

TALKING POINTS
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
RAILROAD SAFETY ADVISORY COMMITTEE MEETING
APRIL 1, 1996
WASHINGTON, D.C.

(Introduction to be made by Federal Railroad Administrator Jolene Molitoris)

- * Thank you, Jolene, for that introduction. I also want to thank you for your efforts in helping to set up this committee. The work that this group is going to do in the coming months and years will be indispensable to making America's railroads safer -- safer for workers, for passengers, and for the communities railroads serve.
- * Let me say to you, the committee members, how much Secretary Peña and I appreciate your willingness to contribute your time and expertise. You represent a wide cross-section of the rail industry -- freight carriers, Amtrak, commuter rail operators, state agencies, labor groups, suppliers, passenger groups, and many others.
- * Your broad experience and your willingness to share it in the public interest is going to give us the perspective we need to improve safety in an industry as dynamic as this one -- an industry whose structure and technology are evolving so rapidly -- an industry which has seen unprecedented growth in recent years.
- * Today's inaugural meeting is especially timely because of the tragic accidents over the past few months.

- * Although I certainly don't want to prejudge ongoing investigations, I don't believe these accidents, frightening as they may have been, mean that railroading is fundamentally unsafe.
- * However, the accidents we've seen this year obviously all have causes, and may have been preventable through better -- or at least different -- operating practices, equipment or track standards, and other factors which affect safety. It's absolutely vital for all of us that we identify *anything* which can be done to prevent future accidents.
- * Putting into place safer ways of doing business is nothing new. In fact, railroading's record in this century has been one of continuing progress on safety, to the point at which the past two years -- 1994 and 1995 -- were the safest ever.
- * Some of these improvements were carried out by industry acting on its own initiative. Others resulted from partnerships with government, or through regulation. Whatever their origin, they've made railroads far safer.
- * But -- even with this record of improvement -- this year's accidents remind us that more can -- *and must* -- be done to protect the thousands of workers who operate and maintain our trains, the millions who travel by train, and those who live and work along railroad rights of way. The future of a strong railroad industry depends on the progress we make in this effort.

- * President Clinton and Secretary Peña have made safety the nation's highest transportation priority, and -- let me be absolutely clear -- have directed that the FRA must take *whatever steps are necessary* to protect the American people. That's why the FRA has sought measures to keep this the safest rail system in the world.
- * Even though this is an administration that is in the process of eliminating nearly one in seven pages of regulations, we recognize where regulation *is* necessary, especially when safety is st stake.
- * However, under Jolene's and Don Itzkoff's leadership, the FRA has put regulation in a new context -- avoiding a confrontational, command-and-control style. They've worked to instill a cooperative spirit based on the common-sense concept that it's better for us all to be pulling in the same direction.
- * And, under President Clinton, not only the FRA but also the entire federal government is working to rationalize the whole regulatory process and to manage it better. Process-related innovations like that don't sound terribly exciting, but they produce real results -- results that save lives -- but also don't waste resources in getting there.
- * The improvements we've made at the FRA fall into three major categories.

- * *First*, we've recognized that not all issues are created equal, and so we've focused on those demanding immediate attention. That's why we've set as priorities such areas as air brakes, track safety standards, and locomotive and passenger rolling stock safety.
- * *Second*, we're separating large, complex rulemakings into smaller packages so that vital safety concerns can be dealt with quickly.
- * For instance, we recognized that protecting roadway workers from being hit by trains was vital -- and separated it from other track issues. Although this creates more rulemakings, it makes each one simpler, and lets all of them be completed faster.
- * *Third*, we've begun to use the process of negotiated rulemakings, a new and potentially useful tool that can speed up results while increasing everyone's confidence that the rule achieves its goal in the most effective manner.
- * It received its first test in the development of the new standards for roadway worker protection. Many of you were involved in that effort and I think it set a good standard for the future.
- * Expanding and improving the negotiated rulemaking process -- especially for such areas as track standards and power brakes -- is this committee's primary task. By bringing you together to approach rulemakings comprehensively, we hope to leverage the FRA's resources.

- * That will enable the FRA not only to carry out more necessary rulemakings but also to do them faster and better than would be possible through traditional approaches.
- * The roadway worker rulemaking proves this. Labor and industry have now agreed to implement the rulemaking process's recommendations even before the rule itself becomes final, and that confidence will ensure its long-term success.
- * This level of progress is clearly in the FRA's interest. It's in the industry's interest, since rules will be clearer and more reflective of real-life practices and demands. And it's definitely in the interest of those whose safety depends on sound practices and solid execution -- the American people.
- * Americans depended on railroads to meet their mobility needs for much of our history. Sadly, railroading's role began to diminish at this century's midpoint -- a decline reversed only after President Carter began to end economic regulation of the industry 15 years ago, a process completed by President Clinton. As a result, rail -- freight, commuter, and intercity passenger -- *is back*.
- * But rail's renewal cannot -- *and must not* -- ever compromise safety. I want to make it clear that the Clinton Administration will *never* allow safety to take a back seat to any other concerns. We will do what is necessary to protect the public -- and we urge all of you to adopt the same standard.

- * We believe that public-spirited rail operators can work in partnership with government through forums such as this one to ensure that a technology created in the 19th century will help us to meet our transportation challenges in the 21st century and beyond.
- * This committee can play an important role in this effort, helping us to develop rules that work and that make sense in the real world beyond the Beltway. We look to you, as our partners, to help us bring common sense to the creation of those regulations necessary to protect the American people.
- * Let me close by again thanking you for your commitment -- encouraging you to stick with it -- and wishing you good luck in your work. It's important to all of us. Thank you.

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Remarks prepared for

Deputy Secretary of Transportation Mortimer Downey

for Delivery during the

2000 Future Car Congress

Panel: *What Role Can Government Play?*

Hyatt Regency Crystal City

Regency E/F

Arlington, VA

Wednesday, April 5, 2000

9 - 10:30 am

- Thank you, John (Sargent, PNGV Task Force Chair) and good morning.
- While Mr. Reicher (pronounced RY-KER) from the Department of Energy and the other distinguished panelists are likely to focus on the energy and environmental issues related to the Future Car, I am going to focus more on safety -- which is DOT's # 1 priority.
- The title of this panel is: **What Role Can Government Play?** I'd like to offer this answer: Government is and should continue to be a **catalyst of innovation**. And, I think a good portion of what you will hear this morning will illustrate that point.

U.S. Transportation Trends

- It's important to consider some of the major factors that will determine what kinds of driving machines the U.S. -- and the world -- will need in the future.

(Final, Apr. 5, 13 min.)

Increasing Highway Travel (Bar graph: Highway travel through 2020)

- Highway travel is expected to increase to more than 3.5 billion vehicle miles – or about 1.8% annually -- by 2020. In other words, people aren't abandoning their cars and trucks for other forms of transport.
- While transit ridership has increased 16% nationally in the last four years with almost 9 billion people taking transit in 1999, population has also increased and most people continue to drive their cars to work.
- About 88% of workers get to work by automobile, with 78% driving by themselves. (Source: U.S. Department of Housing and Urban Development Survey, 1997)
- Carpooling declined from over 14% in 1985 to about 10% in 1997.
- Another issue that is impacting safety is the number of heavier vehicles, including Sport Utility Vehicles (SUVs), vans and trucks, on our roads. Currently they make up almost half of all vehicles sold.
- Despite these trends, we have been able to reduce the fatality rate substantially through educational and other initiatives that have resulted in increased seat belt use (now at 70%), improved vehicle crash worthiness, and better safety products and procedures.

Declining Fatality Rate (Line graph: U.S. Traffic Fatality Rate)

- Over the last several decades, driving has become safer through a variety of strategies. We have been educating the public, making safety features standard equipment, and improving vehicle crash worthiness and highway design.
- In 1995, the fatality rate per 100 million vehicle miles traveled (VMT) was 1.5 in 1999, down from 1.6 in 1998 and dramatically lower than the 5.5 rate in 1966. The total number of people killed in 1999 – 41,345 – down slightly from 41,471 in 1998. (Source: NHTSA's Early Assessment for 1999)
- Driver error is cited as the leading cause of about 90 percent of police-reported highway crashes. For that reason, DOT is now focusing more attention and resources to this aspect of the problem.
- In designing current and future cars, industry ought to take these human factors into account.

Visual: Every Year There Are (Transportation Injuries and Fatalities Photo)

- Each year, more than 10 million crashes occur on our nation's highways. They **kill more than 41,000 people, injure approximately 3.5 million others, and cost our society more than \$150 billion per year.** This translates into 18,500 crashes, 9300 injured persons and 115 fatalities every single day.
- Although we've made progress, we cannot rest. The fact that more than 41,000 people are killed on our roads each year is unacceptable.

- What we need are new strategies that will carry us as to the next level, and I believe that technology is going to play a major role in those new strategies.
- And, since human error is the main culprit behind some 90% of reported motor vehicle crashes, our strategies must focus on human factors and solutions. For example, we need to consider (our aging population).
- **Aging population**
 - There were more than 18 million licensed drivers over age 70 in 1998 – or about 45% more than in 1988. (Source: NHTSA)
 - From 1988 to 1998, the segment of the population over 70 years grew 2.1 times as fast as the total population. (Source: NHTSA)
 - NHTSA's Crash Injury Research and Engineering Network (CIREN) reports that elderly occupants sustained more severe injuries, longer hospital stays, and higher mortality compared to younger occupants.

Visual: Intelligent Vehicle Systems (Picture of Car)

- Dramatic advances in sensing technologies and computational power now offer a real possibility for the development of in-vehicle systems that can alert to hazardous situations and impending collisions and help to avoid a crash.
- Other innovations could monitor driver alertness, improve a driver's effective vision, and automatically call for emergency services immediately after a collision.

- We need to consider how these new technologies will work with people and how people will handle these new technologies. This applies to new designs of seat belts, air bags as well as to safety features such as electronic mapping - or GPS.
- PNGV and other programs are addressing the energy, economic and environmental issues, but we also need to ensure that “Future Cars” are safe.

(Ford Taurus video here)

Intelligent Transportation Systems (ITS)

- Intelligent Transportation Systems represent the next step in the evolution of the nation's entire transportation system. Information technologies and advanced electronics are being applied to our transportation network to make it safer and more efficient.
- TEA-21, our surface transportation law, targets \$1.3 billion for ITS, the technologies that will be the foundation for a nationwide intelligent transportation infrastructure.
- ITS will reduce transportation system operating costs by an estimated \$3.5 billion to \$7.4 billion over the next decade based on the recent success of innovations such as electronic tollbooths.
- One part of our ITS program that will help us develop new strategies for greater safety is DOT’s Intelligent Vehicle Initiative.

Visual: Ongoing Research for IVI Technologies

(Final, Apr. 5, 13 min.)

- The Intelligent Vehicle Initiative (IVI) focuses on protecting drivers by using new technologies that prevent crashes, such as advanced driver warning and vehicle control systems are a major thrust of the IVI. .
- Some \$30 million per year will be devoted to Intelligent Vehicle research – or \$180 million over the 6-year life of TEA-21 (1998 - 2003). (Source: ITS Joint Program Office)
- Where the metropolitan, the commercial vehicle and the rural programs are focused primarily on the ITS infrastructure, the Intelligent Vehicle Initiative aims to accelerate the development and availability of advanced safety and information systems applied to all types of vehicles.

The IVI research program addresses vehicle-related safety in 7 problem areas:

Five problem areas -- Types of crashes:

- Rear-End Collision Avoidance
- Lane Change and Merge Collision Avoidance
- Road Departure Collision Avoidance
- Intersection Collision Avoidance
- Vehicle Stability

Driver Performance Enhancement (2 problem areas)

- Vision Enhancement under conditions of reduced visibility, such as bad weather or night driving.
- Driver Condition Warning (a driver monitoring and warning capability to alert driver to problems such as drowsiness)

Near-Term Benefits of IVI

- In-vehicle devices addressing lane-change, rear-end and roadway-departure crashes are estimated to offset 1.1 million crashes per year.
- In urban areas, 52,000 crashes could be prevented annually by advanced lane-keeping and collision-avoidance technologies.
- Enhancements in night-time and bad weather vision applications may significantly improve drivers' ability to stay in lanes and distinguish hazards in the road.
- The Federal interest in ongoing ITS research is to lead the development, testing and evaluation of new technologies in order to accelerate their market availability. DOT and IVI partners believe that deploying ITS will save more lives, time and money that could be devoted to other societal needs.
- **Increasing demand for safety**
 - People want safer vehicles. NHTSA's crash safety ratings of cars and light trucks is one of the most sought-after publications.
 - Most of the time, manufacturers listen to customer demands for safety. Most recently, automakers announced they would modify designs of SUVs to make them safer if they crash

with smaller vehicles. (*The New York Times*, Page 1, March 21, 2000)

- Advanced automotive technologies must be assessed and understood in the context of human factors and real-world driving conditions if we are to follow a pathway for future safety. This is true for safety and fuel efficiency technologies.

Visual: Human-Centered Systems (Modern auto “cockpit”)

- Some technologies added to vehicles can be helpful -- like getting business done on the road -- but may also be distracting.
- Case in point: The cell phone. There are 77 million cell phones used in the United States, according to the Cellular Telecommunications Industry Association.
- Drivers using cell phones increase their risk of having an accident four-fold, according to a study in the *New England Journal of Medicine* published in early 1997. Using a hands-free phone did not appear to improve crash risk.
- We need to better understand how these technologies will impact safety.
- Carmakers -- and all transportation vehicle manufacturers -- need to employ human factors in the design and development of vehicles to ensure that we don't exceed the limits of human performance.
- In FY '99, DOT devoted \$41.3 million toward R&D into human factors in all of our modal administrations, with the largest amount -- \$25.1 million -- for aviation human factors R&D, and \$13.3

million going into human factors research on the highway side.

- In our highway program, for example, we are looking at highway systems that will meet the needs of older drivers and conducting research for detecting and warning drowsy drivers.

National Advanced Driving Simulator (NADS)

- Here is our newest research tool for improving vehicle and highway design as well as for predicting driver behavior. The goal, of course, is to save lives.
- The new simulator, located at the University of Iowa, will allow researchers to test car safety systems or to test drivers whose abilities are impaired by alcohol or medication or using cell phone.
- The simulator will be the world's first 360-degree, high-fidelity sound and motion system and was featured in a recent *New York Times* article. (*The New York Times*, March 23, 2000)

Conclusion: Government's Role

- Government's role, from DOT's perspective, is to reduce and, some day, eliminate fatalities and injuries and to facilitate the development of new technologies for the marketplace.
- We need to develop future car technology that adapts to human beings rather than expecting people to adapt to technology.
- We do not want to define the technologies or be impediments to new technologies. But, at the same time, we must ensure that new technologies do not impede safety.
- The National Advanced Driving Simulator will be operational this summer and be available to industry, academia, the Government and others to conduct research on human factors issues.

- Partnerships like this, PNGV and IVI -- between government and the private sector -- are the best way to produce vehicles that benefit people.
- We need technologies to help operators avoid crashes in addition to emitting fewer carbon emissions and better gas mileage.
- Industry analysts say that in the 21st century there won't be much that *doesn't change* because of technological innovation.
- Technological innovation is more than cool, new gadgets -- technology for its own sake. True innovation helps to improve our environment, our quality of life, and our economic competitiveness.
- Government's role is to encourage innovation in transportation because such innovation will truly improve people's lives.

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U.S. Transportation Trends

- It's important to consider several major factors that will determine what kinds of driving machines the U.S. -- and the world -- will need in the future.

(Final, Apr. 5, 16 min.)

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- Another issue that is impacting safety is the number of heavier vehicles, including Sport Utility Vehicles (SUVs), vans and trucks, on our roads. Currently they make up almost half of all vehicles sold.
- Despite the fact that more people are driving more miles and, in some cases, larger vehicles, we have been able to reduce the fatality rate substantially through increased seat belt use, improved vehicle crash worthiness, and other safety initiatives.

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- Although we've made progress, we cannot rest. The fact that more than 41,000 people are killed on our roads each year is unacceptable.

- What we need are new strategies that will carry us to the next level, and I believe technology is going to play a major role in these strategies.

Visual: New Challenges

- Transportation challenges we now face are different from 20 or 30 years ago. Past safety strategies – crash- worthy cars, drunk driving laws, seat belt campaigns and air bags – have been somewhat successful, but are not going to carry us as far as we need to go.
- **Different sizes and types of vehicles**
 - Some of the challenges we face to-day are the different sizes, weights and geometry of vehicles in the fleet.
- **Aging population**
 - The aging population of drivers and vehicle occupants is another factor we need to consider. There were more than 18 million licensed drivers over age 70 in 1998 – or about 45% more than in 1988. (Source: NHTSA)
 - From 1988 to 1998, the segment of the population over 70 years grew 2.1 times as fast as the total population. (Source: NHTSA)
 - NHTSA's Crash Injury Research and Engineering Network (CIREN) reports that elderly occupants sustained more severe injuries, longer hospital stays, and higher mortality compared to younger occupants.

- **Increasing demand for Mobility**
 - The earlier visual showing vehicle miles traveled, population growth and the increasing number of drivers all support this fact.

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- We do not want to define the technologies or be impediments to new technologies. At the same time, we must ensure that new technologies do not impede safety.
- Further, we need to develop future car technology that adapt to human beings rather than expecting people to adapt to technology.
- The National Advanced Driving Simulator will be operational this summer and available to industry, academia, the Government and others to conduct research on human factors issues.
- Partnerships like this, PNGV, and IVI -- between government and the private sector -- are the best way to produce vehicles that benefit people.
- We need technologies to help operators avoid crashes in addition to emitting fewer carbon emissions and better gas mileage.
- Industry analysts say that in the 21st century there won't be much that *doesn't change* because of technological innovation.
- Technological innovations like this are not just technology for its own sake, but can help to improve our environment, our quality of life, and our economic competitiveness.
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Remarks prepared for

Deputy Secretary of Transportation Mortimer Downey

for Delivery during the

Office of Small and Disadvantaged Business Utilization (OSDBU)

Third Annual Meeting

Loews L'Enfant Plaza Hotel

Washington, DC

Wednesday, April 19, 2000

8:30 am

Thank you, Luz (Hopewell, Director/DOT's Office of Small and Disadvantaged Business Utilization), and good morning everyone.

I hope that today's session will add to your knowledge -- and possibly generate some leads for new business -- in the area of Design/Build and so-called "mega projects." They are the main topic of this year's OSDBU meeting, because they are the newest trend in transport development and we want you to be up on what's new. And, one of the reasons we are able to talk about all of these projects around the country is because of our strong economy.

We know that there has been unprecedented economic growth over the past 7 years. Since President Clinton and Vice President Gore came to office, almost 21 million new jobs have been created, unemployment is at about 4% nationwide, the lowest in 30 years. We have record lows in African American and Hispanic unemployment.

This, the longest economic expansion in our history, is in part a reflection of the continuing investment we have made over the last century in our transportation system. And, that truth will endure as we continue to invest and see growth.

Sustaining this economic strength will require continued investments in transportation. That's why President Clinton has proposed a record \$55 billion budget for our national transportation system for FY 2001, the highest level in the history of the Department. We plan to invest a record \$30 billion in highways, a record \$6.3 billion for transit, and \$2.5 billion, 22 percent more, to modernize our aviation system.

But sustaining growth will also require our efforts to assure that the benefits of growth are fairly distributed. That's another part of what makes America's economy strong.

Ensuring Opportunity for Small, Disadvantaged Business

It's been almost one and a half years since President Clinton announced DOT's new rules on disadvantaged business enterprises (DBEs), an important part of the Administration's pledge to "mend not end" affirmative action and assure greater fairness as the economy grows.

The major objective of the new rule was to ensure that DOT and its grantees offered a level playing field on which minority, women and other disadvantaged small businesses can compete for federally assisted highway, transit and airport contracts. The rule also restructured the way goals are set for DBE participation and established a "one-stop shopping" certification program so small businesses seeking DBE eligibility have to complete only one application process.

And, speaking of streamlining - let me note another Departmental effort to make life better for our public and private sector partners. In

late 1995, when the Department first envisioned establishing metropolitan offices, they were seen as integrated, intermodal, primary program delivery offices that would be located in the largest metropolitan areas which are not also state capitals -- such as New York City, Chicago, Philadelphia, and Los Angeles.

These cities were selected primarily because of their large participation in our Federal-aid transportation programs and because they had no DOT presence by one of our granting agencies (LA) or only had such a presence for a single mode as in the case of Philadelphia.

The main objective is to provide better support for DOT's customers -- including DBEs -- in major metropolitan areas. Based on the evaluations that the FHWA, FTA, and the Office of Intermodalism conducted, the original metro office concept -- with the mission of improving customer service by placing FHWA and FTA staff together and accessible to major urban customers -- has been a success, and it is generating the regular flow of projects that you can look to for DBE opportunities.

Many customers of the metro offices said that rather than adding a

layer, the metro offices have streamlined processes. Philadelphia's Deputy Mayor commented that with freight and commuter rail playing such a large role in the area, it is almost impossible to start a highway or transit project without impacting a rail facility. Thus, the need to think and work as ONE DOT.

Design-Build & Mega Projects – New Opportunity for DBEs

We are entering a new era in transportation with new ways of doing business, and one of those new concepts is known as Design-Build. Both the Federal Highway and Federal Transit Administrations have seen an increased interest from States and other local agencies in employing these methods of project development.

The Design-Build approach to getting major public or private construction projects completed is gaining ground here in America. We know that it has worked in Europe, and we are adapting it to our needs here in the states -- and those needs are great.

Places that used to be considered small cities or even large towns - think of North Carolina, Georgia, Florida, and Washington State -- are facing rapid growth in population. Commuters are facing lengthening

traffic jams. There is a great need for more efficient transportation systems and infrastructure and the need is now. DOT believes that Design-Build can be an effective way to deliver those needed systems in less time and at lower cost.

I'm sure most of you have heard of Utah's I-15 reconstruction project, which is being done using the Design-Build method. That project will be completed in July 2001, in 4.5 years, an estimated 3 years less than it would take under traditional contracting methods – and just in time to handle the Olympic crowds.

Florida has long used design-build contracting for highway projects with positive experience. The state completed 13 projects with a total contract value of \$40 million under a design-build pilot program begun in 1987.

As a result, the projects were completed in almost half the time it would have taken under the traditional design-bid-build method, and with no significant change in project cost. Legal claims were essentially eliminated, and a majority of state and industry participants supported the concept.

Today, 19 other states have design-build projects approved or underway for a variety of projects, including bridges, highway and transit systems. Some of these new systems will employ new technologies, or Intelligent Transportation Systems.

There is something I would like to clear up right here and now concerning Design/Build or mega projects: Just because a job is very large or because it is employing the Design/Build approach, it doesn't mean that small contractors cannot participate. We need to *change that mindset*.

From a project management standpoint, there are many opportunities to include small businesses that can provide goods and services at competitive prices and we will encourage the developers of mega-projects to do just that. The fact that a project is managed centrally is no guarantee that it's being managed well. In fact, such instances, when things go wrong, they can really go wrong! I'm sure you've all been hearing about the problems with Boston's Central Artery (Big Dig) project. There may be some new opportunities there for basic accounting services to explain a \$1.4 billion overrun.

The Alameda Corridor project, on the other hand, demonstrates how small businesses can successfully be included in large Design/Build projects which are maintaining their budget and schedule. Currently, the project has a 21% DBE (Disadvantaged Business Enterprise) participation totaling over \$1.1 billion in contracts awarded to certified firms. Of the total \$310 million in contract work in place, \$62 million, or 20%, has been awarded to DBEs.

Finally, the Design/Build method is not unique to transportation. Therefore, many contractors who have the specialties that fit on Design/Build projects in transportation will be able to use that experience to tie into other types of Design/Build projects.

Another term we often hear these days in the transportation sector is “mega project.” Mega projects are those in the billion dollar range that usually cover a large area and are often complex. Some examples are the Woodrow Wilson Bridge Project, a very large and complex project involving US DOT, the Department of Commerce and the two states here in the Washington area. Another is the I-69 highway project beginning in the South Texas Border region and

hopefully connecting through to the Canadian border.

Such mega projects are the major subject of this Annual Meeting, and Luz Hopewell and her staff have invited DOT program people to tell us what they know about DBE participation to date. These projects offer DBEs an excellent opportunity to market their goods and services.

Restructuring to Respond to Change, DBE Needs

You could say that DOT's Office of Small and Disadvantaged Business Utilization (OSDBU) and its programs are also "under construction" – or reconstruction – to serve you better in an era of rapid change. It's important that DBEs have the latest information in order to compete and adapt to changes in the marketplace.

The DBE program is fundamental to our efforts to ensure equal opportunity in federally funded transportation projects across the country. We worked hard to convince Congress that the DBE program was an indispensable element of our efforts to bring the nation's transportation system into the 21st Century.

After a detailed debate, Congress agreed that all Americans must have a fair chance to compete for transportation-related contracts. In

part, they came to that decision based on our commitment to reform the DBE program to ensure that it is administered in a way that is just, responds to local conditions and complies with constitutional law. Now we must fulfill our commitment.

That is why OSDBU is continuously improving its services. Luz Hopewell and her staff are working to provide the information and the assistance that DBEs need if they are going to be successful in winning contracts. The team approach that she is putting together brings the right mix of skills and support to assure that success is a rapidly changing marketplace. We are happy to have all of you as our partners in this effort and we look forward to sharing in your success.

Thank you, and I wish you the best for a productive annual meeting.

Remarks prepared for
Deputy Secretary of Transportation Mortimer Downey
for Delivery during the
**Coast Guard Seminar
at the Navy League's
Sea/Air/Space Exposition**
Marriott Wardman Park Hotel
Washington, DC
Wednesday, April 19, 2000
2 pm

Thank you Admiral Stillman, and good afternoon. This is an impressive "expo" and gathering of our nation's sea services. I look forward to viewing the exhibits.

What I understand folks want is an overview of our recent IATF findings, the process used to reach them and where the Coast Guard will be going from here.

First I want to say how proud I am of the men and women who serve in the Coast Guard -- they are hardworking people with a variety of skills. One reporter last year referred to the Coast Guard as "Congress's favorite servant for any problem that's wet." It's a pretty fair characterization. It seems they are everywhere -- at sea and in our waterways, from saving lives and intercepting illegal drugs, to breaking ice in Antarctica to support U.S. scientific research.

And, we are proud that the Coast Guard recently received an "A" grade from an independent review of government reported earlier this Spring (*Government Executive* magazine). The Government Performance Project (GPP), a Pew Charitable Trust study conducted by Syracuse University's Maxwell School of Citizenship & Public Affairs conducted the review, and of the 20 federal agencies analyzed to date, only the Coast Guard and the Social Security Administration received an "A."

Assessing the Future

As we transition into the 21st Century, the United States faces challenges very different from those that defined our national security during the Cold War. However we describe the current global order, the U.S. military, including the Coast Guard, needs to be flexible and to adapt to change.

Because the Coast Guard plays such a vital role both in peacetime and in our national defense system, we saw a need to do an in-depth and rigorous review of the organization beginning our work in April of 1999. Less than 10 months later, we submitted our report to the President outlining the current duties and resources that the Coast Guard possesses and what we believe it needs to continue to fulfill its missions. A good one-line summary of what we found is that:

The nature of the Coast Guard as a military, maritime operating agency that relies on well-trained personnel employing multi-mission capital assets will endure for the foreseeable future.

President Clinton confirmed this in a letter he wrote to our Secretary, Rodney Slater, after reviewing the Task Force Report:

The report makes it clear that a robust Coast Guard will be vital in the 21st century to protect and promote many of our nation's important safety, economic, and national security interests.

The Task Force was convened by executive order to provide a cross-government assessment of the future environment in which Coast Guard services will be required to operate over the next 20 years. This is another in a series of Coast Guard Roles and Missions, including four since World War II. (Comment on Presidents Taft, Kennedy & Reagan studies)

In addition to Admiral Loy and myself from DOT and the Coast Guard, there were seven departments and agencies (State, Justice, Commerce, Defense, Labor, Treasury & EPA) and seven White House entities (OMB, NSC, Cabinet Affairs, NEC, DPC, ONDCP and CEQ) represented on the Task Force, all of whom have a stake in our maritime affairs.

Getting such a diverse collection of agencies to agree to anything is usually a difficult process, but we found no difficulty in agreeing on the Coast Guard's future. In the assessment, Task Force members considered whether missions or functions should be added, enhanced, reduced or eliminated as well as what tasks might be performed better in the private sector, by the states or perhaps another federal agency. We analyzed the nation's maritime threats and challenges; heard thought-provoking testimony from non-governmental and governmental witnesses, including a stimulating session on national defense from Andrew Hoehn, Admiral Tom Fargo, and General Charles Wilhelm. We visited many Coast Guard units, including a drop-in on the Cutter BEAR during her Mediterranean deployment with the Sixth Fleet.

Our assessment came to six over-arching conclusions, which are:

1. Coast Guard roles and missions support national policies and objectives that will endure into the 21st century.
2. The United States will continue to need a flexible, adaptable Coast Guard to meet national maritime interests and requirements well into the next century.

3. The re-capitalization of the Coast Guard's Deepwater capability is a near-term national priority. (A subject I'm going to talk more about in a few minutes.
4. The Integrated Deepwater System project is a sound approach to that end, and the Interagency Task Force strongly endorses its process and time line.
5. In order to hedge against tomorrow's uncertainties, the Coast Guard should be rebuilt so as to make it adaptable to future realities.
6. In keeping with its well-deserved reputation as one of the federal government's most effective and efficient organizations, the Coast Guard should continue to pursue new methods and technologies to enhance its ability to perform its vital missions.

I am grateful to the Task Force for its rigorous analysis, and I thank the many contributors who supported this high-level, independent review, including Rear Admiral Dennis Sirois and his staff and Captain John Crowley. We were particularly grateful to the Center for Naval Analyses for their excellent analytical efforts.

So today, we can report that we've completed 2 of last year's key short-term priorities -- the Y2K rollover and the Roles and Missions study -- with positive results. The one crucial difference is that the Y2K effort is over! The task force report, on the other hand, remains an important national maritime policy document to underpin policy and budget issues for some months and years to come.

Coast Guard Commandant Loy's third short-term priority for 1999 was rebuilding the workforce. That job is not finished, but we've made significant progress. I'm pleased that we have rebuilt the Coast Guard Reserve to its authorized strength. As for our active duty force, we are optimistic that we will reach our goal of authorized strength by the end of Fiscal Year 2000.

The Coast Guard – Meeting National Priorities

In the maritime environment, a complex mosaic of maritime users, interests, and trans-national dangers—including pollution, over-fishing, illegal migration, drug smuggling, international terrorism, and weapons of mass destruction, to name a few -- are challenging America as never before.

But, the Coast Guard's unique characteristics as a maritime agency -- with regulatory authority, law enforcement authority and military capability -- offer this and future Administrations a highly motivated, well-trained, cost-effective service with a demonstrated competence to meet changing national priorities.

This multi-mission capability makes the Coast Guard one of the most efficient agencies in government -- multiple outcomes from a single capital base give the American taxpayer maximum "bang for the buck" from the Coast Guard. As one of the nation's five armed services, the Coast Guard is a specialized, capitalized, complementary, non-redundant force-in-being which is available to the Commanders in Chief as a specialized instrument of the nation's security.

I emphasize non-redundant because in *no way* does the Coast Guard intend to compete with the Navy. America already has the world's best Navy and doesn't need another. What we do need is to ensure that our nation has a modern and efficient Coast Guard, one that is ready to perform its multi-mission functions and to assist Navy forces in the national defense when the CNO calls.

Deepwater Modernization – 21st Century Priority

The U.S. clearly faces a variety of maritime challenges in the future. These challenges include: maritime security threats such as illegal migration and contraband smuggling; resource protection threats involving both living and non-living marine resources; asymmetric and non-military threats to include weapons of mass destruction and terrorist activities; continued U.S. support of U.N. sponsored sanctions and security operations; and the security, defense, and resource protection implications of the U.N. Convention on the Law of the Sea.

Therefore, national policy for the Coast Guard, and today's capitalization decisions that are derived from that policy, must enable tomorrow's Coast Guard to adapt to future realities.

A key means of essential and sustained Coast Guard performance -- one of the IATF Report's major conclusions -- is modernization of the Coast Guard's Deepwater assets.

The Coast Guard's Deepwater ships, aircraft, and Deepwater and Coastal C4ISR assets are all nearing the end of their economic service lives. Of the 41 comparably sized navy and coast guard fleets in the world, only two are older than our Coast Guard deepwater fleet. But more significant than their age is the consideration that our current assets simply do not provide the range of well-integrated capabilities we need to perform our missions. And they get more expensive to maintain and operate every year. Therefore, planning for and modernizing these capabilities must begin now.

The Deepwater acquisition project is a sound approach to that end and the Interagency Task Force strongly endorsed its process and timeline. We support the Coast Guard's performance-oriented "requirements" approach to recapitalizing and modernizing its "Deepwater" assets.

The Deepwater Capability Replacement Project has been designated by the Vice President as a Reinvention Lab under his National Partnership for Reinventing Government. As such, it is empowered to test new ways of doing the government's business and share the lessons learned with other government agencies.

While the Coast Guard received an A from the independent review I mentioned earlier, it is certainly not perfect. The Task Force did receive testimony that there may be ways for the Coast Guard to improve its efficiency. The Task Force examined such areas as improving the ability to obtain and use intelligence information, improving the ability to operate with other agencies, competition of non-inherently governmental activities, cutter crewing, and civilianization of the vessel inspection function. We'll be working on these so that the Coast Guard can continue to provide excellent service to the American people at the right cost.

The President's FY01 budget calls for an increase in the Coast Guard's operating budget to \$3.2 billion, or 9% \$260 million more than FY 2000. And, we have asked Congress to approve an increase in our Capital budget of 34%, to \$520 million, so that we can wrap up other investments – like buoy tenders, and a replacement for our Great Lakes icebreaker – so we can clear the decks for the work of rejuvenating our Deepwater fleet. I am confident that Congress will support this increase as a step towards restoring our readiness to a level appropriate to our mission requirements across the board.

Conclusion

As the Coast Guard enters the 21st century in service to our nation, an increasingly complex system of maritime interests and users will challenge the Service as never before.

America will need safe, efficient, and reliable waterways. It will need a guardian of safety and the Law of the Sea. It will need protection of marine resources on the high seas, at the maritime borders, along the coasts, and in the inland waterways.

America will need a Coast Guard capable of operating alongside the other U. S. Armed Services to support the Nation's security strategies and policies. The Conclusions and Recommendations contained in this report, if followed, will mean the Coast Guard can chart its course for the 21st Century and remain Semper Paratus (Always Ready).

Remarks prepared for

Deputy Secretary of Transportation Mortimer Downey

**Women's Transportation Seminar
with the Road Gang**

Topic: Transportation Investment -- Shortfalls and Unmet Transit
and Highway Needs in Metropolitan Areas/
Enhanced Funding Options
Channel Inn, Southeast waterfront
Washington, DC
Thursday, April 20, 2000
12 noon - 1:30 pm

Thank you, Elaine (Dezenski, WTS President and FTA staff). It's
a pleasure to be here to talk with some of my favorite colleagues
about one of my favorite subjects: Transportation Investment.

Without the investments we made in our transportation
system in the 20th Century, we would not have the economic
growth and prosperity that we are now enjoying at the outset of
this new century. And, we will not continue to thrive unless we
have the vision to plan and invest in our transportation
infrastructure, including new technologies that will make the
system safer and more efficient.

The Clinton Administration has proposed a record \$54.9 billion budget for our national transportation system for FY 2001, the highest level to date in the history of the Department. And a major theme as we implement that budget is partnerships -- whether we're talking about federal/state and local partnerships or public/private partnerships. No single entity, ^{not even} including the federal government, can afford ^{totally} to finance major infrastructure projects anymore, so partnerships are not only the wave of the future, but the reality of TODAY.

Innovative or enhanced funding options are here and they become increasingly important as we work ~~both~~ to replace aging or obsolete infrastructure in some metro areas even as we seek funding for new systems in others. The Transportation Equity Act for the 21st Century (TEA-21) gives states and localities new flexibility in using funds for transit, highways and to develop and deploy Intelligent Transportation Systems.

Last September, Secretary Slater and I unveiled the first five major transportation projects to receive credit or support under an ongoing DOT ^{financing} program -- the Transportation Infrastructure Finance and Innovation Act (TIFIA). Creating such financing mechanisms may be among the most ^{interesting} ~~important~~ roles that government will play in this century, much like user financing contributed to building transportation during the 20th century.

Over the next five years, TIFIA will be a major factor -- contributing to the development of up to \$10.6 billion in new intermodal facilities, border crossing infrastructure, expansion of multi-state highway trade corridors and other transportation improvements. TIFIA offers a way to leverage other capital resources to make the transportation investments we need today.

What are the Needs – How are We Doing?

Metro areas -- from San Diego to Chicago and Atlanta, to Washington, DC -- certainly have many unmet needs for intermodal transportation. Working in partnership with state MPOs and many other public and private sector partners, we are

trying to looking at innovation in terms of procurements and financing from a seamless, intermodal point of view.

We are still learning about how to make innovative financing work for transportation. I'm sure that in the next several years we'll see many projects that work well, but I can't promise we won't see some that don't measure up. At this early stage, we don't have "successes" or "failures," but only examples of "so far, so good" or "Let's forget about that idea -- it's never going to fly."

For example, this Fall we signed ^{documents} a ~~paper~~ awarding a TIFIA loan guarantee to the Washington Metro Area Transit Authority (WMATA). WMATA needed to issue contracts to upgrade its entire system - railcars, signals, stations, tunnels. But a particular clause in WMATA's interstate compact prevents it from obligating more funds to support (contracts) than it has on hand or immediately available. In principle, that's not a bad idea, but it also inhibits development of some good concepts, like multi-year construction or rehabilitation contracts.

A TIFIA loan guarantee in the amount of \$600 million now allows WMATA to get a loan from Lehman Brothers in that amount if needed, thus allowing it to proceed with several large contracts, supporting an improvement program of more than \$2.3 billion. In fact, it may never be necessary to draw down the loans, but their existence as a backstop means that efficient contracting can go forward.

On the “not-going-to-fly” side, an Orlando public transit project – the system known as LYNX – failed to gain enough public or private financing to qualify for ^{TIFIA} ~~Tifia~~ support. While LYNX officials were preparing to apply for a TIFIA loan for a major light rail expansion, ^{one support} ~~This expansion depended, as well, on~~ passage of a new local transit tax initiative. Unfortunately, the tax initiative failed and the local community has ended their attempt to secure ~~TIFIA financing for the project~~ ^{support}. So, TIFIA can’t substitute for broad-based ⁿ availability of other financing.

One of the best examples of multiple-source financing is the Farley-Pennsylvania Station Redevelopment Project in New York.

This \$750 million project will convert the Farley post office building adjacent to the existing Penn Station into an intermodal facility and commercial center serving Amtrak, commuter rail and subway passengers. Participants in the project are the Pennsylvania Station Redevelopment Corporation, Amtrak, the U.S. Postal Service, and federal, state and city governments. The project will receive a TIFIA loan of \$140 million and a TIFIA line of credit of \$20 million.

TIFIA is the glue that holds these diverse partnerships together.

We have fewer recent examples of innovative financing for highways, but we expect to do more in the coming years because federal dollars will not cover all of the costs of the project.

people want to see built

FHWA's direct participation in toll road financing is likely to increase with the continued implementation of the TIFIA program. Toll roads, of course, have been a feature of the U.S. transportation system since the early days of Colonial America, and many large public turnpike authorities oversee extensive networks of local and regional toll roads. The innovation of the 1990s has been the efforts of several states to attract private partners to design, build

and operate these roads and the federal government's willingness (via TIFIA) to provide some capital to enhance the credit quality of the project's senior debt.

The State of California selected California Transportation Ventures, Inc. (CTV), a partnership that includes the engineering firm Parsons Brinckerhoff and Paris-based toll road operator Egis Projects, to build an 11-mile toll expressway from the Mexican border to the San Diego freeway system (SR 125 South). Because of the projected growth of the San Diego region -- combined with increased trade and traffic across the border -- the SR 125 project is viewed as vital to the region for congestion relief, improved traffic flow and access to the U.S.-Mexico border. The project expects to receive its environmental Record of Decision shortly.

In September 1999, Secretary Slater announced a conditional award of TIFIA assistance pending completion of the project's environmental review process. Construction of SR 125 South is expected to be about \$450 million, most of which CTV will borrow. FHWA is now negotiating the provision of two TIFIA

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credit instruments: a \$94 million loan and a \$33 million line of credit. The FHWA loan will be repaid from the same toll revenue stream that will support the project's \$247 million senior bond debt. The line of credit will provide contingent loans during the project's first ten years of operation. Both of these credit instruments will improve the security of the project's senior debt, allowing the sponsors to obtain easier access to the capital markets and lower borrowing costs.

Transportation Planning and Environmental Review

Metro areas are the places where transportation planning and environmental review processes are being stressed the most. Pressures of expanding population and development, increasing demand for mobility and just-in-time delivery of good and services – clashing with increased awareness of the need for environmental preservation and livable communities... Innovative financing and public-private partnerships are about more than finding new ways to build more infrastructure more quickly. They are also about expanding participation and involving new partners to make better

↓ This section
still
doesn't
seem to
work.
Can we
make it
stronger and
what is its
point?
Or should
we drop
it ~~entirely~~
entirely

decisions about how and where to allocate resources and make better use of existing infrastructure. Intelligent Transportation Systems – information and other technologies – come to mind here and in fact are eligible for special treatment under TIFIA because of their size and their inherent public-private nature.

Particularly for large (“mega”) projects, it takes years to gather community support and lay the groundwork before a project can even begin. And we know that many “partners” are involved. The developmental phase is where private partners assume substantial risk and where governmental entities perhaps should assume more responsibility as a facilitator.

There is a lot of focus on so-called “mega-projects.” These projects are highly visible, soak up many resources, and magnify miscalculations and mistakes. It’s difficult to discuss challenges without thinking about the Central Artery, also known as the Big Dig.

We all (the private sector, federal / state / local government) need to do a better job of realistically assessing the challenges of

major undertakings and planning for the contingencies that inevitably will occur. It is not possible to deliver large, complex infrastructure projects without unforeseen events and potential cost overruns. If the benefits of such undertakings are sufficiently understood, the traveling public and the elected decision makers alike will come to appreciate straightforward, realistic appraisals and necessary accommodations rather than avoidance to put off delivery of “bad news.”

Looking Ahead – New Ideas

For several years, DOT has talked about and focused on improving and streamlining its grant programs, enhancing funds eligibility, and developing new financing techniques to enable project sponsors to use federal assistance.

Collectively, these efforts have been termed “innovative finance,” and they have, to date, helped advance some 200 projects worth roughly \$15 billion. *Is this a success?* Yes – the states, localities, and private partners who have offered up new ideas to be tested should be congratulated. *Is it sufficient?* No – it is a good

beginning, but just a beginning. My challenge to the Department 7 years ago was to learn by doing -- and that's what we've been up to -- both learning and doing.

The TIFIA program is the latest, and most visible, of the innovative financing techniques. It presents unique challenges and offers unique assistance. It targets those most difficult “mega-projects.” It has the widest, multi-modal eligibility of any DOT program. It limits the federal role to no more than 33% of project costs, meaning that its projects must involve many partners and funding sources. Its assistance is in the form of credit -- (loans, loan guarantees, and lines of credit-- not grants, and that means budgeting, accounting, and reporting policies and procedures are different from – and often more complex than – than those for grants.

Despite the challenges of implementing this new program, we believe it amply demonstrates how the Federal government can tailor its assistance to fit the complex needs of major projects. For those large projects that do need a source of patient and flexible

secondary and subordinate capital to obtain market financing, TIFIA demonstrates the efficacy of leveraging Federal resources with private capital.

So what's next? Are we at the end of the play book? I doubt it. Those entities responsible for planning, developing, financing, building and operating transportation facilities will – as they have done in the past – continue to challenge us with new ideas. The federal government's charge is to continue to listen and be responsive – even if responding means getting out of the way! The forum for discussing new and innovative ways of getting important transportation projects completed should be open . . .

Let's consider a few ideas that we've heard about recently.

Whether these, or other, ideas become reality remains to be seen...

✓ **Tax Incentives:** Efforts to date have involved regulatory incentives (cutting red tape, increasing flexibility) and spending incentives (new programs like SIBs and TIFIA). Some recent ideas involve tax incentives to encourage private participation in transportation infrastructure. The late Sen. Chafee introduced a proposal (called

the Highway Innovation and Cost Savings Act – HICSA) that would allow the issuance of up to \$15 billion of qualified private activity bonds for up to 15 highway projects to test the benefits of private construction and/or operation of such facilities. Others are asking about the potential applicability of tax credit bonds to important transportation infrastructure. Current proposals would allow zero-interest tax credit bonds to be issued for other types of infrastructure – such as school construction and environmental remediation ^{or affordable expansion} deemed critical enough for the Federal government to provide a deeper and potentially more efficient subsidy than that offered tax-exempt financing.

✓ **Innovative Procurements:** This is an area where we are just scratching the surface. We've seen a gradual increase in the use of Design/Build and other types of delivery systems, and the introduction of innovative warranties. As we gain more experience from such techniques, we should be able to take better advantage of them.

✓ **Technology:** I think many of us are still waiting for some kind of technology-financing breakthrough. We are moving forward aggressively on developing and implementing new technologies. Surely, somewhere down the road, the mass application of such technologies will enable new revenues and financing potential. We get an inkling of this from seeing how technology enables variable pricing of toll facilities and piggybacking on information infrastructure (e.g., cell phone towers and broadband cable in ROW) for transportation purposes.

These are some of the innovate^{ive} methods we have been exploring at the Department. I think the overall message I would like to leave with

you is that government at all levels and the private sector, which depends on transportation to move goods, must explore innovat^{ive} funding mechanisms to leverage existing resources and make more effective use of existing funds.

I look forward to hearing from Bill Millar, John Horsley, and all of you about meeting future transportation needs and innovative ways to

get the projects that are needed for this 21st century ~~done~~.

accomplish