific future-year project.

In addition, we identified areas where states might want to consider proposals: highway-related concession income, bond financing, public-private partnerships, revenue streams from the lease of rights-of-way, and loans.

Making a Deal With the States

Our guidance was deliberately kept broad in order to encourage creativity. We simply asked states to identify specific projects and develop an associated financing plan. And we told them that we would help them through the red tape and qualify for ISTEA funding whenever possible. In effect, we said to the states: *let's make a deal!*

We've now received 59 proposals from 26 states, with projects ranging from a few hundred thousand dollars up to a *billion dollars*.

At least some people are still thinking really big!

The proposals are diverse: some projects are based upon toll financing; a few involve the use of private sector or local government assets to match federal grants; some proposed increased bonding flexibility; several are joint public-private partnerships; several have proposed the use of federal aid in revolving funds; and some propose post-ISTEA funding commitments in the late 1990s and into the 21st century.

Innovative Financing's Benefits

Given the short time-frame, the response was remarkable. The task force is reviewing these proposals now, and hopes to complete its evaluation soon. We expect to see several benefits from this program -- *and to see them soon.*

First, large amounts of money will be invested in our highway system. Projects which wouldn't have been done, or which would have been delayed for years, will now be possible. We'll see the gains from this *immediately* -- jobs and economic stimulation immediately, and reduced congestion, faster freight shipping, and improved air quality in the longer term.

Second, we expect to obtain insight into new project ideas and models for other states. We'll share success stories and assist other states in developing similar projects. We'll also have a good basis of knowledge to shape ISTEA's reauthorization process as an even more flexible investment tool.

But there is a final ingredient that I believe will be fundamental to whether these promising innovations succeed or fail -- and that's the leadership of you, the nation's state treasurers.

As fiduciaries, you must subject these creative concepts to rigorous review. But the potential of these new ideas cannot be realized without your involvement. So, let me say that we welcome your ideas and your support. Help us to realize the potential of the exciting proposals which come to us from your states.

*The Clinton Administration's Commitment
to Innovation and Cooperation*

We look to these types of innovation and cooperation with the states and with the private sector to help meet our transportation infrastructure needs. We view state governments and the private sector as full partners in the effort to build the highways and airports and high-speed rail lines which will carry us forward into the next century.

This reflects our recognition that the federal government cannot do it all alone. From defense conversion to worker retraining to the President's Clean Car Project, the new theme of partnerships with the states and the private sector is consistent in this Administration's approach to solving national problems.

Because solving problems is what we're all about, and we're anxious to build the partnerships necessary to do so.

This holds true across the entire spectrum of our efforts on infrastructure, from the construction of traditional facilities to the adoption of efficiency-enhancing technologies to the mobilization of private investment.

We're determined to find ways that work to increase investment in transportation, create jobs, stimulate long-term growth, and improve the quality of life for the American people.

We believe that government can lead this effort, but that every step of the way offers opportunities for private investment and financial innovation. And in an era of fiscal challenge, your states will have to rely on you -- as the preeminent public financial officials -- to lead the way. So, we look forward to working with you to meet these challenges and prove that America's ability to innovate -- and to win -- is alive and well. Thank you.

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REMARKS PREPARED FOR DELIVERY
DEPUTY SECRETARY OF TRANSPORTATION
MORTIMER L. DOWNEY

THE POWER OF PARTNERSHIPS:
STRENGTHENING MPOS TO REALIZE THE PROMISE OF ISTEA

SAN FRANCISCO, CALIFORNIA
JULY 21, 1994

Introduction

I am pleased to speak to you on behalf of an Administration which understands your concerns, and which has metropolitan interests at the top of its agenda.

As the executive director of a regional transportation agency -- New York's MTA -- I was a member of several MPOs and a participant in their planning processes. I understand all too well the dilemmas you face in trying to balance demands for economic development, a cleaner environment, efficient goods movement, and personal mobility.

The complexity of these problems means that they are the responsibility of multiple entities, but cannot be solved effectively by any one alone. Progress on them requires partnerships, which makes the theme of this meeting so appropriate.

That especially means partnerships among MPOs, state DOTs, air quality agencies, central cities, and local transit operators.

Partnerships like the one the Puget Sound Regional Council formed for the Seattle area. That MPO has proportional representation among the 21 city and county officials serving on its executive committee, many of whom also represent the region's transit authorities. It *also* has as voting members the state transportation secretary, a member of the state transportation commission, and three port commissioners.

It also means partnerships with the federal government. And so I want to speak to you about the partnership the Clinton Administration wants to form with you, and how we are working with you to meet one of our greatest challenges: ensuring that our metropolitan areas have the transportation systems and the infrastructure you need to maximize economic productivity and reduce congestion while protecting the environment.

Themes of Today's Remarks

All of you know that critics have been arguing for years now that action has to be taken on America's crumbling roads and bridges.

As Mark Twain might have said, infrastructure is like the weather; it seems that everybody *talks* about it, but no one *does* anything about it.

Well, this is an Administration which *is* doing something about it.

Let me begin by saying why investment in America's transportation systems is so important.

Secondly, I want to lay out key elements of *our* investment plan for America's surface transportation systems -- a program which is going to bring America the roads, bridges, and transit systems it desperately needs.

Finally, I would like to speak about how we can protect our environment as we rebuild America's infrastructure.

The Critical Role of Infrastructure

In the past year we have seen disastrous floods in the midwest and southeast and an earthquake in California demonstrate vividly just how crucial transportation infrastructure is to our way of life.

This Administration has responded quickly and effectively to such emergencies. But, just as we have responded to sudden natural disasters, we must also respond to the slow-motion disaster of decaying transportation infrastructure.

Over the past decade and more we have failed to invest enough to prevent our infrastructure deficit from growing larger. As a result, limited capacity, poor connections, and congestion have decreased this system's reliability at the same time that they have increased its costs. *This neglect is a drag on our economy and on the quality of life for all Americans.*

Millions of Americans experience this problem every day in the form of traffic jams, airport delays, and overcrowded mass transit systems.

Traffic congestion *alone* costs those who live and do business in our 50 largest cities *\$43 billion a year*. And those people waste *1.6 million hours a day* sitting in traffic.

Transportation in this nation already accounts for *one-sixth* of our economy -- more than a trillion dollars a year. If we can generate just a *one percent* increase in efficiency, we would save Americans *\$100 billion* in a decade.

And that is what this Administration is trying to do. Secretary Peña's Strategic Plan for the Department of Transportation has as one of its key goals "investing strategically in transportation infrastructure" to stimulate the economy, increase productivity, and create jobs.

We have two key strategies to do this: increased federal funding and the National Transportation System.

Increased Federal Funding

The Department has an ally in President Clinton, who understands the importance of infrastructure. That is why he has supported increased transportation funding, even while reducing the overall budget deficit.

Indeed, he proposed that 71 percent of his 1995 transportation budget -- *more than \$28 billion* -- be dedicated to infrastructure investments. That is the most ever, \$3 billion more than the final budget passed under the previous Administration, and it included *full funding* for the highway and transit formula capital grant programs under the Intermodal Surface Transportation Efficiency Act -- ISTEA.

As you know, the House transportation appropriations bill did not include full formula grant funding, instead using that money for earmarked demonstration projects. We disagree with that approach, and would rather give you the flexibility to spend money where it is needed, and not where Washington *tells* you to. The Senate bill does a better job in providing the flexibility ISTEA intended, but it, too, carries a heavy load of earmarks.

ISTEA's Emphasis on Interagency Cooperation

ISTEA's increased funding is, in the long run, perhaps less important for MPOs than the greater funding flexibility it also offers. This flexibility means that the allocation of transportation funds is no longer determined only by statute, but is now a matter for local decision-making.

This makes it far easier to select the *best* project for a given situation. I am especially proud that the New York City metropolitan region I left to join DOT now leads the nation in the amount of Surface Transportation Program funds transferred to transit purposes – \$361 million. That is appropriate, given the area's dependence on a strong transit system.

On the other hand, this flexibility also means that everyone is competing for the same funds. Solution comes about through developing strong partnerships and good bases for sound decision-making – the relationships of mutual interest which can ensure that effective, intermodal projects are selected.

We see this cooperation already: in Albany, New York, the Capital District Transportation Committee has worked with the New York State DOT and local bus operators to develop intermodal bus and carpool park-and-rides along the I-87 corridor.

In Portland, Oregon, the collaboration of the Metropolitan Service District with local and regional officials is moving that city towards a broad-based solution which includes multimodal transit and strong land-use planning.

And, for an outstanding example of cooperation, we have to look no further than our host. MTC has put together an effective coalition of 36 public agencies -- the Bay Area Partnerships. They already have launched over twenty "jump start" projects to reduce congestion and improve air quality. That includes the first congestion pricing demonstration project ever developed in this country.

These are the types of relationships all areas need to develop in order to maximize ISTEA's increased funding -- and its increased flexibility. And MPOs, with their broad range of concerns and regional focus, are ideally positioned to lead this effort.

The National Highway System

Another thing that ISTEA mandated is the proposed National Highway System -- 159,000 miles of the most strategically and economically important roads in all 50 states.

The NHS will help to maintain our economic growth by enabling us to more accurately target our investment on the roads which carry more than half of America's commercial and interregional traffic.

The House has passed the NHS, and it is now before the Senate. Our goal is to pass the NHS this year as a "clean" bill without earmarks for specific projects -- so that you who have the planning responsibilities have the flexibility to decide what is best for yourselves. I hope that you all support this concept.

The National Transportation System

As we see it, the NHS should be a forerunner of a more comprehensive National Transportation System. The NTS will embrace *all* modes of transportation -- highways, transit, waterways, airports, seaports, railroads, and even pipelines -- both passenger and freight, *as well as* their connections.

It is DOT's initiative to plan for the transportation system that we would like to see in the future. We recognize that our transportation

system, although the safest and most extensive in the world, has been made up of distinct and often-fragmented modes.

Federal dollars have been invested in individual projects with little consideration of the impact on other forms of transportation, or on the economy. In fact, many investments have been driven almost exclusively by the availability of federal funds.

Our objective is to change that.

Through the NTS, DOT intends to address the challenge set out in ISTEA "to develop a national intermodal surface transportation system that is economically efficient and environmentally sound, provides the foundation for the nation to compete in the global economy, and will move people and goods in an energy-efficient manner."

In essence, the NTS is an investment blueprint for a future that makes sense. It will identify bottlenecks, missing links, needed maintenance, and essential new components of our total transportation system.

This is not a pie-in-the-sky concept. In recent years, businesses have relied on intermodal transportation -- shipping the same container first by sea, then by railroad, and finally by truck to its final destination. With the NTS, we are applying that same concept on a national basis to seamless passenger transportation as well as to freight.

This will be an ongoing process. We want to be able to amend the NTS as necessary, to address changes in demographics, land use patterns, and trade. That will ensure its *continuing* relevance to transportation planning.

In the coming months we will work closely with you to designate all of the strategic systems that will be included in the NTS. We want to produce a system which meets each metropolitan area's mobility and economic development needs, and we need your help to do that.

As a result of ISTEA, MPOs play a key role in making transportation decisions. It is absolutely essential that, as a group, you have a clear point of view on how the NTS could be developed and how it should be used as we plan for the future.

Later this morning, I will be chairing a session -- along with DOT Deputy Assistant Secretary John Horsley -- as part of our outreach effort on the NTS, and I hope you will find it helpful as you develop your own NTS proposals.

We do have a formal comment process, which began with a June 23 *Federal Register* solicitation on the scope of the NTS. The comment period closes on August 22, and I look forward to your ideas.

The Challenge of Conformity

The NTS will enable us to generate far greater efficiencies from our existing transportation infrastructure. But increased efficiency alone can only go so far. Sometimes there is no viable alternative to expanding existing transportation facilities, or to building new ones.

And when that happens, there is no denying that problems will arise: transportation, like all human activity, cannot help but affect the environment.

But we must avoid the false conflict between a sound environment and a healthy economy. Of course, choices *will* have to be made. But we do not have to choose between environmental protection and economic growth. Many of our environmental problems do not come from economic growth itself, but from *thoughtless* growth.

Tackling this issue on a national level is going to take leadership from you and from those of us in the federal government.

EPA did its part through the transportation conformity rule, which requires that transportation do its share to reduce air pollution, and which sets the parameters for the joint planning process.

Implementing conformity is partly DOT's responsibility, and I want to assure you we are doing everything we can to implement this rule fairly and reasonably.

Secretary Peña and Administrator Browner met with representatives of NARC and other public interest groups earlier this year, and senior DOT and EPA staff continue to meet with your representatives on a monthly basis.

At those meetings, we learned more about the specific problems you face. For example, we discovered that the highly-technical model-based tests for NO_x -- oxides of nitrogen -- could delay necessary transportation projects *even in areas which were meeting air quality standards*.

As a direct result of this meeting, EPA provided for waivers from this test. We will continue to work with you and with EPA to ensure that our efforts to clean the air make sense, and so that we use *every bit* of flexibility the law allows to meet special circumstances.

The Clean Air Act *can* work. To *make* it work, we will need to continue hearing from you. It is important for us to hear from you about what works -- and what does not -- in the world beyond the Beltway.

The Need for Public Outreach

The active leadership of MPOs, in concert with transportation and air quality agencies, is essential to the success of the Clean Air Act.

First, we must work harder on transportation demand management strategies in those areas where rapid travel growth poses a threat to mobility or to the environment.

Second, public agencies at all levels, *whatever* transport modes they represent, need to coordinate and cooperate with one another to determine the best courses of action for their respective areas.

Third, we need to educate the general public and our elected officials on what it is going to take to reduce congestion and achieve the national air quality standards, and then involve them in decision-making.

Public involvement is critical. All of us must put more time and effort into explaining transportation and air quality issues to the American public. Some MPOs already are doing this: the Charlotte-Mecklenberg area has developed a "Regional Sourcebook" defining growth choices for citizens and elected officials.

In a democracy, we can implement changes, such as transportation demand management, *only with the consent of the governed*. History shows that there has been a severe political backlash against such measures when agencies did not gain the support of the general public and elected officials before implementing dramatic changes.

The Dulles Toll Road HOV lane failure in Virginia two years ago dramatically underscored that point.

We are doing our part. And that is why we and EPA are cooperating with NARC on a landmark effort in public outreach. We have a six-month effort that is just now getting underway to find the best ways to explain to the American public the choices on transportation and air quality we as a nation must make.

This project should result in strategies for public education that *will* work. I look forward to helping you to carry them out.

New Partnerships in Planning

Finally, I would like to talk to you about our new initiatives in planning -- increased training and technical assistance.

Last autumn, we held 10 regional conferences to assess how well ISTEA was working, meetings in which many of you participated. I chaired half of those meetings, and heard what was and was not working in ISTEA.

Some of the strongest comments came regarding MPOs's technical capabilities. Many of you spoke of the new analytical demands ISTEA made of you, and how you required help to develop the in-house capacity to meet those demands.

Secretary Peña made a firm commitment to make the planning and programming processes work through a variety of strategies.

We are backing that up with the funds you need to support your work. This year, we expect to have \$180 million available for metropolitan planning alone.

One approach was to greatly expand our training and outreach. With the help of a national training summit this past spring, we now have such a program actively underway through FTA, FHWA, and the Office of Intermodalism. This program will feature courses in all of the major topics associated with ISTEA -- travel demand forecasting, planning for intermodal freight and passenger terminals, and public involvement techniques.

We are also preparing videotapes and brochures on ISTEA planning issues, and a series of seminars and conferences on both broad policy issues and specific technical topics.

TMA Certifications

Another approach to making ISTEA work more effectively is the required certification of the MPO planning process in transportation management areas -- TMAs.

We will use this process as a meaningful, positive way of helping you to identify your needs and to help you meet them.

We are not going to adopt a "one-size-fits-all" standard with a rigid pass/fail framework and automatic sanctions. Instead, we will use "envelopes" of best professional practices developed by DOT staff and outside consultants. Let me give you some thoughts as to what we will be looking for.

Themes for Certification Reviews

The certification reviews will focus on six major themes.

First, the 15 planning factors set forth in ISTEA. The reviews will consider how these factors -- especially social, economic, energy, and environmental factors -- have been integrated into the planning process. We will review the plan updates currently underway to see how far this has been done, and will look at the plans MPOs have for addressing these factors in future updates.

Second, public involvement. We will examine whether enhanced public involvement processes meeting regulatory requirements are in place, and how well they are being carried out.

Third, major investment analysis. We want to see that studies of sufficient depth and quality are being performed for major transit and highway projects, and that alternatives are being made available to decision-makers.

Fourth, congestion management. We will assess how well the planning process evaluates the performance of the *entire* transportation system in moving people and goods. We will especially examine how the single-occupant vehicle capacity limitation is being treated in air quality nonattainment areas.

Fifth, air quality. We want to ensure that air quality considerations have been integrated into planning activities, and not merely done as an after-the-fact mechanical check. We also want to focus on whether TCMs have been given priority.

Finally, we will assess how well the planning process is meeting the requirements for financially-constrained TIPs and long-range plans -- that is, their consistency with available revenue, and the quality of financial forecasting as to future availability.

DOT's Approach to Findings

When we identify a shortcoming, we will work with you to correct it, providing the instruction and guidance you need to improve your planning process. We see you as partners who are essential to ISTEA's success.

We currently have 10 pilot reviews underway -- we were in Nashville last week, in Omaha this week, and in Spokane next week -- and these will serve as the basis for all of our remaining certifications. We plan to publish -- in the *Federal Register* -- our detailed certification procedures as well as a schedule for the rest of our reviews.

The Clinton Administration's Commitment to Innovation and Cooperation

We look to the types of cooperation and innovation that I have mentioned to help meet our infrastructure needs and to enhance our environment. *And we need you as partners in this effort.*

That is why I ask you to make your voices heard in the debates on transportation infrastructure.

That is why I ask you to help us as we try to make the National Highway System a reality.

That is why I ask you to work with us as we develop a strategic National Transportation System for the 21st century.

And, most of all, that is why I ask you to keep providing us with ideas for new programs and initiatives. This is an Administration whose roots run deeply in state, regional, and local government, and whose policies, in many cases, have been inspired by you.

Because, working together in partnership, we can meet these challenges and prove that America's ability to dream and to build, to compete and to win, is alive and well.

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