February 20, 2007

Dear Commissioners and Department of Transportation Staff:

The Co-Host committee welcomes you to California. The city of Los Angeles is proud to serve as the host city for this two day field hearing.

We thank you for coming to our state to listen, question and learn of the enormous challenges facing California's transportation system and the country's reliance on moving their desired consumer items with reliability, velocity and efficient capacity.

The planners of this field hearing have been extremely impressed by the depth of preparation you have demanded of us. In return, we believe that you will benefit from the expertise we have assembled and the substance of the presentations, as well as, from the interchange you will experience. There has been recognition by the material furnished to you in these briefing documents of your desire to learn of potential solutions for the Congress to consider.

We are aware that this commission is broad-based, representing many sectors impacted by the decisions made with our transportation dollars. Our highest priority for this visit is to see it as a vital and first step in beginning an ongoing dialogue between the Commission and California decision-makers regarding national transportation policy and strategic investment.

The members of this Co-Host Committee will continue to offer our visions, priorities, concerns and suggestions to you and the department as you develop plans for the next 50 years. We recognize the long journey ahead will enable us to provide a better quality of life for the next generation.

Your briefing binders are a comprehensive compilation of plans, strategies, white papers and testimony. It is a collection of an in-depth examination of many facets of California and the nation's transportation system.

Again, welcome to the City of Los Angeles. If there is anything we can do to make your stay more enjoyable, please let us know. We look forward to working with you.

Sincerely

Section 1909 Los Angeles Field Hearing Co-Host Committee

SURFACE TRANSPORTATION POLICY AND REVENUE STUDY COMMISSION LOS ANGELES FIELD HEARING

Co-Host Committee

California Marine and Intermodal Transportation System Advisory Council

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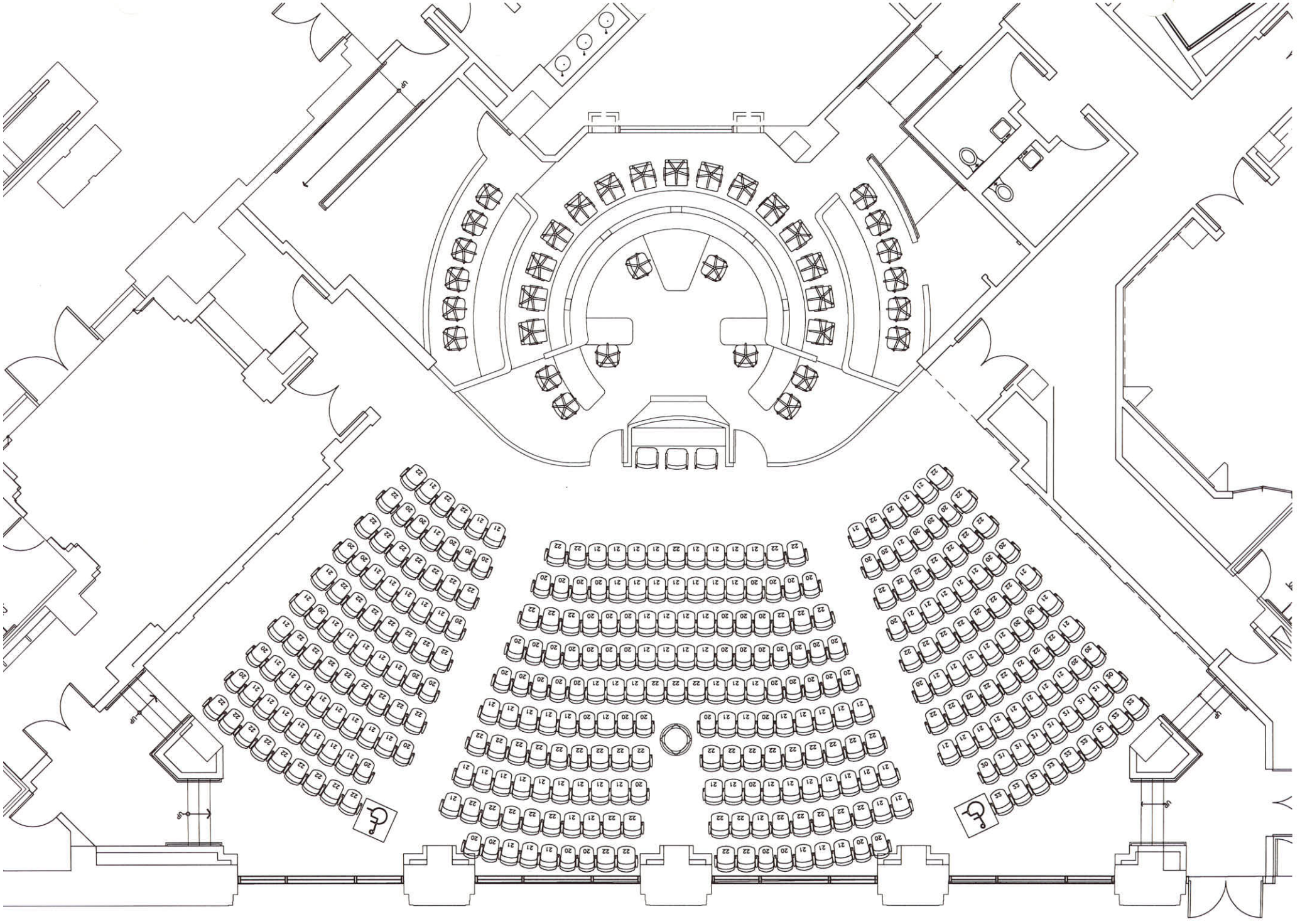


Directions to Metro Headquarters Building

One Gateway Plaza, Los Angeles, CA 90012-2952 (Corner of Cesar E. Chavez Av. and Vignes St.)

Via Metro Red Line

Take the Metro Red Line to Union Station in Downtown Los Angeles. Use the Vignes Street exit and proceed up to the East Portal of Union Station.Take the escalator located to the left of the aquarium and the Metro Customer Center up to the bus plaza.
The Metro Building is located to the left.
Security guards are available inside the Metro building to answer any of your questions.

Via Metro Gold Line

Take the Metro Gold Line to Union Station in Downtown Los Angeles. After leaving the platform, make a left at the tunnel and proceed to the Gateway Center towards the East Portal of Union Station. At the end of the tunnel, take the escalator up to the bus plaza. The Metro building is located at the left.

Via Metrolink

Take Metrolink to Union Station in Downtown Los Angeles. At the terminal, follow the signs to Gateway Center. At the end of the tunnel, take the escalator up to the bus plaza.
The Metro building is located at the left.

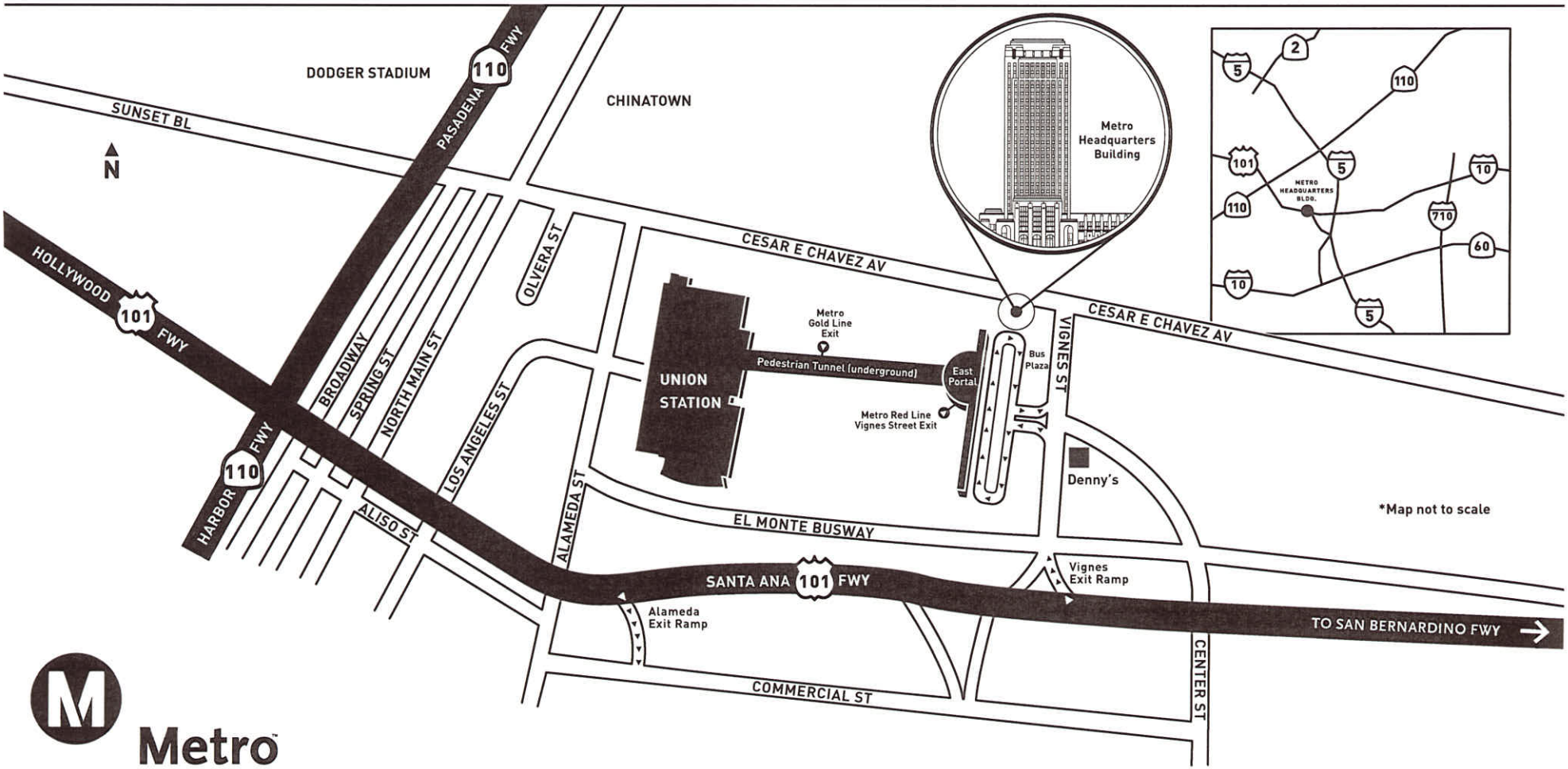
Via Bus

Call 1.800.COMMUTE or visit metro.net for specific line information.

Driving Directions

From 101 Southbound – Exit at Broadway and continue straight on Aliso St. Turn left on Main St., turn right on Cesar E. Chavez Av. Turn right into the underground parking entrance just before Vignes St.

From 101 Northbound – Exit at Vignes St. and stay in left-hand lane. Then turn left at the light into the underground parking entrance.



Metro

James D. (Jim) Waltze
President and Chief Executive Officer
Griffith Company
Santa Fe Springs, California

James D. (Jim) Waltze is President and Chief Executive Officer of Griffith Company, a general engineering contractor company in Santa Fe Springs, California. Griffith Company has been a member of the Associated General Contractors since 1931. Waltze served as AGC president in 2004-2005.

Recognized for his sharp vision and leadership skills, Waltze joined Griffith Company in 1973 and climbed the ranks to become president in 1992. In that same year, he served as chair of the AASHTO-AGC-ARTBA Joint Committee and since then has been involved in many local business and community organization.

Born and raised in Costa Mesa, California, where he lives today, Waltze contributes to building Griffith Company's capabilities, resources, and engineering expertise to invest in the growth of California. He was instrumental in obtaining the awards of some of California's largest and most complex projects, including the $37 million Port of Los Angeles Seaside project, which received an Aon/Build America Award and an AGC Constructor Award in 1998. Griffith Company also won the national Marvin Black Partnering Award for the Grand Avenue Redevelopment in downtown Los Angeles.

PANEL IV: "CALIFORNIA: TRANSITIONING TO THE NEXT GENERATION TRANSPORTATION SYSTEM"

ROGER SNOBLE
Chief Executive Officer
Los Angeles County Metropolitan Transportation Authority

Roger Snoble is the Chief Executive Officer of the Los Angeles County Metropolitan Transportation Authority (Metro), a position he has held since October 1, 2001. He is in charge of the daily operation of the third largest public transportation agency in the United States. Metro is a multimodal transportation agency that is responsible for bus and rail operations, transportation planning and programming and construction in Los Angeles County.

A 1968 graduate of the University of Akron with a Bachelor's of Science Degree in Education, majoring in Urban Geography, Snoble earned his Master's of Science Degree in 1971 in Economic Geography (Logistics and Transportation).

Snoble's career in public transportation spans 39 years. Prior to joining Metro, he served as president/executive director of Dallas Area Rapid Transit (DART) for seven years. Before DART, Snoble served as president and general manager of the San Diego Transit Corporation where he worked for 20 years, rising in the ranks from planning and scheduling manager to the top executive post. Snoble began his transportation career in 1965 as a planner for the TriCounty Regional Planning Commission in Akron, Ohio. He also worked as a planner for Akron Metro Transit District from 1971 to 1973.

Snoble has won numerous awards throughout his transportation career. In fact, the American Public Transit Association (APTA) named Snoble "Transit Manager of the Year" in 1998. Additionally, under Snoble's leadership, DART was cited by APTA as the "Transit Agency of the Year" in 1997.

In Los Angeles, Snoble heads an agency with a $2.6 billion budget and 9,000 employees. It operates approximately 200 bus routes serving a 1,433 square mile service area as well as a subway and light rail lines that crisscross Los Angeles County. In addition, Metro is responsible for constructing new busways and other transportation infrastructure as well as funding a vast array of transportation improvement projects including street widening, bikeways, synchronized traffic lights, and freeway carpool lanes. Metro is also the lead transportation-planning agency for Los Angeles County.

Significant Awards Include:

- The American Public Transit Association's "Outstanding Transportation System of the Year" (2006)

- *Los Angeles Business Journal's* List of 25 People Worth Watching Over The Next Few Years (2004)

- *Metro Magazine's* "Ten Best Transit Managers" (2000)

- Friend of Texas Transit Award by the Texas Department of Transportation (1999)

- The American Public Transit Association's "Transit Manager of the Year" (1998)

- The American Public Transit Association's "Transit Agency of the Year" (1997)

- The Association of General Contractor's S.I.R. (Skill-Integrity-Responsibility) (1997)

Sunne Wright McPeak
President and CEO
California Emerging Technology Fund

Former Secretary
Business, Transportation and Housing Agency
State of California

SUNNE WRIGHT McPEAK
President & CEO
California Emerging Technology Fund
555 California Street, 3rd Floor, San Francisco, 94104
Telephone: (415) 568-2159 Fax: (415) 568-2104 sunne.mcpeak@CETFund.org

Business and Professional Experience

- Secretary, California Business, Transportation and Housing Agency, November 2003 – November 2006 – Appointed by Governor Arnold Schwarzenegger
- President & CEO, Bay Area Council, November 1996 – November 2003
- President & CEO, Bay Area Economic Forum, November 1993 - October 1996
- Elected County Supervisor, Contra Costa County, 1979-1994
- Director, Simpson Manufacturing, Inc., 1995-2003
- Director, First Nationwide Bank, 1983-1994
- Faculty Member, Public Health Leadership Institute, 1992-1993
- Owner, McPeak Associates, 1974-1978, a management consulting firm in human services
- Executive Director, Pittsburg Community Health Center, 1972-1974
- Consultant, Contra Costa Comprehensive Health Planning Association, 1971-1972

Education

- B.A. in Independent Major (International Medicine), University of California, Santa Barbara, 1970 (President of both Junior and Senior classes)
- Master of Public Health (Health Education and Medical Care Administration), University of California, Berkeley, 1971
- Honorary Doctor of Human Letters, California State University, East Bay (Hayward), 1998
- Honorary Doctor of Public Service, John F. Kennedy University, Contra Costa County, 2004

Public Service

- Vice Chair, California Consumer Power and Conservation Financing Authority, 2001-2004
- Member, California Economic Strategy Panel, 2002-2003
- Founding Co-Chair, Bay Area Alliance for Sustainable Communities, 1997-2003
- Chair, California Center for Regional Leadership, 2001-2003
- Member, Speakers' Commissions on State-Local Finance and Regionalism, 1999-2002
- Founding Member of the Board of Directors, BRIDGE Housing Corporation, 1981-2003
- Co-Chair, CalFed Bay Delta Advisory Council, 1995-2001
- Chair, Committee for Water Policy Consensus (for 12 Bay-Delta counties), 1983-1993
- Co-Chair, State Water Conservation Coalition, 1989-1993
- Co-Chair, California Coalition to Stop the Peripheral Canal (Proposition 9, June 1982 ballot)
- Co-Chair, Sustainable Conservation, Inc., 2000-2002
- Co-Chair, California Affordable Housing Partnership Project, 1991-1995
- Director, California Foundation for the Environment and the Economy (CFEE), 1989-2003
- California State Association of Counties, 1979-1993; President – 1983-1984
- Founder, California Public-Private Partnership Commission / California Council on Partnerships
- Commissioner, Contra Costa Transportation Authority, 1988-1993
- Board Member, Bay Area Air Quality Management District, 1981-1993
- President, Contra Costa Health Coalition, 1982-1998
- Chair, Contra Costa Child Care Task Force, 1985-1993
- Initiator, Contra Costa Hazardous Waste Task Force, 1983
- Member, State Legislative Council on Nutrition Labeling, 1990-1991
- Founder, Contra Costa Family and Children's Trust Fund and the Year of the Family, 1982

Martin Wachs

Martin Wachs is Director of the Transportation, Space and Technology Program and of the Supply Chain Policy Center at the RAND Corporation. Until the end of 2005 he was Professor of Civil & Environmental Engineering and Professor of City & Regional Planning at the University of California, Berkeley, where he most recently served a six-year term as Director of the Institute of Transportation Studies. He earlier spent 25 years at UCLA, where he served three terms as Chairman of the Department of Urban Planning. Professor Wachs is the author of 160 articles and four books on subjects related to relationships between transportation, land use, and air quality, transportation needs of the elderly, techniques for the evaluation of transportation systems, and the use of performance measurement in transportation planning. His research also addresses issues of equity in transportation policy, problems of crime in public transit systems, the response of transportation systems to natural disasters including earthquakes. His most recent work focuses on transportation finance in relation to planning and policy. Professor Wachs has served on the Executive Committee of the Transportation Research Board for nine years and was the TRB Chairman during the year 2000. He is the recipient of a Guggenheim Fellowship, two Rockefeller Foundation Humanities Fellowships, a UCLA Alumni Association Distinguished Teaching Award, the Pyke Johnson Award for the best paper presented at an annual meeting of the Transportation Research Board, and the Carey Award for service to the TRB. He is a Fellow of the American Institute of Certified Planners and a Lifetime Associate of the National Academy of Sciences. In 2006 he was named "Member of the Year" by the San Francisco Chapter of the Women's Transportation Seminar and was awarded the lifetime achievement award as "Distinguished Planning Educator" by the Association of Collegiate Schools of Planning.

TESTIMONY OF JAMES D. WALTZE

GRIFFITH COMPANY
SANTA FE SPRINGS, CALIFORNIA

STATEMENT OF JAMES D. WALTZE
GRIFFITH COMPANY, SANTA FE SPRINGS, CALIFORNIA
NATIONAL SURFACE TRANSPORTATION POLICY AND REVENUE STUDY
COMMISSION FIELD HEARING
LOS ANGELES, CALIFORNIA
FEBRUARY 22, 2007

I. Introduction

Good morning. Thank you, Madam Chair and other members of the Commission, for inviting me here to participate in today's hearing. My name is Jim Waltze, and I am a contractor based in Santa Fe Springs, California. I am a past-President of the Associated General Contractors of America.

I am honored to be here today. This commission arrives at a critical juncture: the country is reliant on the system more than ever; the buying power of our trust fund dollars is significantly eroded by inflation; and the highway trust fund is in precarious financial shape.

The perspective I will share with you today is based on my experience and those of my association's membership in building the original segments of the federal-aid highway system and our continued involvement in rebuilding the system for current and future generations. As such, we have a unique perspective on the needs of the system and vision for the future. We are builders, users, and investors in the system, and it is our place of business.

In my testimony, I am going to focus on highway and intermodal issues unique to California, as well as the conditions and needs of the national system, and then apply some of AGC's expertise in construction materials prices inflation analysis to illustrate some of the challenges of predicting investment needs today and over the next 50 years.

Finally, I will touch on the federal role in surface transportation and how we believe it relates to the charge of this Commission.

II. Conditions and Needs of the National System

The conditions and needs of the current national system are well known and oft-cited, and you have already been briefed by the Federal Highway Administration (FHWA) and others on the many facts and figures describing the state of our nation's surface transportation system.

FHWA briefed you on the agency's Conditions and Performance Report and explained some of its limitations. For example, the report is limited by only covering a 20-year horizon when the Commission is charged with meeting the surface transportation needs over at least the next 30 years.

AGC believes that the Conditions and Performance Report is also limited by its unresponsiveness to unstable construction materials prices. The disparity between needs and available funding is becoming more acute as these costs escalate and supplies tighten.

As this disparity becomes more apparent, it becomes more evident to the public that the government is not living up to its responsibilities. Reviewing all the facts and figures relating to the conditions and performance of our surface transportation system tells us that despite record levels of transportation investment, we are losing ground: Americans are stuck in traffic, driving on deteriorating pavements, and frustrated by inaction.

Let's take a quick look as some of these numbers.

Needs exceed spending:

- Under the FHWA's "Cost to Maintain" scenario, the average annual investment is projected to be $73.8 billion for the period 2003 through 2022. This amount is 8.3 percent more than the $68.2 billion of capital spending by all levels of government in 2002.

- Under the FHWA's "Cost to Improve" or "Maximum Economic Investment" scenario, the average annual investment is projected to be $118.9 billion for the same period, an amount 74.3 percent higher than the $68.2 billion of total capital investment in 2002.

Pavement conditions are worsening:

- Pavement conditions are worse in large urban areas: 26 percent of pavements were "poor" in 2004, up from 23 percent in 1999. In California, more than 70 percent of the state's major roads are rated in poor or mediocre condition.

- On all roads nationwide, pavement ride quality rated as "acceptable" has decreased from 86.6 percent in 1995 to 84.9 percent in 2004. California generally rates at or near the bottom of all states in ride quality.

Bridges aren't getting much better:

- Of the nearly 600,000 bridges in the inventory, 27.5 percent were deficient in 2002, just slightly down from 28.5 percent in 2000. Of these 13.7 percent were classified as "structurally deficient" and 13.8 percent were classified as "functionally obsolete." The percentage of functionally obsolete bridges remains the same.

Demand for travel is increasing:

- Demand for travel and freight transportation will continue to challenge our current system with travel expected to increase by 48 percent and truck travel to increase by 68 percent by 2020.

Americans are stuck in traffic:

- The Texas Transportation Institute clearly shows congestion is getting worse: congested travel increased from 21.1 percent in 1987 to 30.4 percent in 2002.

- Travelers spent 45.7 hours a year stuck in traffic in 2004, up from 35.5 hours in 1995.

- According to an FHWA survey, the single largest source of motorist dissatisfaction is traffic flow.

No matter what metric is used, the system needs are growing, and absent bold leadership by this Commission and the public policymakers you ultimately inform, satisfaction with the system will continue to fall and the government's credibility to deal with this basic responsibility will all but disappear.

III. Construction Inflation Issues and Analysis

When the FHWA Conditions and Performance Report was developed, it was done so when economic conditions within the construction industry were relatively stable. However, the cost of construction is unstable and is increasing at a rate higher than inflation.

According to AGC's Chief Economist Ken Simonson, since early 2004, the financial viability of all types of construction projects has been jeopardized by sudden, steep, and generally unanticipated price spikes affecting numerous key materials. No construction segment has been affected as much as highways.

Table 1, taken from Bureau of Labor Statistics (BLS) websites, shows that the consumer price index for all urban consumers (CPI-U), the mostly widely used measure of inflation, has varied only moderately over the past three years. Meanwhile, highway construction materials costs, represented by the price index (PPI) for highway and street construction, have risen three to four times as fast each year.

As Table 1 shows, the cumulative change in the CPI-U from September 2003 to September 2006 was 9.6 percent. The cumulative change from September 2003 to September 2006 was 35.9 percent, nearly quadruple the general rate of inflation over three years.

Table 1

Highway Costs vs. Overall Inflation, 2003-2006

Time period	Highway PPI	CPI-U	Difference
Sept. 02-Sept. 03	1.8%	2.3%	-0.5 percentage points
Sept. 03-Sept. 04	11.0	2.5	8.5
Sept. 04-Sept. 05	16.0	4.7	6.3
Sept. 05-Sept. 06	5.6	2.1	3.5
Sept. 03-Sept. 06	35.9	9.6	26.3

Source: Bureau of Labor Statistics: www.bls.gov/ppi and www.bls.gov/cpi

The table shows not only that highway cost increases have been sudden, extreme, and unpredictable, but that even after subsiding dramatically, they remain more than twice as high as the general inflation rate.

Reasons for highway cost increases

Highway construction depends heavily on just a few inputs, notably diesel fuel, asphalt, concrete, and steel. Together, these four industry groups account for 73 percent, or almost three-fourths, of highway construction costs.

Beginning with an explosion in steel prices in early 2004, each of these materials has experienced above-normal price increases.

Table 2 shows the increase in the PPI for several relevant commodities.

Table 2

Cumulative Price Increases for Selected Highway Inputs, 2003-2006

Input	PPI change, Sept. 03-Sept. 06
Asphalt	131%
#2 diesel fuel	121
Steel mill products	72
Ready-mixed concrete	33
CPI-U	9.6

Source: Bureau of Labor Statistics: www.bls.gov/ppi and www.bls.gov/cpi

Outlook for highway costs

There is no guarantee that highway materials costs will exceed the general rate of inflation.

However, two factors make it likely that highway costs will rise more rapidly than the CPI or other broad inflation measures. First, highway construction uses enormous, almost fixed amounts of materials and fuel, making costs vulnerable to what happens to these inputs.

Second, fuel and energy costs are far more significant in the cost of highway construction than for almost any other product or service.

In addition, delivery costs are a more significant expense than for most services and many goods. Delivery costs include the cost of fuel surcharges, ship charters, port delays, rail bottlenecks and highway congestion, as well as final delivery to a construction site.

With worldwide demand for materials high and transportation infrastructure likely to be inadequate for the indefinite future, it is very probable that highway materials costs will continue to outstrip the rate of inflation as long as the economy is growing.

Conclusion

Based on the experience of the past three years, in which the PPI for highway construction rose an average of 11 percent per year, a prudent escalation factor for this index would be 8 to 11 percent.

FHWA staff estimated that a 25 percent increase in highway construction costs would raise the average annual Cost to Maintain over the period 2005 to 2024 by $19 to $20 billion, in constant 2004 dollars, based on an average annual Cost to Maintain of $78.8 billion (2004 dollars). The Maximum Economic Investment level would rise 11.2 percent to $146.4 billion, from a baseline of $131.7 billion (2004 dollars).

AGC's Simonson explains that in fact, the rate of highway materials cost increases has already exceeded a 25 percent increase over the baseline. Applying an 8 percent annual rate of increase versus a 3 percent rate for the overall inflation rate implies average annual Cost to Maintain as much as $40 billion (2004 dollars) higher than the baseline.

The Maximum Economic Investment level is harder to calculate without direct access to FHWA's model, since higher costs imply that fewer projects can be justified in economic terms, but the average annual cost would probably rise by more than $30 billion (2004 dollars).

There is an unpleasant convergence of pain here. First we have material price inflation eating more than 30 cents of every dollar in just the last four years. We have the growing threat that the cost of labor, which has been relatively stagnant over the same four-year period, will begin to rise. We also have the danger that the highway trust fund could run a significant deficit in the near future. This convergence will exacerbate the funding gap and our ability to meet the needs of our already congested and deteriorating highway system.

IV. Personal Experience and Opinion

The Griffith Company has been based in the Los Angeles area since 1902. We originally built many of the downtown streets, freeways, airports, and sea port improvements in Southern California. Although our prime focus is highways, we consider ourselves to be intermodal contractors.

I have personally devoted a considerable amount of my available time over the past 25 years to dealing with transportation funding issues on a state and national level, including the last four National Highway Reauthorization bills.

My personal comments are going to focus on California issues. While our issues are the same as many growth states, we may be slightly ahead of the curve in dealing with them. For us to move forward we must be prepared to learn from the past, and sometimes that experience is not always positive.

As the state's population increased over the last three decades, real per capita infrastructure spending decreased from about $170 in the 1970s to an average of $30 in the 1990s. The state added only one percent to its road lane miles since 1990, even though the population increased by 18 percent and vehicle miles traveled increased by 21 percent.

Five of the ten worst "bottlenecks" and congested freeways nationwide are in California. To make matters worse, we are expecting 25 million more people in California over the next 30 years. If we have learned one thing since the policies of the 1970s, it is that "less is not better." The people are coming, and we desperately need a plan to address their transportation needs.

The recently passed transportation bond is a good first step, but falls way short of our documented unfunded backlog of over $100 billion and growing.

The buying power of our precious transportation dollars is being seriously eroded by the cost of construction. The cost of inflation on construction materials has been considerable over the past few years, but equally as important is the cost of doing work in our urban areas.

To minimize inconvenience to the motoring public, contractors are required to perform work in multiple stages, extending completion dates by two or three times the normal time. Contracts require that work be done at night or on weekends in shortened four or five hour work shifts. While these strategies attempt to minimize traffic disruptions, they do add significantly to costs.

One can only imagine the difficulty in getting materials to and from the projects with our current state of congestion. In fact, it is interesting to note that on the two largest port projects you reviewed it was cheaper to bring the aggregates down from Vancouver, Canada by ship than it was to truck them 30 miles across town.

Moving forward, I believe we should have a nonpartisan state and national 25-year capital improvement plan with short- and long-range goals. The short-range goal should have the most immediate impact on motorists (98 percent of all travel is still on highways) and should include getting rid of the "bottlenecks." The long-range plan should be focused on providing right-of-way now for future transit systems that take years to develop.

I believe each transportation mode should have its own dedicated trust fund and funding source. I also believe as you evaluate various forms of financing, you need to consider the cost to the users. In most cases that would be the motorist.

V. Vision for the Future

This commission has a heady mission and an objective analysis of the facts is essential to doing your duty. The Commission was created to provide the answers that Congress could not come up with even after 12 extensions of TEA-21 prior to the enactment of SAFETEA-LU.

There are no more easy answers. You have heard about potential improvements that can increase the efficiency of the existing system such as congestion pricing, ramp metering, and other ITS enhancements. According to FHWA, this may increase efficiency and could reduce congestion but even universal application will reduce the costs to maintain by less than 7 percent. However, with construction materials costs increasing approximately 8 to 11 percent per year, these efficiency gains alone are not enough to get the job done.

Trying to stifle demand by installing tolls and congestion pricing also will have limited application and it does not address the fact that an aging system like ours needs maintenance, reconstruction, expansion, and the construction of components that were not contemplated in 1956.

When Congress was wrestling with how to pay for the interstate system in the 1950s, three financing alternatives were explicitly considered and rejected—general fund financing, tolling, and bonding. Proponents of the system, and the concept of the national benefits to be accomplished by the system, embraced the strategy of increasing federal excise taxes on highway users. When the concept came up in 1955 to distribute the tax burden among users of the system, it was soundly defeated; in 1956 supporters were convinced that it was the right thing to do.

The federal government should continue to have a strong role in surface transportation and should look at all possible means to close the $107 billion gap to improve the system—at a minimum the gap to maintain this national investment. It is in the national interest for the federal government to ensure the efficient function of the system to provide for interstate commerce and domestic security.

The federal government cannot walk away from the system it created and built; rather, it must see it mature and adapt to changing demographic and economic conditions and mobility needs. This includes maintenance and reconstruction of existing roadway, construction of new capacity, acquisition of right-of-way, improvement of intermodal connectors, and development of multi-modal complements to highway infrastructure.

To fund the system for the next 50 years and with the expected trust fund deficit next year, no option should be left off the table. Cambridge Systematics outlined several plausible strategies to shore-up the trust fund in the short term and ultimately replacing the motor fuel tax in the long term.

AGC of America supports all of them. Indexing the motor fuel tax to the CPI or PPI will probably not keep pace with actual construction inflation, but it would be a significant improvement over the buying power of the existing motor fuel tax.

Crediting interest on trust fund balances and adding additional user fees (e.g., Customs fees) could help stem the anticipated trust fund red ink in the short term. Finding a suitable way to augment the existing motor fuel tax is needed for the long-term whether it is based on vehicles miles traveled (VMT) or weight, or replaced by a federal sales tax on fuel and/or vehicle sales.

Additionally all forms of innovative financing will also need to be considered to shore-up the current user fee system. These ideas, including bonding; tolling; or other methods of financing, such as public private partnerships (PPPs) or other innovative financing schemes, all have strength and weaknesses and must be given due consideration. No one idea will be perfect for every location. While an additional source of infrastructure investment, PPPs may only meet as little as 8 to 10 percent of the funding gap, for instance.

In addition, AGC supports giving Congress a politician-friendly way out. For example, Congress could creating an outside entity like the postal rate commission that would meet regularly to evaluate revenue options and establish the levy for the coming year or two. The commission's recommendations would be automatically implemented unless blocked by super majorities of Congress.

Because this is a national program with many local elements, states should also be encouraged to establish dedicated trust funds for highway improvements that are fire-walled like the highway trust fund so that these revenues can be used only for transportation purposes. The federal

government should establish an incentive or penalty provision that would withhold a portion of the state's annual apportionment if they do not establish a dedicated fund. Any of these options will be a step towards meeting our looming national needs.

To preserve the ability to make future improvements in the system states also should be allowed and encouraged to purchase and preserve as much future right-of-way as possible to avoid the long and costly effort to obtain these right-of-ways after they have been developed. Standards for roadway shoulders should be upgraded so that during future maintenance efforts such as surface paving or sealing vehicles can be moved to the shoulders to avoid traffic disruption.

If the commission does not recommend increasing funding for the system it must recommend significantly restricting federal-aid eligibility only to cover key and clearly-defined elements of the federal system. Otherwise, remaining federal dollars will be stretched too thin and will be ineffective.

VI. Conclusion

The Clay Commission reported in 1955 that "the existing system is inadequate for both current and future needs." We are at that point again. Inflation, increased VMT, increased freight traffic, and commuting patterns have stretched the current system to its limits and stretched the available funding past its effectiveness. The system is failing the American people and public policymakers are failing the American people by inaction. Now is the time to act.

This commission must chart a bold strategy for the future. It has been given the opportunity to build a legacy like Eisenhower's.

Again, thank you Madam Chair and members of the Commission for the opportunity to present our views today. AGC testified before the Clay Commission in October 1954, and we are honored to be here again before what we hope will be an equally visionary commission.

Thank you.

TESTIMONY OF ROGER SNOBLE

CHIEF EXECUTIVE OFFICER
LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Remarks of
Roger Snoble
Chief Executive Officer
Los Angeles County Metropolitan Transportation Authority
"California: Transitioning to the Next Generation Transportation System"

February 22, 2007

Welcoming Remarks

Good afternoon, members of the Commission. On behalf of the Los Angeles County Metropolitan Transportation Authority (Metro) and our nearly 9,000 employees, I want to welcome you to Southern California. Metro is honored to be a co-host for this field hearing and we fully support the work of the Commission. We are pleased that, to date, the Commission has heard from a diverse number of individuals on a wide-range of transportation issues.

Metro is in a strong position to address the transportation challenges facing California because we are unique among the nation's transportation agencies. We serve as the transportation planner and coordinator, designer, builder and operator for one of the country's largest and most populous counties. Approximately 10 million people – nearly one-third of California's residents – live, work, and play within Metro's 1,433-square-mile service area.

California – A Rich Transportation Legacy

The State of California has long been known as a driving innovator on issues related to transportation. In fact, the Golden State could rightfully be called the "Golden Transportation State" – because transportation networks and the mobility they permit have been at the very core of the California experience for well over a century.

With respect to highway construction, California has been a leader since the State's Bureau of Highways was created in 1895. The Yolo Causeway, built in 1916, was the first highway project in California financed by the sale of highway bonds. In 1965, California led the way by building highways better and faster through the creation of a machine that could lay four lanes of concrete – yes, four – in a single operation.

What may be more surprising is that California has pushed the envelope on transit innovation, as well. In fact, in 1874 Judge Robert Widney, one of the founders of the University of Southern California, established the first public transit line in Los Angeles.

From highways and public transit to goods movement projects and bikeways, the State of California has been (and remains) a leading innovator when it comes to mobility. We are a great place to look for the energy and intellect that will be needed for our nation to transition to the next generation transportation network.

California – A Leader in Self-Help Financing

Before turning to a number of bus, rail, highway and bikeway innovations, I want to highlight one particular driver in California's success -- our willingness to pay for advanced transportation systems. Specifically, 19 California counties have enacted sales tax measures to pay for many local transportation improvements.

Together, these agencies, known as the Self-Help Counties Coalition, are responsible for almost $3 billion in annual improvements to California's diverse transportation system. Since these sales tax measures began passing in the 1980s, they have collectively raised over $33 billion. The programs funded through these transportation sales taxes are flexible, accountable and recognizable.

For millions of Californians, it is these transportation sales tax measures that maintain local streets and roads, relieve traffic, improve safety with highway and arterial projects, expand and maintain passenger rail and buses, improve access for seniors and the disabled, and allow for other transportation improvements dictated by local voters.

California – An Agent for Change and Innovation in Transportation

What follows is a brief examination of a number of projects that clearly exemplify how California has been a leader and innovator on the topic of mobility.

Bus Rapid Transit and Metro Rapid:

Here in California, we have taken an old idea -- moving people from point A to point B via buses -- and reinvented it. Our concept is simple: employ fresh ideas to enhance the bus rider's experience.

A good example of this can be found several miles from here, where at this moment thousands of people are riding the Metro Orange Line – an innovative and well-designed bus rapid transit project.

Launched in October 2005, this bus project is smartly linked to the Metro Red Line Subway Station in North Hollywood and is designed with characteristics similar to a light rail line.

Three important characteristics distinguish this bus rapid transit project:
First, the Metro Orange Line employs ultra-modern "Metro-Liners" that carry a greater number of people in a manner that is more comfortable, quiet, and efficient that any other bus we have on the road.

Second, the Metro Orange Line has a dedicated right-of-way – an amazing 14 miles located in a densely populated urban area.

Third and most importantly, the Metro Orange Line is registering a record number of riders, far and away exceeding the initial estimate of 7,000 weekday boardings. Our latest statistics show that the Metro Orange Line is handling over 21,000 weekday boardings, with nearly 20% of its riders being reformed commuters.

And all this with a project cost of only $350 million, nearly half as expensive as a light rail line would have been.

Where the Metro Orange Line brought innovation on a suburban right-of-way, Metro's Rapid Bus Program brings that and more in a non-dedicated urban environment.

Launched in the year 2000, Metro Rapid embodies seven basic principles that have changed the way people in Los Angeles County view bus travel. Metro Rapid offers simple route layouts, frequent service, fewer stops, a low-floor boarding environment, bus priority at traffic signals, color coded buses and enhanced stations.

These seven principles revolutionized the way we carry people on some of Los Angeles' busiest bus routes. By reducing travel time by an average of 24%, tens of thousands of people are finding more mobility and a better quality of life. As an example, on Wilshire Boulevard (one of Los Angeles busiest weekday corridors), our Metro Rapid Bus service handles 45,000 weekday boardings delivering Metro passengers to their respective destinations 29% faster than our regular bus service would.

I am pleased to share with you that by next year, Metro Rapid will be double the size it is today with over 450 miles of faster bus service. I firmly believe that the next generation of bus travel can be found by examining the successes of both the Metro Orange Line and our Metro Rapid program.

In fact, the idea of rapid bus travel is growing. The Alameda-Contra Costa Transit District's Bus Rapid Transit service began operations in June of 2003. This new service, which offers travel between San Pablo and Oakland, is nearly 20% faster and has resulted in a 47% spike in ridership.

Highway Innovation:

Since 1941 when a writer for *The New York Times* called the Arroyo Parkway (110 Freeway) one of the "outstanding highway improvements in the country," California's leadership on highway innovation has been unquestionable.

For example, California has led the nation in the use of High Occupancy Vehicle (HOV) lanes -- a cost-effective and efficient method to increase the capacity of freeways. From a fledgling system of 260 mile-lanes in 1990, our HOV network has grown to a sophisticated network of over 1,100 mile-lanes (with over 440 miles in Los Angeles County alone). Looking back, the addition of a bus-only lane during construction of the San Francisco-Oakland Bay Bridge in 1962 was a true innovation and one that our state has built on over the past 25 years.

California has also been exploring the use of innovative tollways as a means of increasing mobility. The 10-mile South Bay Expressway in San Diego, which will open this summer, is set to provide fast and convenient access San Diego County residents traveling to and from Mexico.

Our neighbor to the south, Orange County, has been a leader on tollways. Their Route 91 Express Lanes project has been honored with ten major industry and government awards. The 91 was America's first toll road to employ variable congestion pricing and was the world's first fully automated toll road utilizing electronic transponders to collect tolls.

Alameda Corridor:

The State of California, especially Southern California, serves as America's "loading dock." The fact that over 40% of the seaborne cargo entering our country comes through the twin Ports of Los Angeles and Long Beach is evidence of this assertion.

This trade brings an interesting dual relationship: economic benefits and massive transportation challenges. Imagine the challenge of managing the movement of over 15 million cargo containers on your highways and rail lines, nearly seven times the volume of cargo containers managed by most American ports.

To respond to this enormous transportation challenge, Californians created the Alameda Corridor Transportation Authority (ACTA). This innovative entity is a 20 mile-long cargo expressway which transports hundreds of billions of dollars of imports from our ports to the rest of America each year. Funded by a unique blend of public and private monies, ACTA has decisively increased freight rail movement, while at the same time enhancing air quality by reducing emissions from idling cars and trains.

Building on the success of ACTA, the Alameda Corridor East (ACE) is currently constructing a 35-mile corridor (improving 39 grade crossings) through the San Gabriel Valley. ACE is a strong example of a low-cost alternative connecting the Ports of Long Beach and Los Angeles to the transcontinental rail network.

Commuter Rail:

In California, four systems provide commuter rail service; two in the north: Caltrain between San Jose and San Francisco and Altamont Commuter Express between Stockton and San Jose, and two in the south: Metrolink (which I will describe later) and Coaster, serving Oceanside and San Diego. We attribute much of the success of commuter rail in California to the historic passage of state bonds in Propositions 108 and 116 in 1990, both of which provided an infusion of state capital funding to purchase tracks, trains and facilities. Local sales tax measures pump life-blood funding into operations and help to maintain the on-going capital needs of these fine systems.

One of the state's great commuter train success stories is Caltrain's Baby Bullet between San Francisco and San Jose, which began in 2004. With recent modifications, express rail travel time between these two major economic centers was reduced by 1/3, making the use of trains attractive for the first time to many commuters.

Another great story in the making is San Diego's North County Transit District's decision to purchase Sprinter Diesel Multiple Unit (DMU) railcars. The arrival of the first DMU, which will enter into revenue service later this year, marks an important milestone toward completion of the Sprinter project. When service begins in December

2007, the Sprinter will significantly improve public transit and mobility in North County, connecting with the Amtrak's Coaster and the area's Breeze Bus service for smoother travel throughout the region.

Yet another commuter rail success story is Los Angeles' version: Metrolink. It not only provides train service to passengers, but also dispatches more than 100 freight trains daily out of the Los Angeles Basin. The area that Metrolink serves is roughly the size of Ohio. Today, the average weekday ridership is 43,000 and growing. Metrolink surveys show that 88% of riders who made the same trip before using the train drove alone or carpooled. Consequently, it is believed that Metrolink removes nearly 24,000 cars from our roads everyday-- the equivalent of one freeway lane during the peak period on parallel highways.

Light and Heavy Rail:

As metropolitan centers in California have increased in population and density, light and heavy rail lines have emerged as leading transportation tools to bring mobility to California commuters.

Proof of California's appetite for rail is the fact that the Pacific Surfliner (San Diego to San Luis Obispo) has become the second-busiest Amtrak corridor in the country, eclipsed only by the Northeast Corridor between Washington, D.C. and Boston.

Light rail is also enjoying a renaissance in the State of California. Wherever it is operated, it is gaining ridership and giving people a real opportunity to keep their vehicles at home. The Sacramento Regional Transit (RT) District, which operates 37 miles of light rail, has seen its annual ridership steadily increase. RT's light rail system carried 14 million passengers last year alone. In both San Jose and San Diego, the success of their respective light rail systems has been equally resounding.

And here in Los Angeles, we are proud to be operating the second most popular light rail line in the nation when it comes to ridership, the Metro Blue Line. We are also expanding our system, by building the planned Metro Gold Line Eastside Extension and Exposition Light Rail Lines simultaneously.

Bicycle Paths:

Californians have long been fully committed to embracing bicycle use as viable form of public transit. In fact, the latest U.S. Census data shows that the four county area around Sacramento has the highest rate of bicycle commute trips in the nation with almost 2% of the area's residents bicycling to work each day.

California's transportation agencies promote bicycle use for a number of reasons. Bicycle trails make other forms of public transit easier to access, increase personal mobility, reduce traffic congestion, enhance public health and meet federal objectives outlined in SAFETEA-LU to reduce auto trips and provide inter-modal connections.

Here in Los Angeles County we are proud of our record of investing millions of dollars in our network of 481 miles of designated bike– the largest such network in the United States. Since 1992, Metro has provided approximately $102 million for bicycle projects throughout the county including: maps, education and safety programs, bicycle parking facilities, the installation of racks on buses, and the construction of bike lanes and paths.

Additionally, throughout the State of California, there is robust support for reducing gridlock by encouraging people to pedal to work, or to a bus or train. It would be my hope that any effort to shore up the funding plan for our nation's surface transportation programs fully recognizes the role that commuter bicycles play in bringing more mobility and a better quality of life to all Americans.

Clean Air Technology:

Moving to a next generation transportation system means moving towards a cleaner environment. Metro understands that to address global warming, to address air pollution, we need to act and lead locally. Embracing "green" transportation technologies can and must move beyond sloganeering.

Metro is proud that well over 90% our bus fleet is powered by clean burning compressed natural gas. Our fleet of over 2,000 buses, the largest of its kind in the nation, is 97% cleaner than the diesel vehicles they replaced. Specifically, these cleaner buses reduce the emission of cancer causing particulate matter by 98% and carbon monoxide by 80% over our older bus fleet.

Metro's bus fleet is proof that we can, and in fact should, provide outstanding transit services that also contribute to outstanding benefits for our environment.

Here in Los Angeles County our transit services – bus and rail -- take 320,000 car trips off the road. This results in a reduction of approximately 76 tons of air pollution every day.

The bottom line is that what is good for transit – is also good for the environment.

Technology:

Before closing, I want to address the prominent role that advanced technologies have played in California's transition to a 21st century transportation system.

With respect to traffic synchronization, California transportation agencies from Los Angeles, to San Francisco and Bakersfield have eagerly adopted this low cost method to move more cars, more efficiently, on surface streets. In Los Angles County alone we estimate that our traffic synchronization program has saved motorists, on an annual basis, $218 million in vehicle costs, 14.8 million travel hours, 18.7 million gallons of fuel, and 7,700 tons of pollutants to date.

And as I previously noted, Orange County has pioneered the use of new transportation technology by initiating the world's first fully automated toll road utilizing electronic transponders to collect fees.

Conclusion:

The talent, energy and creativity that will be needed to transition to the next generation transportation system exists here in California and across the nation. Whether you are examining innovative local transportation agencies, state transportation departments that are willing to think outside the box, or cutting edge ideas from federal transportation officials, the ideas to deliver more mobility to hundreds of millions of Americans are already "on the table."

The missing element in our drive to transition to new and better transportation systems is, put simply, a lack of resources focused on programs and projects that work.

The failure of the federal government to provide adequate resources to fund transportation programs that are widely acknowledged for their success in moving more people, more efficiently, and in a cost-effective manner has, in my opinion, been the costliest detriment to our national transportation program. For example, a federal commitment of $1.4 billion (Fiscal Year 2008) for this year's entire New Starts Program is insufficient. What progress can we make with our heavy and light rail systems nationwide with only $1.4 billion? The quick answer is, not much.

Too often we think of transportation projects, whether bus, rail, highway, bikeway or goods movement in terms of their capital costs. However, the greater cost is often that of not building well-designed, cost-effective and highly efficient projects.

Metro is encouraged that the 1909 Commission is taking a serious and sober look at what it will take to make America's transportation system the best in the world.

Here in California, we stand ready to provide you and your fellow commissioners with concrete examples of transportation projects and programs that work.

Thank you for inviting me to testify before you today. I look forward to answering any questions you may have.

Los Angeles County
Metropolitan Transportation Authority

California:
Transitioning to the Next Generation Transportation System

Roger Snoble
Chief Executive Officer
Los Angeles County Metropolitan Transportation Authority

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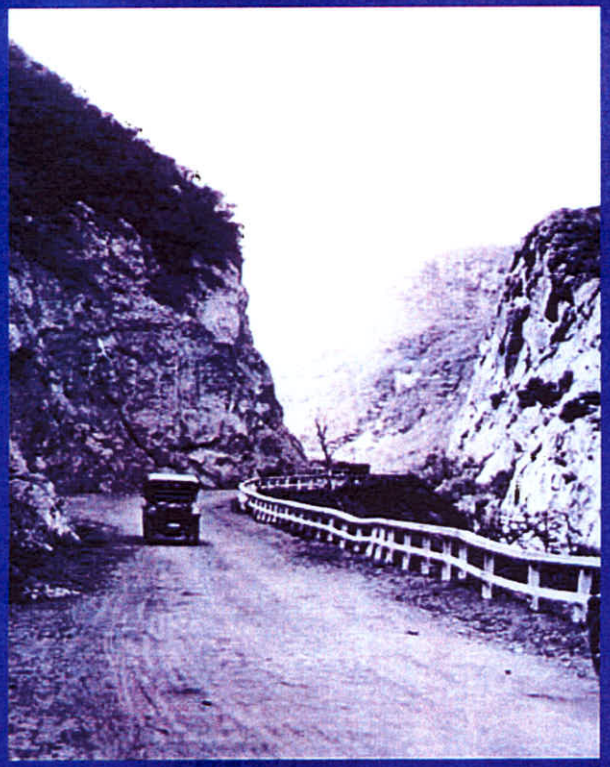
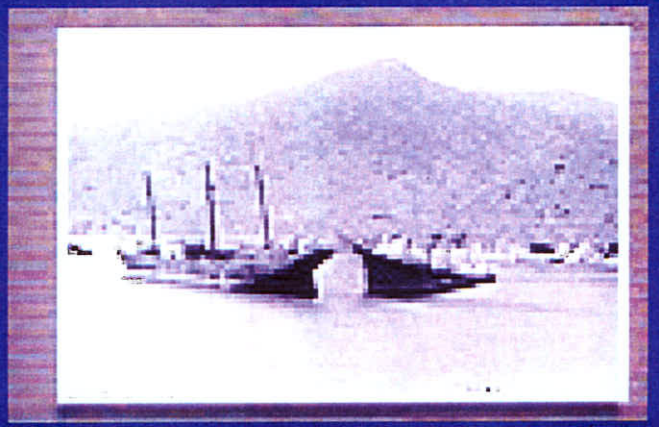
America's Best

California – A Rich Transportation Legacy



Topanga Canyon Boulevard, circa 1910 era

Los Angeles Street Car, 1874



Ferry Boat to Catalina Island

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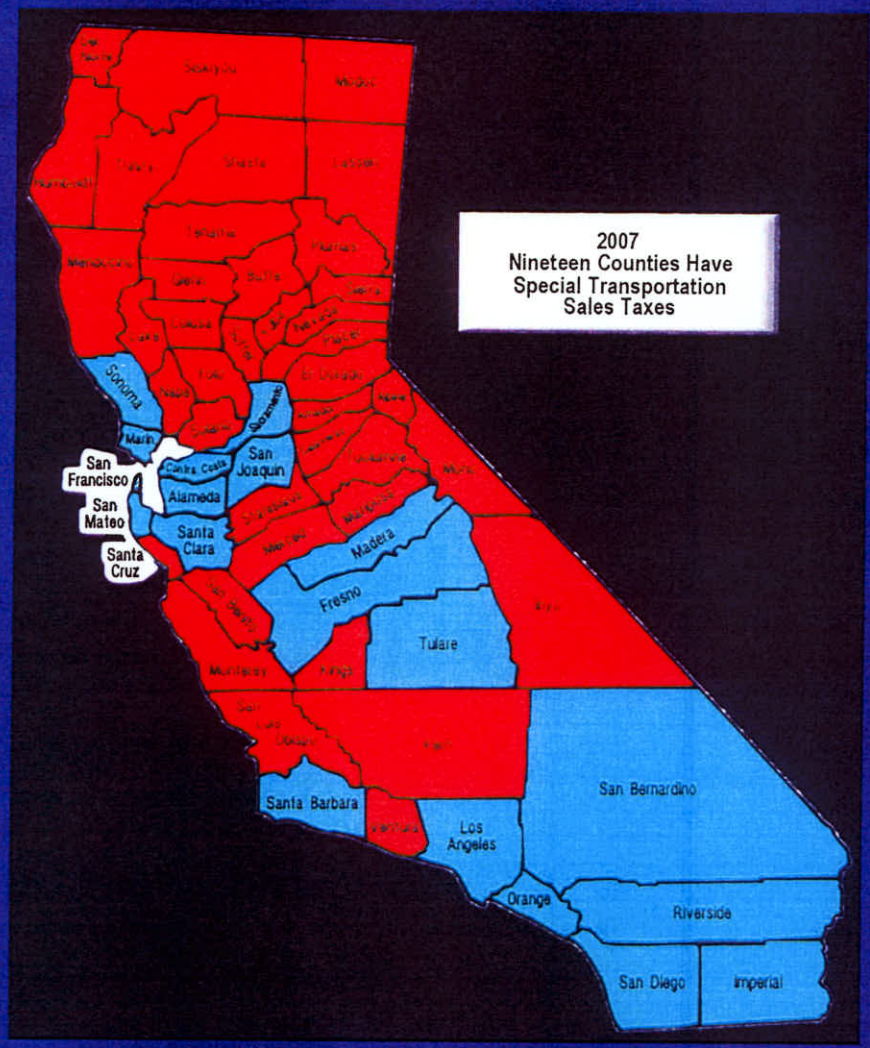
America's Best

California – A Leader in Self-Help Financing



The Self-Help Counties Coalition invests $3 billion annually into California's diverse transportation system.

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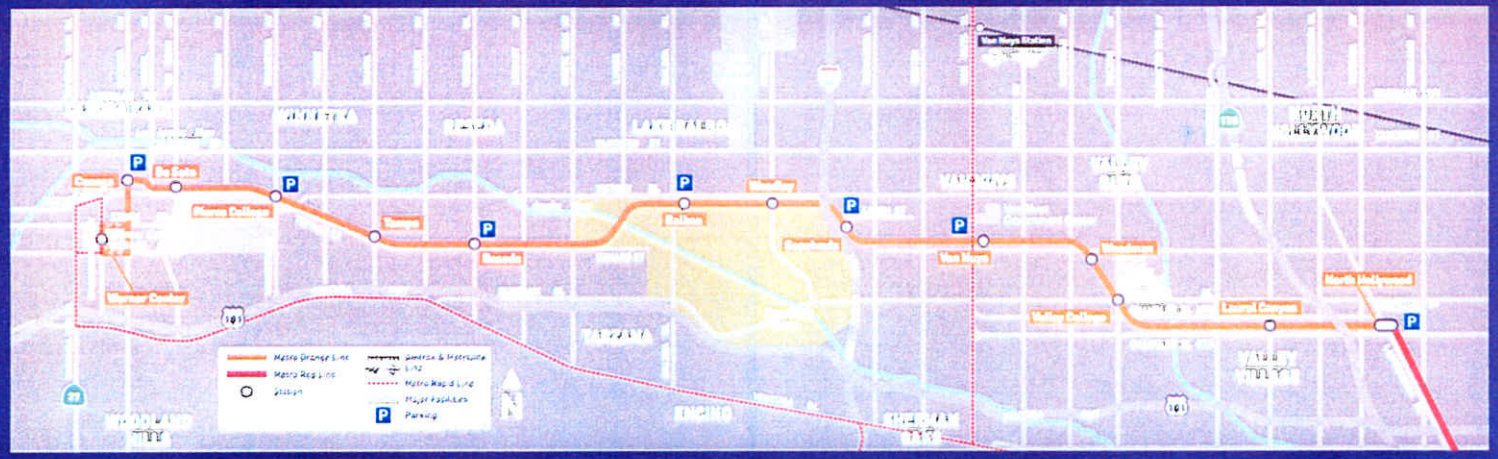
Bus Rapid Transit – Metro Orange Line



- 60-foot Articulated Buses
- 100% Low Floor
- Three Door Access
- Low Noise Vehicle (78db)
- 58 Seats
- Clean Burning CNG Fuel

Metro
America's Best

Metro Rapid

- Clean Air Bus
- Low-floor
- 40-64 seats
- Rapid Red
- Seamless design
- Three station styles
- "Next-bus" display

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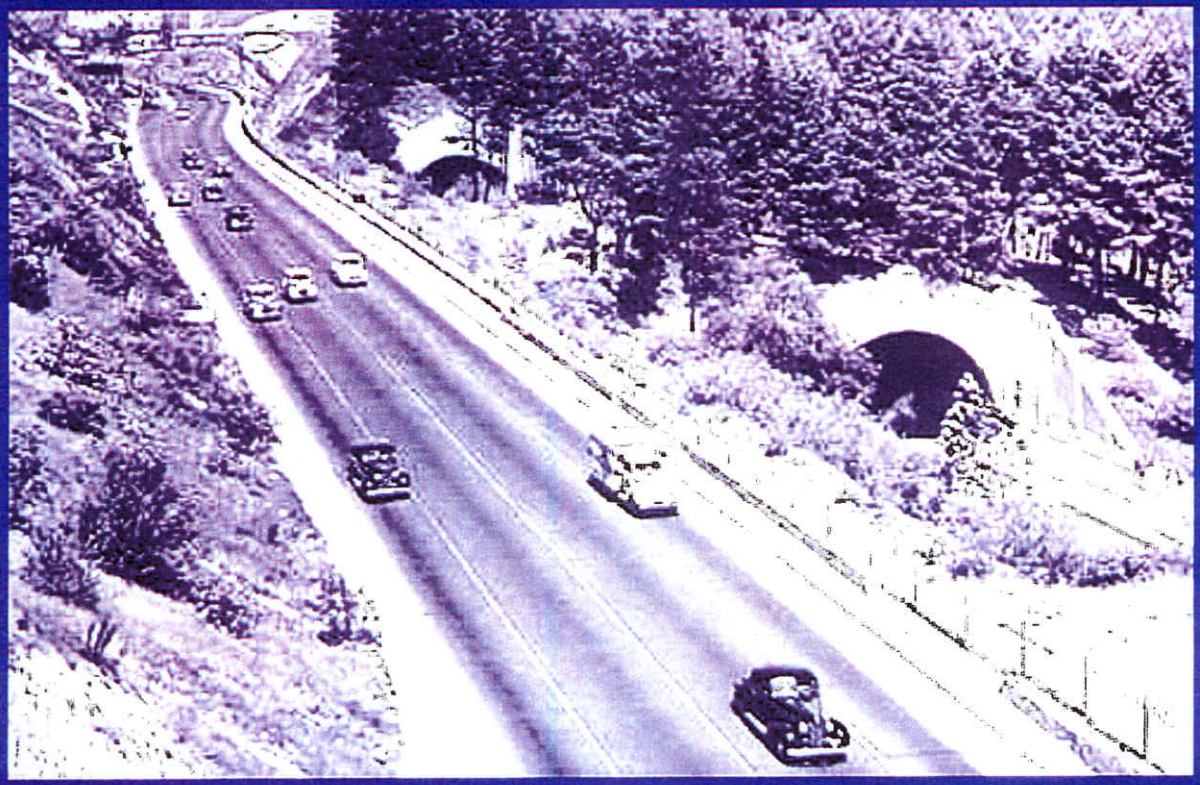
Highway Innovation



1946 picture of Arroyo Parkway (110 Freeway)

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Highway Innovation

San Francisco-Oakland Bay Bridge

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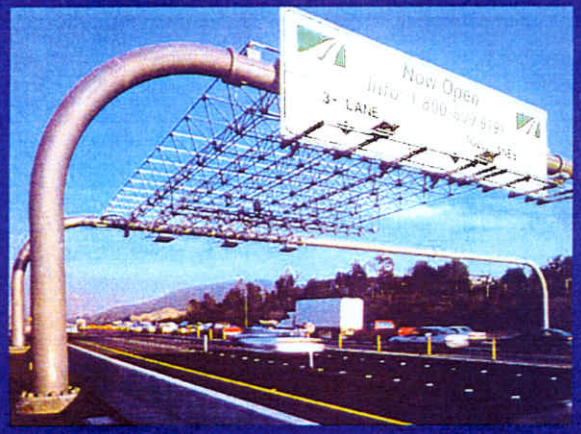
Highway Innovation

South Bay Expressway, San Diego County



Route 91 Express Lanes, Riverside and Orange Counties

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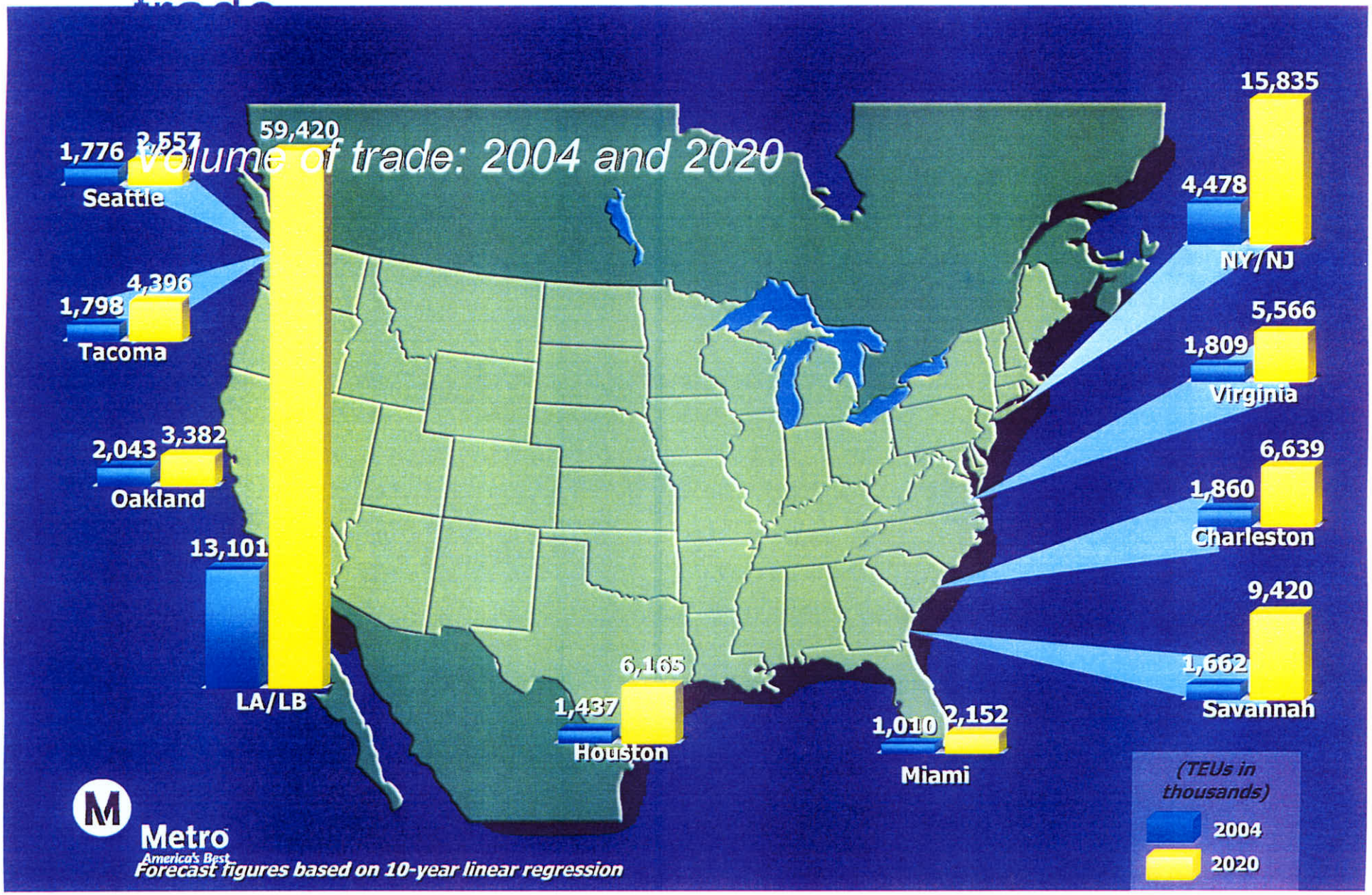
Dramatic increase in U.S. maritime trade



Alameda Corridor – East

Alameda Corridor

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Alameda Corridor – East

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Commuter Rail

CALTRAIN

Altamont Commuter Express

COASTER

SPRINTER Diesel Multiple Unit (DMU)

METROLINK

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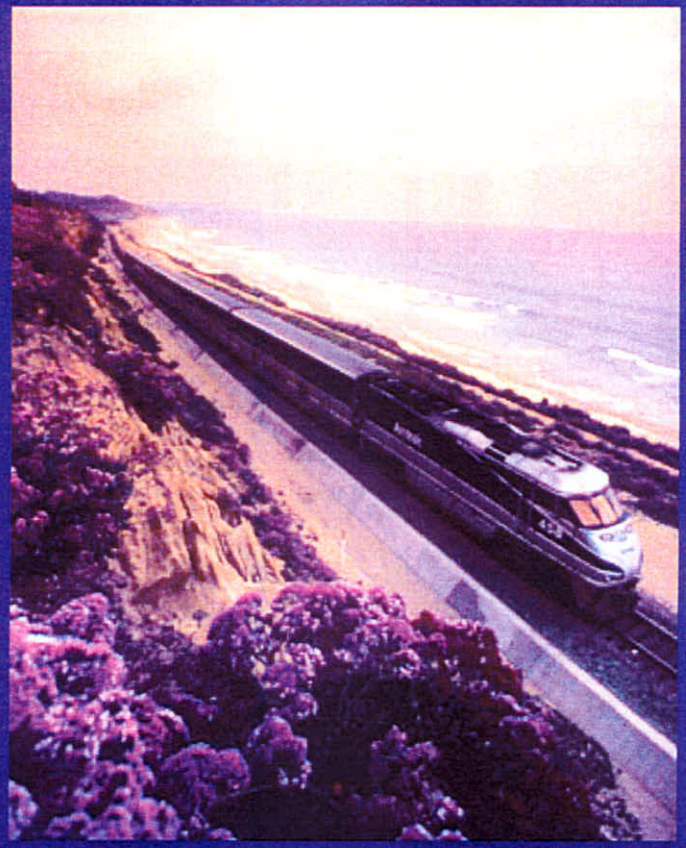
Second-Busiest Amtrak Corridor in the Country



Amtrak Pacific Surfliner

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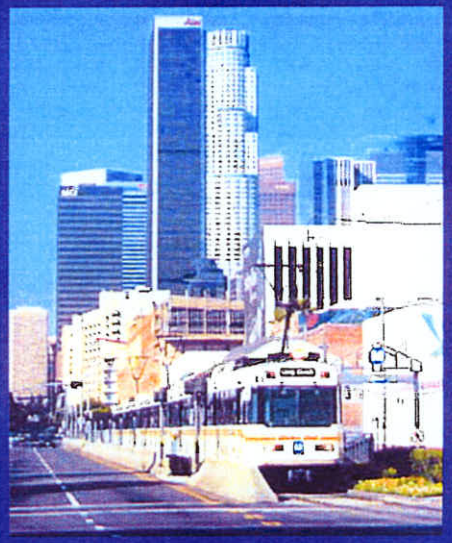
Light Rail Systems

Sacramento Regional Transit District

San Diego LRT

San Francisco MUNI



Los Angeles
METRO

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Heavy Rail Systems

Los Angeles Metro

Bay Area Rapid Transit

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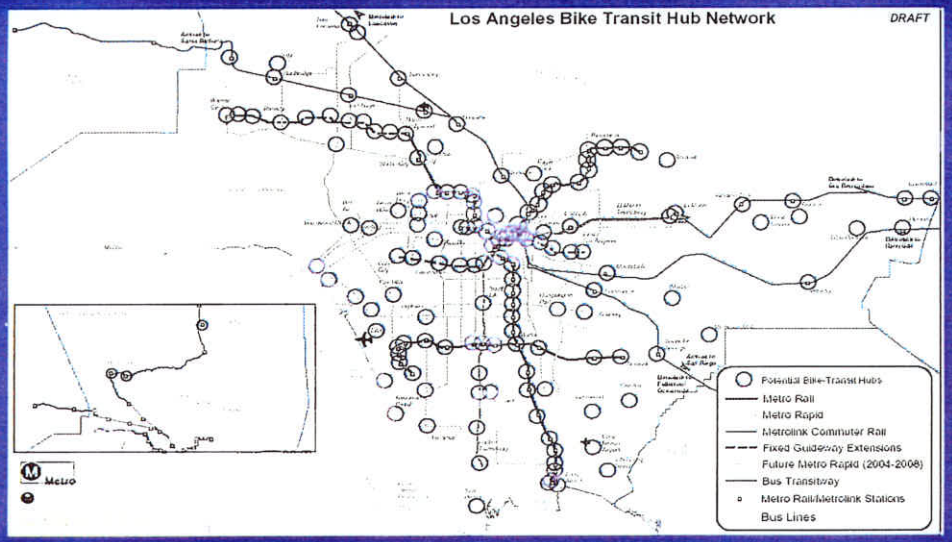
Bikeway Systems



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Technical Innovations

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Conclusion

TESTIMONY OF SUNNE WRIGHT-McPEAK

PRESIDENT & CEO
CALIFORNIA EMERGING TECHNOLOGY FUND

FORMER SECRETARY
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
STATE OF CALIFORNIA

National Surface Transportation Policy and Revenue Study Commission
February 21-22, 2007
Los Angeles, California

Outline of Testimony

Sunne Wright McPeak
President and CEO
California Emerging Technology Fund
Former Secretary
California Business, Transportation and Housing Agency

- Governor's Strategic Growth Plan and *GoCalifornia*
  - Trends in Congestion
  - Discipline of Performance and Culture of Outcomes

- Strategy for Mobility
  - Elements of The Pyramid
  - Relationship of Transportation and Mobility to Land Use
  - The "3Es" of Smart Growth and Sustainable Development

- Regional Blueprint Plan Program
  - Voluntary Grant Application Process for MPOs With COGs
  - Grantee Leadership Teams and Learning Network
  - Administration Inter-Agency Coordination and Collaboration
  - Stakeholders and Expert Affiliates
  - Performance Metrics and Report Card

- Role of Broadband Technology in Mobility and Competitiveness

- The Funding Connection
  - Return on Investments
  - Incentives and Alignment
  - Regulatory Reform

CALIFORNIA REGIONAL BLUEPRINT PLANNING PROGRAM
REPORT TO JOINT LEGISLATIVE BUDGET COMMITTEE

Use of Seed Funding for Regional Blueprint Planning
As Provided in the
2005-06 Budget Act

Submitted by the
California Business, Transportation and Housing Agency
California Department of Transportation
Division of Transportation Planning

December 2006

Business,
Transportation
and Housing

Caltrans

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REPORT TO JOINT LEGISLATIVE BUDGET COMMITTEE

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Prepared By Assembly Budget
June 1, 2005

Proposed Conference Compromise

Issue:
Seed Funding for Regional Blueprint Planning

Action:
Approve Senate Version ($5 million) for a two-year limited, with supplemental report language requiring Caltrans publish a report detailing the impacts of the program by January 10, 2007.

Supplemental Report Language:
Item 2660-102-0890 - Department of Transportation

1. **Regional Blueprint Planning.** By January 10, 2007, the Department of Transportation shall provide to the Joint Legislative Budget Committee a report on the use of the Seed Funding for Regional Blueprint Planning provided in the 2005-06 Budget Act. The report shall include, but not be limited to 1) a description of the criteria used to award funds to local planning agencies, 2) a description of the process by which this funding was awarded in the first two years of the program, 3) a description of the activities funded in the first two years of the program, including the amount provided to each, and 4) an analysis of how the funds were expended in the first year of the program, including any measurable outcomes.

Rationale:
The Administration has made great progress in crafting a proposal that is aligned with existing law – AB 2140 Keeley (Chapter 832, Statutes of 2000) – regarding the development of alternative planning scenarios. By providing the funding on a limited term, the Administration will utilize previously unallocated federal funding, as well as improving the comprehensive level of transportation/land use planning, while providing adequate legislative oversight.

Department of Transportation, Department of Veteran's Affairs, Department of Water Resources and the Water Resources Control Board.

- A broad-based coalition of program affiliates has also been drawn together to provide their perspective and enhance the delivery of this program. The affiliates include representatives from: The American Farmland Trust; Sierra Club; California Building Industry Association; California Affordable Housing Law Project; Non-Profit Housing Association of Northern California; California Redevelopment Association; Housing California; American Institute of Architects; League of California Cities; California State Association of Counties; California Association of Local Agency Formation Commissions; California Association of Councils of Governments; California Special Districts Association; and the Local Government Commission. They have participated in policy-level meetings with members of the Governor's Cabinet, and they have contributed to the agendas of the Blueprint Learning Network workshops.

- The Department of Transportation and the Department of Housing and Community Development have partnered to co-sponsor a Regional Forecasting Task Force (task force). This task force has brought together technical and policy experts from the two hosting state agencies and from the MPOs, to deliberate about a framework to achieve consistency in housing and transportation forecasts and projections in California. Based on its deliberations, the task force has prepared an interim proposal that is being vetted through the regional and state agencies for comment.

Each successful applicant will use the grant funds to prepare a Regional Blueprint Plan, which shall be developed in collaboration with a broad range of public and private stakeholders, including local elected officials, city and county agencies, civic organizations representing business, labor, environmental, and community leaders, neighborhood groups and the general public. Connection to existing interregional partnerships, studies in progress and modeling enhancements are essential. Each Regional Blueprint Plan shall be based on a 20 year horizon and shall identify the most efficient and effective transportation system and preferred land use pattern that will:

A. Improve mobility through a combination of strategies and investments to accommodate growth in transportation demand and reductions in current levels of congestion.

B. Reduce dependency on single-occupant vehicle trips, fostering neighborhood and project designs that enable more walking and bicycling for healthier communities by:

   i. Reducing the growth in traffic congestion and making more efficient use of existing transportation infrastructure through comprehensive transportation system management;
   ii. Encouraging public transit usage, ridesharing, walking and bicycling;
   iii. Deploying transportation demand management practices, which may include economic incentives and value pricing;
   iv. Promoting mixed-use development and increasing housing and commercial development around transit facilities and in close proximity to employment centers; and
   v. Promoting equity in growth and development by rehabilitating, maintaining and improving existing infrastructure that supports infill

development and appropriate reuse and redevelopment of previously developed land.

C. Accommodate a sufficient housing supply within the region (and within each sub-region and jurisdiction to the extent possible) to accommodate the projected population and workforce needs for the full spectrum of the population (very low, low, moderate and above moderate income households) over the next twenty years.

D. Minimize impacts on valuable habitat and productive farmland.

E. Increase resource use efficiency, including energy, water and building materials conservation.

F. Establish a process for public and stakeholder engagement that can be incorporated into future planning processes.

Successful applicants are also required to use appropriate measures of performance designed to address the program objectives and their own regional vision.

1. Description of Criteria Used to Award Funds

Grantee Selection was based on the following nine criteria:

A. Clearly Stated Purpose and Need including overall project objective, justification and benefits to the region.

B. Program Vision that will result in a more efficient and effective transportation system and land use pattern to achieve the three outcomes defined by the 3E's – prosperous economy, quality environment, and social equity in the region.

C. Public Participation and Regional Support and Commitment that includes MPO Board resolution and letters of support from county and other key local governments; demonstrates how the project approach to public participation will involve the public and private stakeholders, including local officials, city and county agencies, civic organizations representing business, labor, environmental, and community leaders, neighborhood groups, and the general public; and demonstrates regional support and commitment from key stakeholders, cities, counties, Native American Tribal Governments, employers, labor, environmental and community organizations.

D. Incorporation of Program Policy Goals that foster a more efficient land use pattern; provide consumers more housing and transportation choices; improve California's economic competitiveness and quality of life; reduce costs and time needed to deliver transportation projects through informed early public and resource agency involvement; secure local government and community support, including that of under-represented groups to achieve the resulting comprehensive vision through including innovative computer models and public involvement activities; and establish a process for public and stakeholder engagement that can be replicated to build awareness of and support for critical infrastructure and housing needs.

E. Housing Policy Goals and Considerations that accommodate an adequate supply of housing and housing choices.

F. Environmental Considerations that include a process for engaging environmental resource/regulatory agencies and consider the location of sensitive environmental resources.

G. Performance Measures for the region and key transportation and housing performance measures that address statewide priorities in the blueprint planning process so the State can measure the effectiveness of the program.

H. Project Outcomes and Management describing planned project outcomes, including demonstration of effective management, coordination and accountability to ensure cost-effective, reliable and reasonable management of resources.

I. Scope of Work that clearly defines the project area and demographics; identifies responsible party, fund source, budget and deliverable products for each task; provides project schedule and funding chart; includes milestones, interim and final products and steps that will be taken throughout the project to ensure successful outcomes; and describes staffing and institutional relationships of each organization.

2. Description of Process by which Funds were Awarded in the First Two Years of the Program

The Administration proposed an increase in federal authority to the Fiscal Year 2005-06, Governor's Budget, for grants to MPOs, to encourage development of voluntary regional blueprint plans that will guide future development and land use decisions, as a valuable new approach to solving transportation problems in California.

After the Governor's Budget was signed, in June 2005, the Secretary of BTH announced the availability of a total of $10 million in grant funds, $5 million in Fiscal Year (FY) 2005-06 and another $5 million in FY 2006-07. Recipients are required to contribute a 20 percent local funds match.

Two workshops were held in June and August 2005 to help MPOs develop successful applications. Grant applications were available in July on the California Department of Transportation (Caltrans) website and were e-mailed to all MPOs. Applications for the first-year of the program were due September 30, 2005.

Ten proposals were reviewed and evaluated by an internal review committee consisting of staff from the Departments of Transportation and Housing and Community Development and the Federal Highway Administration (FHWA). Staff made initial recommendations based on how well the proposed blueprint planning proposals addressed the program goals and work plan criteria. The internal review committee presented their analyses and recommendations to an Interagency Review Committee (IRC) composed of the following state agencies:

California Environmental Protection Agency	State and Consumer Services Agency
Department of Food and Agriculture	Department of Veterans Affairs
California Transportation Commission	Health and Human Services Agency
Governor's Office of Planning and Research	Resources Agency
Labor and Workforce Development Agency	Business, Transportation and Housing Agency
Office of the Secretary of Education	

The IRC conducted a policy-level review of the proposed regional blueprint plans and focused on:

- Opportunities to broaden the scope of planning efforts as they relate to their program areas, to promote more comprehensive regional blueprint planning.
- Opportunities for additional State involvement and support for blueprint planning activities.

Recommendations for funding were submitted to the Secretaries of BTH and the Resources Agency for their final decision. Funds were subsequently awarded to seven applicants, including six individual MPOs and one team of eight MPOs in December 2006. Most of the MPOs had encumbered their funds by March 2006. As of this reporting, grant implementation has been in effect for less than one year.

The request for Blueprint Grant renewal applications for FY 2006-07 funding was sent out in August 2006 and these applications were received November 1, 2006. All seven of the original applicants reapplied for a second year of funding. Three of the remaining four MPOs that did not receive funding in FY 2005-06 applied for their first year of funding in FY 2006-07. A request for these applications was sent out in August 2006, and these applications were received October 2, 2006. An individual application was also received from one MPO that is already a member of the eight MPO coalitions in the San Joaquin Valley. This MPO submitted an application on behalf of a partnership it has with two Regional Transportation Planning Agencies. Eleven applications were submitted with a total request for $7,117,800 in grants funds.

The same review process was used again for the applications for FY 2005-06 funding. An internal review committee, consisting of staff from the Department of Transportation, the Departments of Transportation and Housing and Community Development and FHWA, reviewed the applications and made initial analyses and funding recommendations. These analyses and recommendations were presented to an Interagency Review Committee (IRC) with representatives from the following agencies:

California Transportation Commission	Department of Veterans Affairs
Governor's Office of Planning and Research	Health and Human Services Agency
Department of Transportation	Resources Agency
Department of Housing and Community Development	Business, Transportation and Housing Agency
Federal Highway Administration	

The total of all the funding requests for FY 2006-07 exceeded the amount available by over $2.1 million. Both the Internal and Interagency Review Committees recommended reduced awards to all qualified applicants. The recommended funding amounts were based on assessments of each application's strengths and weaknesses in relation to the program criteria. The recommendations from these two review committees were presented to the Secretary of BTH and the Secretary for the Resources Agency on November 27, 2006 for their final decision. The Secretary of BTH formally announced the grant awards for FY 2006-07 at the Blueprint Learning Network workshop on November 30, 2006. Each grant award for FY 2006-07 was made contingent on the applicant obtaining approval of a revised Work Element addressing program criteria. All tasks in the Work Element were subject to a determination of eligibility for Federal State Planning and Research funds by FHWA.

3. Description of the Activities Funded in the First Two Years of the Program and the Amount Awarded the Grantees

The Regional Blueprint Plans are intended to address land use, transportation, housing, and environmental concerns in the region. The activities and processes funded under this grant program focus on development of plans, strategies and tools that will guide and assist the regions with various aspects of infrastructure development, in order to accommodate population growth in the region and the State. Coordination among agencies is a key element in dealing with future growth to meet housing needs, address congestion, reduce fuel consumption, protect habitat and the environment, improve air quality, protect the water supply, and preserve agriculture lands for future generations.

In an effort to bring together the entities involved with infrastructure development from both the private and public sector (such as air and water quality, public utilities, developers, transportation, environmental and conservation interests, non-profits, etc.), the Secretary of BTH formed the Blueprint Learning Network (BLN). Three BLN workshops were scheduled and two have been held thus far around the state. They have provided a forum for the Regional Blueprint grant recipients and prospective grant recipients to network with one another on how to overcome challenges and obstacles, and to share best practices on effective regional planning.

The grant recipients are at various stages of developing their Regional Blueprint Plans. All the grantees are taking a broad approach, starting with extensive outreach and networking to ensure public and private sector involvement. This is critical to efficient land use and sustainable development. Grantees are conducting outreach to city and county governmental agencies, the general public, private for profit and non-profit organizations, and special interest groups involved in making or influencing infrastructure decisions. Examples include city managers, public work directors, congestion management agencies, Tribal Governments, senior citizens, disabled, developers, housing, agriculture and conservation entities.

Another planning activity that grant recipients are engaged in is data collection. They are using electronic data layers in Global Information Systems (GIS) formats to develop models and growth scenarios to identify priorities and developing plans and policies for the region. While the grantees have varying amounts of experience using GIS data and modeling tools, they are all using their grant funds to expand their technical abilities.

The MPOs in the larger metropolitan areas have had the most experience conducting comprehensive regional planning. They are focused on improving mobility, reducing vehicle miles traveled and increasing transit ridership by identifying opportunities for infill, developing transit-oriented communities, and by improving the proximity of jobs and housing. Installing databases and models to test various growth scenarios (to evaluate energy and air quality impacts of alternative transportation and land use scenarios) as well as training staff are some immediate activities taking place.

A highlight of the Regional Blueprint Planning effort is the strategic collaboration formed by the eight single-county MPOs in the San Joaquin Valley. They are establishing an institutional framework to conduct community outreach, develop modeling tools and planning processes at the individual county level as well as valley wide. Their approach to addressing growth in the San Joaquin Valley differs from that of the MPOs in the larger metropolitan areas. The economic base in the Valley is primarily agricultural and will influence decision making in the region. Of primary concern is protecting agricultural land and the water supply.

The following charts list the grant awards for FY 2005-06 and FY 2006-07:

Grant Awards in FY 2005-06

MPO	GRANT AMOUNT
1. San Joaquin Valley (SJV) - Consortium of eight MPOs	$2,000,000
2. Southern California Association of Governments (SCAG)	$1,258,450
3. Metropolitan Transportation Commission/Association of Bay Area Governments (MTC/ABAG)	$500,000
4. Sacramento Area Council of Governments (SACOG)	$420,000
5. San Diego Association of Governments (SANDAG)	$409,750
6. San Luis Obispo Council of Governments (SLOCOG)	$226,800
7. Butte County Association of Governments (BCAG)	$185,000
Total Awarded	$5,000,000

Grant Awards in FY 2006-07

MPO	GRANT AMOUNT
Continuing Grantees	
1. San Joaquin Valley (SJV) - Consortium of 8 MPOs	$1,950,000
2. Southern California Association of Governments (SCAG)	$975,000
3. Metropolitan Transportation Commission/Association of Bay Area Governments (MTC/ABAG)	$320,000
4. Sacramento Area Council of Governments (SACOG)	$350,000
5. San Diego Association of Governments (SANDAG)	$200,000
6. San Luis Obispo Council of Governments (SLOCOG)	$325,000
7. Butte County Association of Governments (BCAG)	$180,000
First-year Grantees	
8. Association of Monterey Bay area Governments	$325,000
9. Shasta County Regional Transportation Planning Agency	$375,000
Total Awarded	$5,000,000

Individual grant activities are described below for the grant recipients funded in FY 2005-06. Grant recipients receiving their first year of funding in FY 2006-07 have not begun their program activities yet and therefore are not included.

1. San Joaquin Valley (SJV) - Consortium of eight MPOs	$2,000,000

Activities:

- Create Individual County and Valley wide Planning Processes. Develop a strategy for individual counties, including vision, goals and objectives, and performance measures.
- Implement individual county decision making processes and the San Joaquin Valley decision making process.
- Develop Community Outreach Plans. Establish Institutional Framework and Community Outreach to define overall Program Management Structure; the individual county Program Management Process and Structure; and the San Joaquin Valley Program Management Process and Structure. Hold stakeholder and committee meetings. Implement the Blueprint Media Campaign.
- Develop modeling tools and establish a Land Use Modelers Users Group. Collect GIS and demographic data, adopt GIS Standards, develop a GIS Data Inventory, and convert data for use in the models. Update the Traffic Model Plan.
- Develop Preliminary Future Individual County Blueprint Scenarios and then revise them based on local input from stakeholders.
- Develop, evaluate and select a base case Blueprint Scenario, with community and regional vision, values, goals and objectives.
- Conduct Blueprint Vision Summit.
- Identify Blueprint Phase II follow-up actions to implement strategies.

2. Southern California Association of Governments (SCAG)	$1,258,450	"Compass 2% Strategy"

Activities:

- Identify and prioritize transit villages, infill opportunity areas, transportation corridors, mixed-use zones, and other critical growth opportunity areas along the transportation system through demonstration projects.
- Prepare a build capacity analysis and planning strategy to promote development where unused Compass two percent area development opportunities exist so that environmentally sensitive areas, productive farmland, and stable single family areas can be preserved.
- Prepare development scenarios for accommodating future growth around the transit stations using the built capacity analysis around existing transit stations. Evaluate how transit ridership and mode choice may be affected by changes in land use and density.
- Develop a 20 year Housing Allocation Plan methodology and distribution consistent with the Regional Transportation Plan growth forecast and investment strategy.
- Form sub-regional entities to assist in determining and allocating job, population and housing needs identified in the 20 year growth forecast.

- Engage in public outreach and briefing on growth distribution activities, social equity issues and affordable housing needs; build consensus and formulate mediation services in support of the Blueprint plan.
- Create a regional growth forum for a policy dialogue on integrated land use, housing and transportation strategy.
- Identify changes in emission levels and mobility associated with shifts in development patterns and urban form between compass critical growth opportunity areas and other places.
- Analyze growth scenarios to improve transportation modeling and refine the policy based housing and transportation forecast of growth.
- Prepare final case studies and "lessons learned" policy briefs for each demonstration project.
- Prepare a progress report on the 20 year Housing Allocation Plan methodology.
- Report on the transportation modeling impacts of future growth.

3. Metropolitan Transportation Commission/Association of Bay Area Governments MTC/ABAG	$500,000	"Bay Area Regional Blueprint Planning Program"

Activities:

- Develop a Public Involvement Plan. Engage in outreach to local governments and community stakeholders to clarify how the vision applies to the region as a whole and to its specific communities, with a focus on appropriately located housing production and its relation to transportation efficiency and resources conservation.
- Prepare for Negotiating Priority Areas for Housing Development including reviewing adopted smart growth policies, and develop policy based analysis plan to assist in the identification of priority areas for development and priority areas for resources conservation and environmental protection.
- Create GIS data layers based on criteria for efficient land use. Gather specific geographic data for each proposed policy measure and any relevant new geographic data that is available, emphasizing the connection among transportation, land use and environmental quality.
- Conduct outreach that engages local governments and community stakeholders to encourage regional growth that conforms with the "2002 Smart Growth Strategy/Regional Livability Footprint Project," the region's vision of a compact, transit-oriented development pattern. Redirecting regional growth toward this vision is contingent upon changes in the local-government land-use policies to encourage appropriately located housing production that maximize walking, bicycling, and transit ridership that minimizes the need to travel long distances, thus reducing vehicle miles traveled and air pollution.

4. Sacramento Area Council of Governments (SACOG)	$420,000	"Blueprint Implementation 2006"

Activities:

- Engage the public to develop a new blueprint for effective land use and sustainable development. The Electronic Town Hall, a one night multiple venue event, will be the

capstone in an extensive effort to implement the Blueprint land use vision and to integrate Blueprint into the 2030 Metropolitan Transportation Plan (MTP). Public information activities and survey instruments will be designed to engage disadvantaged populations in the regional discussion, and to properly represent these groups' opinions and needs.

- Conduct an Intelligent Transportation Systems (ITS) Smart Growth Corridor Study. Provide descriptions and examples of ITS applications, and create a scope of work for a follow-up study. The goal of the study will be to create an analytical tool and concept that will help determine how to maximize bicycle and pedestrian access and transit operations with the least impact on vehicle traffic flows. Develop public information materials on ITS for spring/summer MTP workshops.
- Participate in the National Environmental Protection Act streamlining pilot project to promote the development of a first-class environmental database, an inventory for local planning, to add the necessary environmental considerations to the Blueprint planning efforts. Design a prototype environmental database.
- Create and integrate the land use economic database into existing and future scenarios for blueprint planning and the long-range transportation plan. The land use economic database is a collection of regional rents, sale prices, land values, construction costs, and development fees for the residential and commercial development products used in the I-PLACE^{3}S and PECAS models. This data will allow for more accurate land use forecasts that are the basis for future year travel forecasts. Collect economic reports and databases; populate GIS database.
- Contract for an accelerated study to research relevant economic sectors, catalog existing conditions for freight demand in and through the region (including existing Caltrans projects), and document related trends in freight and goods movement. This project will be coordinated with a study to examine current air quality emissions inventories. The economic sector information from this work element will be applied to both transportation and air quality planning efforts in the region. Report on economic trends and exiting conditions in freight and goods movement. Develop a database on freight related economic flows.

5. San Diego Association of Governments (SANDAG)	$409,750	"San Diego Regional Comprehensive Plan"

Activities:

- Implement the PLACE^{3}S model, customized for the San Diego region. Determine how it can assist SANDAG in evaluating the energy and air quality impacts of alternative transportation/land use scenarios in the update of the Regional Transportation Plan (RTP) and preparation of Urban Design Guidelines. Install geographic databases required to implement PLACE^{3}S and adjust the parameters of the model to reflect conditions in the San Diego region. Train selected planning staff in use of PLACE^{3}S.
- Begin initial work with local, regional, state, and federal agencies in the San Diego region to implement the Regional Comprehensive Plan, Integrated Regional Infrastructure Strategy (IRIS) to improve investments in all modes of transportation and other needed regional infrastructure, and coordinate local efforts related to statewide infrastructure bond proposals as they relate to the IRIS.
- Assess existing and future freight demand for the Multi-County Goods Movement Action Plan study area. Amend the Multi-County Goods Movement Action Plan to include the San Diego region, thus initiating a goods movement strategy for all of Southern California.

6. San Luis Obispo Council of Governments (SLOCOG)	$226,800	"Community 2050"

Activities:

- Collaborate with a broad range of stakeholders, including the Air Pollution Control District; the Local Agency Formation Commission; the GIS Technology Lab of the California Polytechnic State University, San Luis Obispo; the County Planning Department; the Agricultural Commissioner's Office; other member agency Planning Departments; and community stakeholders.
- Prepare a Draft Vision Statement based on the Focus on the Future, Designing the Future, and It Takes our Region conferences as well as the Compact 2000 efforts and elements of member jurisdiction's General Plans that feature effective land use.
- Conduct workshops using a charrette-like format to summarize and evaluate the key transportation, housing, economic, resource and pollution issues that were addressed in the Fall 2005 workshops and the issues described in the Vision Statement within at least two of the sub regional areas.
- Survey community members regarding outlook on transportation and related growth issues; work with member agencies to refine policies and actions resulting from the visioning process; and provide member jurisdictions the tools to conduct effective public participation programs and expanded ongoing services utilizing GIS technology.
- Conduct regional land use transportation modeling that incorporates long-range socio-economic projections. Train staff in use of models. Develop and manage GIS data layers.

7. Butte County Association of Governments (BCAG)	$185,000	"Butte County Land Use Vision and Conservation Strategy"

Activities:

- Collect data, review General Plans, GIS databases, RTP, roadway travel and other environmental, biological, ecological and demographic data.
- Convene technical and policy committee meetings.
- Enhance outreach process that includes a broad range of jurisdictions (local Tribal Governments, private stakeholders and the general public) to ensure that public participation efforts are above and beyond typical outreach. Hold community workshops. Collect public input via surveys.
- Explore and develop transportation land use design options, using scenario planning tools such as UPlan. Incorporate this into the public outreach process.
- Conduct a transportation-land use visioning process, with performance measures, to assist BCAG and the cities, towns and County in developing both a Regional Blueprint Plan and a Habitat Conservation Plan for the Butte County region that can be used in anticipated General Plan updates.

4. Analysis of How the Funds were Expended in the First Year of the Program, Including Any Measurable Outcomes

Grants were awarded in December 2005, and most of the grantees had encumbered their funds by March 2006. The grant recipients are at varying stages of addressing growth and

the relationship among land use, transportation and the environment in their respective regions. Funds have been primarily expended on public outreach and networking, data collection, and modeling. Most of the grantees are in the early stages of integrating performance measures into their programs.

The following describes how funds were spent in each of the seven regions:

1. San Joaquin Valley (SJV) - Consortium of eight MPOs
The SJV COGs consist of: (1) San Joaquin County Council of Governments (SJCOG); (2) Stanislaus County Council of Governments (StanCOG); (3) Merced County Association of Governments (MCAG); (4) Madera County Transportation Commission (MCTC); (5) Fresno County Council of Governments (Fresno COG); (6) Tulare County Association of Governments (TCAG); (7) Kings County Association of Governments (KCAG); and (8) Kern County Council of Governments (Kern COG). The eight counties of the San Joaquin Valley region has partnered with the Great Valley Center (GVC) to develop the Regional Blueprint for the San Joaquin Valley. GVC hosted the San Joaquin Valley Regional Blueprint Summit, attended by over 700 local government officials, partners and stakeholders. Two Citizen Participation Plans, one that is valley wide and another that is specifically tailored to individual counties, have been developed to conduct public outreach. A contract to enhance the modeling data capabilities was awarded to the San Joaquin Valley Regional Council of Governments.

   The Regional Blueprint effort is being closely coordinated with the land use and transportation strategies being developed by the San Joaquin Valley Partnership (SJVP). In October, the SJV COG Directors signed a Memorandum of Understanding that changed their group's title to the San Joaquin Valley Regional Planning Agencies and created the San Joaquin Valley Policy Council, in an effort to receive policy direction on numerous initiatives affecting regional policy, including the California Regional Blueprint Program. The membership of the SJV Blueprint Regional Advisory Committee (BRAC) has been finalized.

   Collectively, the SJV COGs will conduct Blueprint Visioning workshops through January 2007. Workshops have already been conducted by MCAG, MCTC and Fresno COG. TCAG and KCAG have hired a public outreach consultant to conduct workshops. Kern COG, StanCOG and SJCOG have released Requests for Proposals for public outreach consultant services.

   SJV COGs have awarded a modeling contract for enhancement of mode choice modeling capability. Additional grant funds are being pursued to improve capabilities of mode choice forecasting, adding a mode choice component to the regional traffic models. The SJV Blueprint Modeling Subcommittee is also in discussion with the University of California at Davis and the Resources Agency on updating SJV General Plans to a digitized format.

   SJV COGs have participated in the Blueprint Learning Network workshops and are actively participating in the Regional Forecasting Task Force meetings. The SJV consortium has drafted performance measures, which were attached to the second-year grant application. A draft list of performance measures has been circulated and discussed with the grantee's Blueprint Coordinating Committee.

2. Southern California Association of Governments (SCAG)
The SCAG Region continues to partner with local governments on demonstration projects to implement the regional Growth vision according to the Compass Blueprint two percent Strategy.

The purpose of the demonstration projects is to evaluate and mitigate obstacles to effective infill and sustainable growth strategies for the region and to provide examples of creative, forward thinking, and sustainable development solutions that fit local needs and support shared regional values. The SCAG team is providing services such as digital fly through visualizations, detailed return-on-investment analysis of potential developments, code amendments and urban design services. As the local level products emerge from the demonstration projects, local jurisdictions and stakeholders throughout the region are beginning to see how the regional Compass Blueprint vision can be implemented in their own cities and neighborhoods.

Some 18 jurisdictions are currently participating in demonstrations projects. An additional 20 jurisdictions submitted proposals for Compass Blueprint planning services in September 2006. All of the demonstration projects have been selected based on criteria mirroring the six California Blueprint program criteria. Some of the demonstration project participants include Western Riverside County, the City of Compton, the City of Montclair, and the Los Angeles Expo light rail line transit-oriented development study. Public outreach materials have been updated and data collection initiated.

In order to strengthen and expand the Compass Blueprint Program, SCAG has convened a steering committee made up of representatives from the private and public sectors, consisting of leading developers, elected officials, policymakers and stakeholders from throughout the region. This group meets quarterly to provide expert policy guidance, feedback and support, such as innovative ideas for improving infill and redevelopment strategies, and guidelines for Municipal Revenue Enhancement Programs.

SCAG is focusing part of its efforts on developing new tools for analyzing Transit Oriented Design (TOD). SCAG is developing GIS indices for measuring impact on growth, capacity/density analysis and data development for the 2007 update of the Regional Transportation Plan.

Appropriate indicators to measure progress toward effective integration of land use and transportation planning are under development. Products at this juncture are final reports on a variety of plans and projects that focus on local strategies to embrace principles of Compass Growth Vision and two percent Strategy. Models of marketing campaigns and promotional events will serve as examples for similar and neighboring communities to replicate in the region.

The Compass Blueprint long-range housing and integrated growth forecast data is being developed and will have an impact on the Regional Transportation and Air Quality Plans as well as the Regional Housing Needs Assessment. GIS mapping for transit-oriented development has been initiated along the current and planned transit stations and stops. In September, SCAG released a preliminary long-range

growth and housing forecast to initiate a series of sub regional workshops across the region. These efforts are being coordinated with the Regional Housing Needs Assessment process through 2014 and provide a long-range housing planning context for local housing element updates scheduled in 2008 for SCAG's 193 jurisdictions and 14 sub regions. The consideration of housing allocation and development suitability between jurisdictions will be evaluated at the workshops.

3. Metropolitan Transportation Commission/Association of Bay Area Governments (MTC/ABAG)

The MTC program of "Focusing Our Vision" involves collaborating with local governments, other entities (Bay Area Open Space Council, Greenbelt Alliance Board, Housing Methodology Committee) and stakeholders that form the Technical Advisory Committee and provide advice on identifying priority development and conservation areas and other aspects of the program. Data collection and mapping have been done to develop a model system that will create different land use scenarios. The Focus Our Vision Program emphasizes accommodating the regional housing needs and will also develop strategies to ensure that resources are used efficiently; that development accommodates growth and travel demand; and that there is a mix of land uses to encourage the use of a variety of transportation options.

The strategy is to model and measure outcomes that will refine the vision. The use of demographic and econometric forecasting along with transportation modeling will provide mechanisms to test the land use distribution of housing and jobs.

There are model outcomes for vehicle miles traveled, daily transit and auto trips (mode split), daily walking and bicycle trips, home-to-work travel times, daily vehicle hours of delay, and jobs-to-housing balance. Forecasts have been performed on the consumption of agricultural and green field land; water usage per household; tons of greenhouse gas emitted; and the supply of housing relative to demand, including the level of unmet demand spilling over into adjacent regions.

The focus has recently been on development and testing of technical tools that will point to Priority Development Areas (PDAs) and Priority Conservation Areas (PCAs), which can then be more specifically defined in collaboration with local governments. In its monthly meetings, the Technical Advisory Committee (TAC) has finalized criteria and related data to be used to point to potential PDAs and PCAs; reviewed data maps and made suggestions for improvements; reviewed draft scenarios for PDAs produced by TAC members; and discussed how to consolidate priorities and approach local jurisdictions for identifying actual PDAs.

MTC/ABAG has completed an analysis model that allows data layers to be weighted and then summarized in a single composite scenario. The model can be run in real time and the resultant maps can be viewed at the regional and local levels. Coordination is continuing on data gathering in order to map PCAs. The use of local experts is also being considered in developing a map of conservation areas based on local and regional priorities.

4. Sacramento Area Council of Governments (SACOG)
Workshops were conducted as part of the Metropolitan Transportation Plan (MTP) development. Nearly 1,500 people attended 16 workshops that were held throughout the valley. This landmark public outreach effort is critical to the integration of blueprint principles into the metropolitan transportation planning process. Public input from these workshops has been compiled and evaluated, and the findings are informing the transportation modeling efforts.

SACOG has also implemented another landmark public outreach effort, "TALL Order: Moving the Region Forward", eight simultaneous workshops held on November 16, 2006, calling on the public to help determine investment priorities. The results of this effort will help to develop the MTP alternatives consistent with Blueprint planning goals.

The Phase 1 Freight and Goods Movement work element has been completed and a report has been presented to the Board of Directors. The Land Use Economic Database and the Intelligent Transportation Systems Smart Corridor Element are nearly complete. Regional consultations continue for streamlining the process for complying with the National Environmental Policy Act; state, federal and regional partners are providing input on purpose and need for the MTP Environmental Impact Report. Economic rent data collection is an integral part of the model and nears completion. Phase 2 will develop several future scenarios and model them in conjunction with the MTP and Blueprint. An Intelligent Transportation System Smart Corridor Study is part of Phase 2.

An interregional partnership has been created to develop an action plan to pursue National Environmental Protection Act streamlining. The partnership represents a diverse group of stakeholders including regulators and natural resource managers from federal, state, regional, and local agencies.

Blueprint Implementation 2006 will apply the vision of sustainable and efficient land use to the areas of transportation, land use, jobs, and housing. A variety of performance measures are being used or developed to measure the program objectives. Some of the performance measures are:

- Total person hours of delay
- Vehicle miles traveled per household
- Passengers per transit vehicle mile
- Relative decrease in pollutant emissions
- Percentage increase in residential density and infill development
- Improvement in measures of job/housing balance
- Percentage reduction in acres of agricultural or green fields developed

5. San Diego Association of Governments (SANDAG)
In July 2004, SANDAG's Board of Directors adopted a Regional Blueprint Plan, known as the Regional Comprehensive Plan. It sets forth a vision and implementation strategy consistent with the six program criteria identified in the California Regional Blueprint Planning program. Over the last two years, SANDAG has taken steps toward implementing the vision.

A key step has been the adoption of the Smart Growth Concept Map. The map identifies more than 200 specific existing, planned and potential opportunities for transit-oriented, walk able, mixed-use development with higher density housing and jobs. A total of $24 million has been allocated to 16 Pilot Smart Growth Incentive Projects. Each of these projects is located within walking distance of existing transit stations. Project selection criteria included minimum housing and job density requirements to support transit ridership and a mix of uses to promote walk ability.

SANDAG has established working groups of stakeholders (representing technical areas, stakeholders and freight) that provide opportunities for involvement in regional programs by citizens, elected officials, agency staff and representatives of civic and community groups to play an integral role in the refinement of San Diego's Regional Comprehensive Plan as well as input into future planning processes.

SANDAG released a Baseline performance monitoring Report that shows progress made on 39 indicators related to Urban Form and Transportation, Housing, Healthy Environment, Economic Prosperity, Public Facilities, and Borders. The Baseline Report showed a number of areas in which progress is being made in the San Diego region. For example, nearly 1/3 of new housing units built in 2005 were in Smart Growth Opportunity Areas, 99 percent of new development occurred within urbanized areas (not on farmland or in valuable habitat areas), air quality has improved, transit ridership has outpaced population growth, and the share of energy produced from renewable resources has increased substantially.

Use of the IPLACE3S model can assist local jurisdictions in changing their local plans to further implement smart growth development at transit stations. Work on the Integrated Regional Infrastructure Strategy is a necessary step toward fully funding needed transportation and other infrastructure to support the region's projected growth. Participation in the Southern California Goods Movement Action Plan will enhance interregional partnerships with other Southern California agencies and enhance mobility in the San Diego region.

All of these efforts are generating potential models that other California regions can duplicate for their region's blueprint plan implementation.

6. <u>San Luis Obispo Council of Governments (SLOCOG)</u>
GIS mapping is being compiled for the Community 2050 Program. During the planning and development stage, data obtained from the Long Range Socioeconomic Study, the Regional Travel Model, and GIS mapping resources will be used to conduct GIS based urban growth modeling. The information will be presented to the Countywide Planning Directors Group, County Planning, the Local Agency Formation Commission, and the Air Pollution Control District. The Community 2050 Workgroup installed and tested UPlan and conducted a UPlan exercise focused on resource issues. Staff continue to integrate model upgrades and will use an improved manual to help implement the model. In a meeting in September 2006 utilized UPlan to evaluate maps defining areas where sensitive lands are located and model the most likely pattern of future land use development within the County. The areas identified by UPlan as areas where development is

most likely to occur will be used as the foundation for base case scenarios that will be a part of public workshops to be held in 2007.

Staff participated in the Regional Blueprint Learning Network. Presentations were made to the SLOCOG Board and the Santa Barbara County Association of Governments about the blueprint program. Staff also met with representatives from the San Joaquin Valley Blueprint project regarding the UPlan model. SLOCOG initiated an extension of the visioning activities associated with Community 2050 in northern Santa Barbara County. Staff met with representatives from the cities of Santa Maria and Guadalupe to discuss including the greater Santa Maria area in the Community 2050 program.

7. Butte County Association of Governments (BCAG)

Butte County is engaged in the Land Use Vision process for the region. Considering population growth, housing projections and conservation strategies, including clarifying where sensitive species and habitats exist, will help the County to identify lands that are favorable for growth and development. Gathering support from community leaders in the city, towns and County is critical to the development of the Land Use Vision for the region.

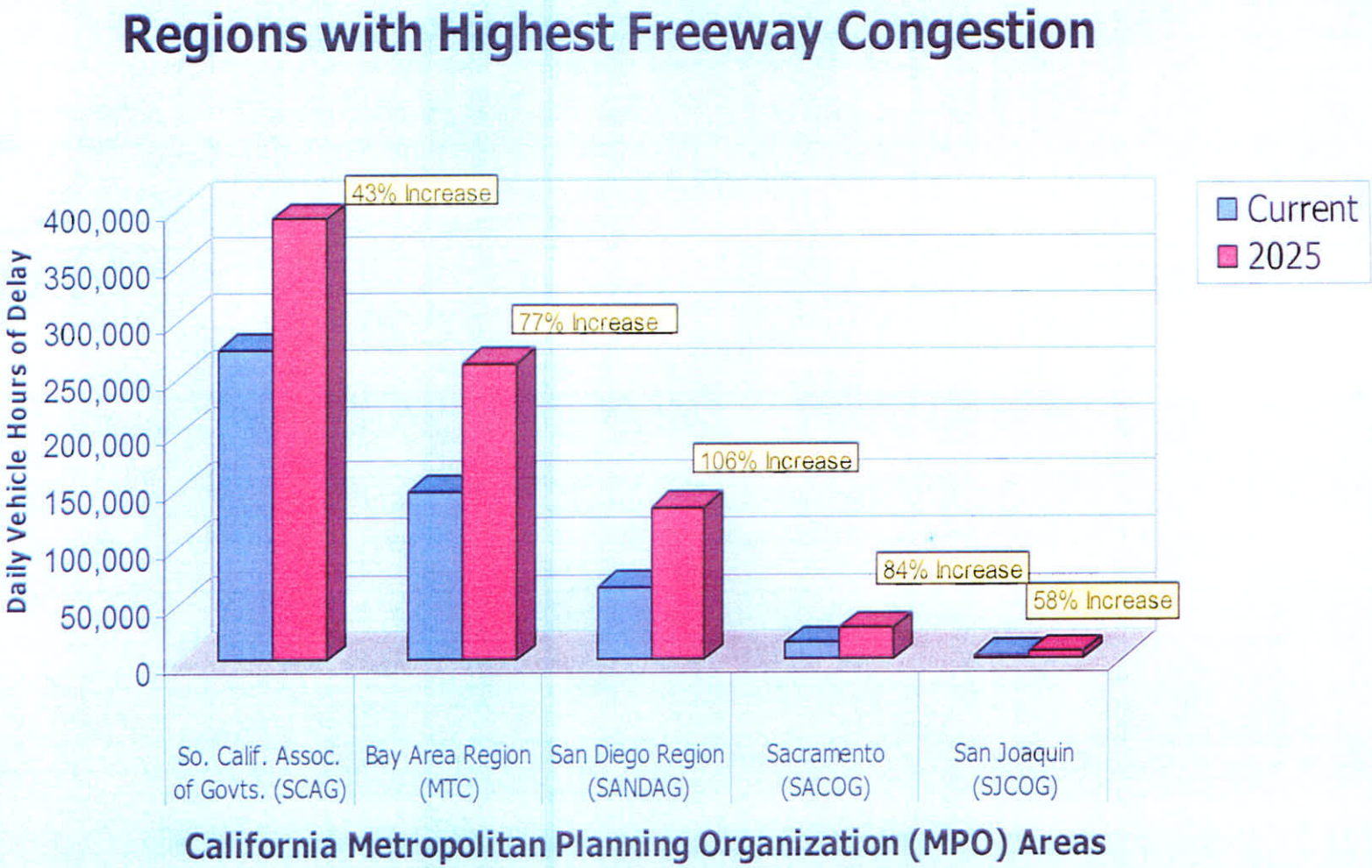
Performance measures will be addressed after the Land Use Visioning process is completed. Regional collaboration and interregional partnerships continue to be strengthened through the meetings of the Steering Committee, the City/Town/County Planning Directors Group, and the City/Town/County Administrators Committees. Prior to the BCAG Blueprint Planning efforts, these groups did not exist. They have provided the opportunity for planners and administrators to collaborate on regional issues to better plan for growth and development within a regional context. The Regional Growth Projections and Regional Guiding Principles have been developed through these groups. The Regional Guiding Principles will be integrated into each jurisdiction's General Plan update to provide a regional consistency to the plan updates and to make each plan more integrated with one another.

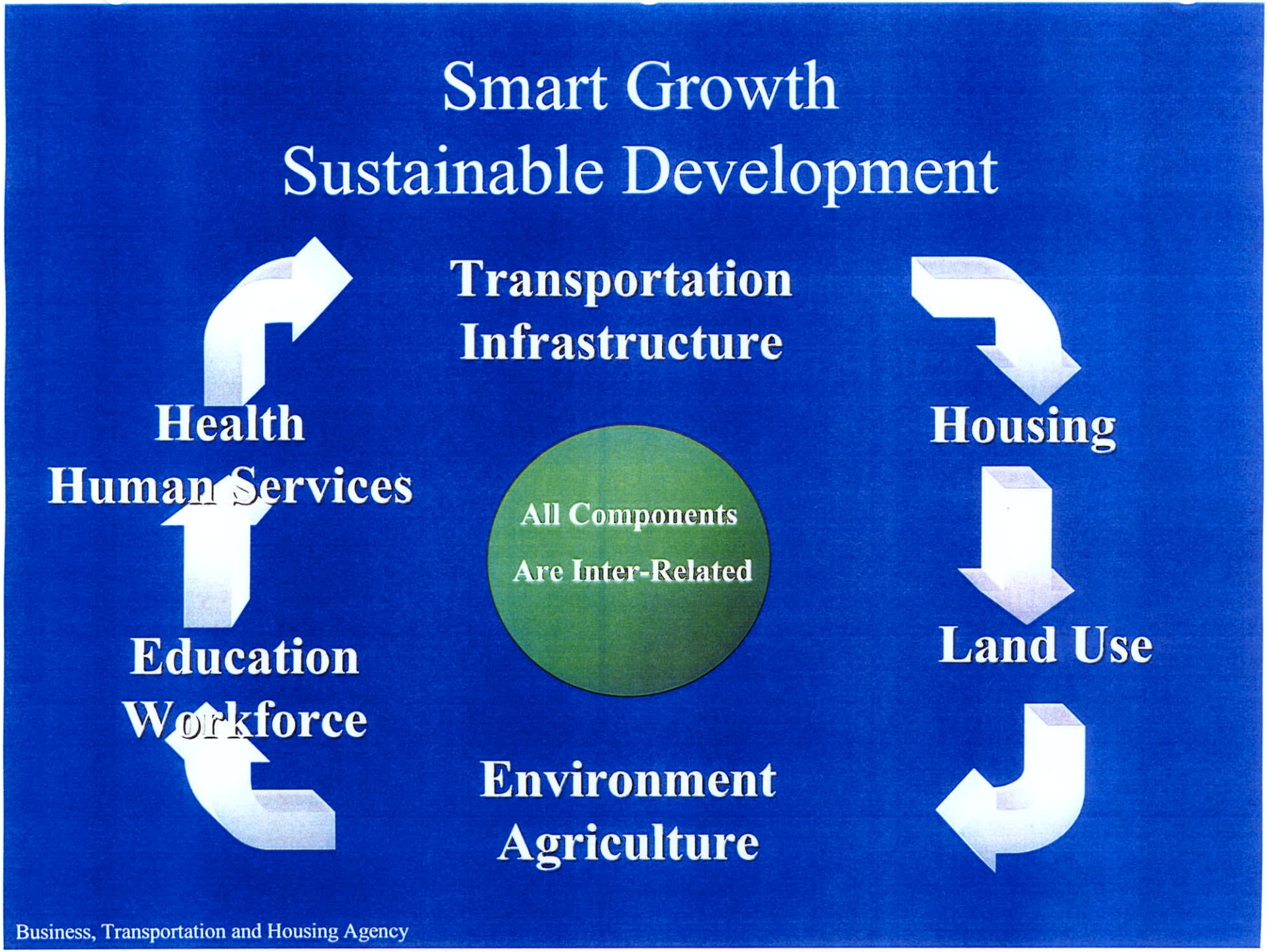
BCAG has begun development of an Ecological Baseline Assessment Report that will result in a land cover map of 2/3 of the county area and will better define the geographic extent of sensitive habitat and protected species. This information will be provided to the cities, towns and counties to allow separation of zoning from sensitive habitats. Detailed, comprehensive and consistent ecological data has been a major missing piece of the land use puzzle in Butte County. By clarifying where sensitive habitats exist, the region will be better able to reconcile the competing needs for habitat conservation, land development, and agricultural preservation. A Steering Committee has been formed to direct the development of the Baseline Ecological Assessment Report, which will determine locations of sensitive habitat and likely locations of state and federally listed species within Butte County. This committee is comprised of BCAG staff as well as four BCAG Board members. The visioning process and Ecological Baseline Assessment Report are expected to be completed by the end of February 2007 and will be reviewed extensively by stakeholders and the public.

National Surface Transportation Policy and Revenue Study Commission

Sunne Wright McPeak
President & CEO
California Emerging Technology Fund
Former Secretary
Business, Transportation and Housing Agency

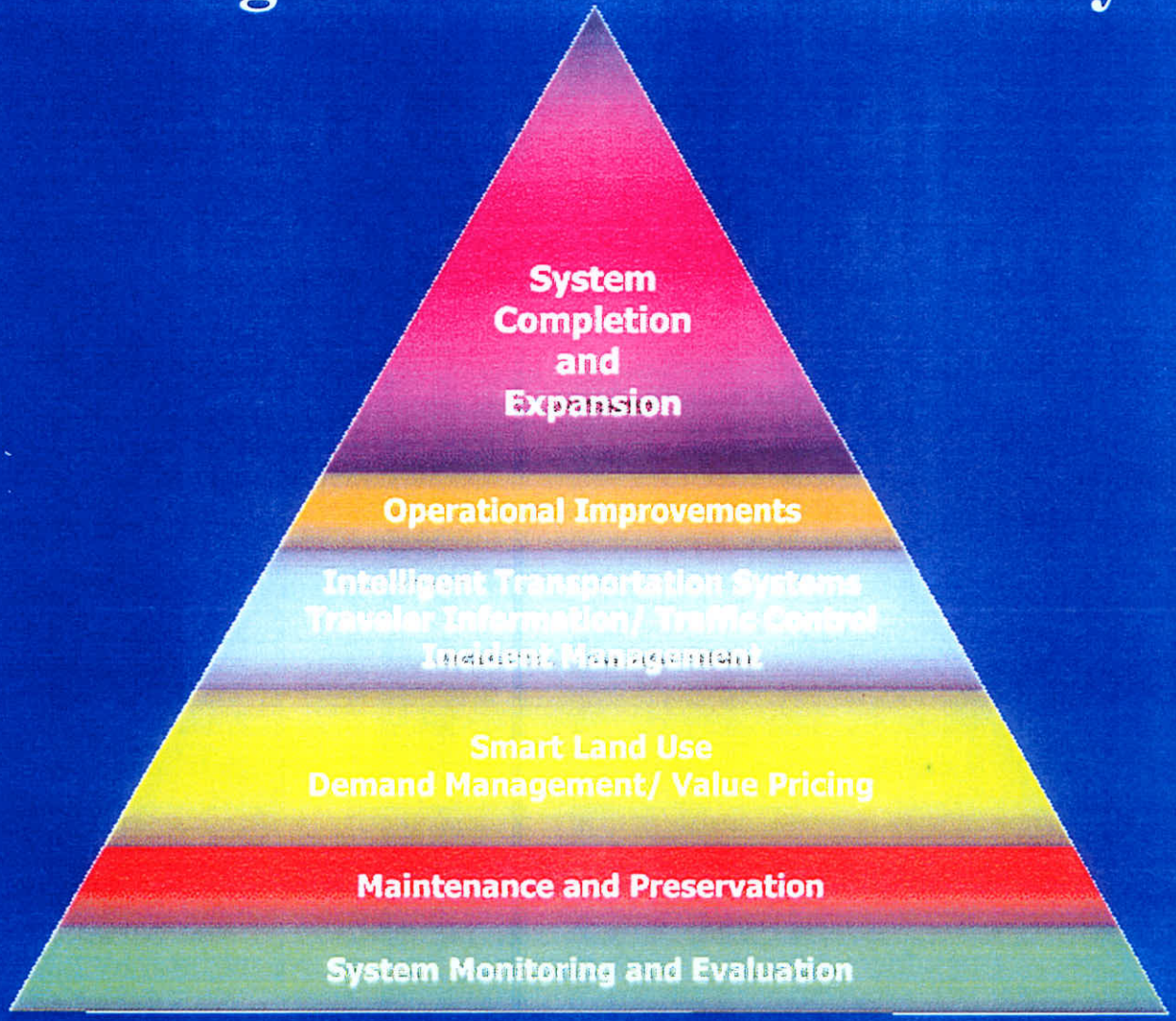
Current Trends Mean More Delay




Smart Growth
Sustainable Development
Transportation
Infrastructure
Housing
Land Use
Environment
Agriculture
Education
Workforce
Health
Human Services
All Components
Are Inter-Related
Business, Transportation and Housing Agency

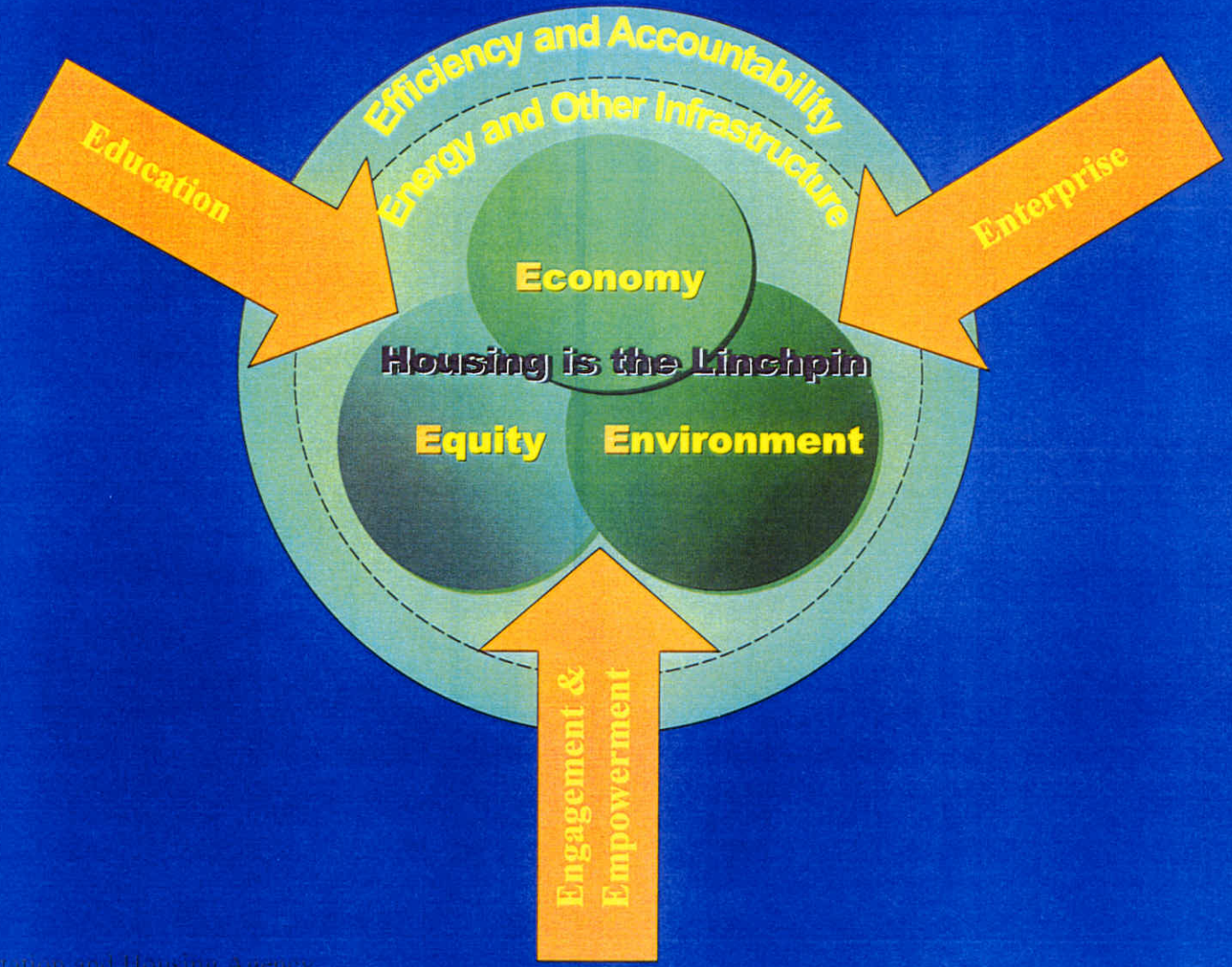
GoCalifornia

Strategies to Maximize Mobility



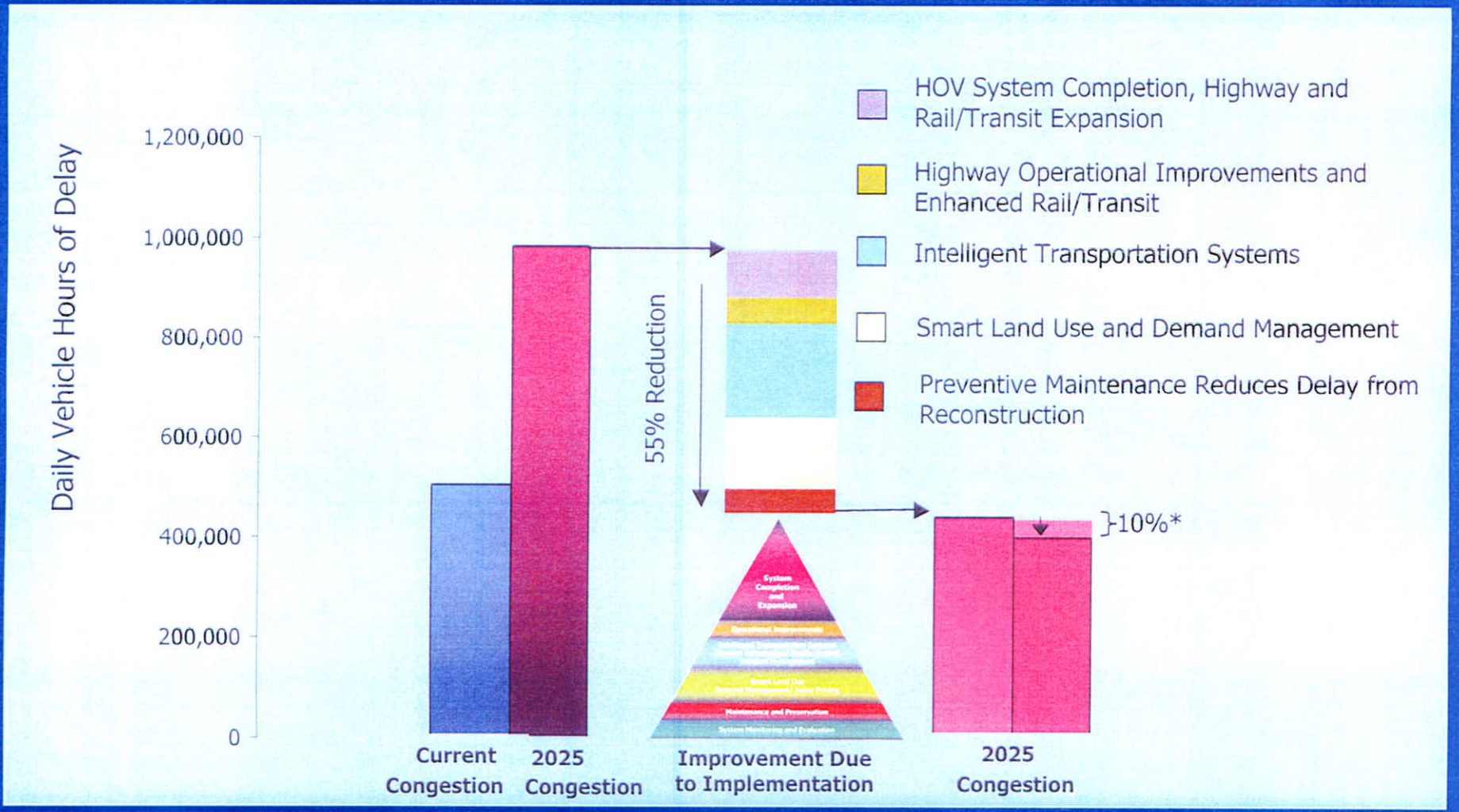
Transportation Investments Have More Impact If Built On This Foundation

3 "Es" of Smart Growth
Governor's "Es" for California's Future



GoCalifornia

Comprehensive Strategies to Reduce Congestion



*Synergy Effect From Coordinated-Integrated Implementation

TESTIMONY OF MARTIN WACHS, PhD

DIRECTOR, TRANSPORTATION, SPACE & TECHNOLOGY PROGRAM OF THE SUPPLY CHAIN POLICY CENTER RAND CORPORATION

The opinions presented are those of the author(s) and do not necessarily represent an opinion or endorsement of the Surface Transportation Policy and Revenue Study Commission Steering Committee members.

TESTIMONY

Beyond the Gas Tax

Alternatives for a Greener World

MARTIN WACHS

CT-274

February 2007

Testimony presented before the Los Angeles Field Hearing of the National Surface Transportation Policy and Revenue Study Commission on February 21, 2007

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Martin Wachs[1]
The RAND Corporation

Beyond the Gas Tax: Alternatives for a Greener World

Before the National Surface Transportation Policy and Revenue Study Commission
Los Angeles Field Hearing

February 21, 2007

Madame Chairman, Commissioners, I'm happy to be here today to testify on these important issues. As we look to the future of transportation finance, two overriding concerns seem likely to determine our agenda. First, there is the challenge of finding the revenue to cover the costs of capital investments, operations and maintenance of the transportation system itself. This has always been the single most important purpose of transportation charges and fees. But, there is a second consideration of growing importance, and that is achieving more efficient, equitable and environmentally sustainable use of the transportation system. In addition to asking whether a given fee or charge is adequate, we must increasingly also ask whether it can also function as a lever to encourage greater efficiency, fairness, and environmental protection than an alternative approach to charging for the use of the system or service.

Decreasing Linkage Between Payments and Use

Direct transportation user fees, such as tolls, fares, and motor fuel taxes, are the preferred ways in which to raise money to support the transportation systems because they align our payments directly with the services for which we are paying. When travelers are presented, through user fees, with the true cost of additional travel, they have a financial incentive to make additional trips only when the private benefit that they receive exceeds the social cost imposed by the travel. This helps to reduce congestion and promotes greater overall efficiency in our collective use of the nation's transportation system. In contrast, charges not related to the use of the system – such as general taxes and fees like income or sales taxes - are regarded as the poorest ways to charge for the use of the system. User fees in the form of gas taxes induce us to buy more fuel efficient cars, while tolls and parking charges encourage us to carpool or use public transit, making these types of charges consistent with our environmental and equity goals. Reliance on income taxes or sales taxes to pay for transportation decouples the users from the payers, by contrast, and also

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provides no encouragement or reward for more desirable behavior. This in turn decreases the overall efficiency of society's use of the transportation system.

Federal and state fuel taxes, though still the greatest source of revenue for transportation, are rising much more slowly than either traffic volumes or transportation system costs. Because fuel taxes are generally levied per gallon, and not per dollar spent on fuel or per mile of driving, inflation and improved fuel efficiency combine to erode the buying power of the motor-fuel tax. To keep pace with rising costs and increasing travel, the per-gallon fuel tax levy needs to be hiked regularly – a significant political liability. Fuel taxes have been increased only a few times since the early 1980s, and have fallen far short of pacing the combined effects of inflation, improved vehicle fuel efficiency, and new program responsibilities.

Governments at all levels in 2004 raised a total of $129.5 billion in support of highway programs, of which 64% came from user fees, 24% from general taxes, and 12% from specialized or "earmarked" transportation taxes. In that year, all governments in combination raised another $38.6 billion for transit programs, of which 44% came from user fees, 31% from general taxes, and 25% from specialized transportation taxes. But, over time we are raising less money from user fees and more from instruments not related to system use, such as sales taxes. For example, while motor fuel tax revenues used for highway programs are rising by an average annual rate of 2.4%, revenues from property taxes that were devoted to the support of highways are rising by 4.4% annually. Transportation sales taxes and other specialized taxes devoted to funding highways are rising at an annual rate of 7.5%. For public transit, revenues from fares rose by 3.5% annually over the decade, and those from motor fuel taxes also rose at 3.5% annually, but transit revenue from sales taxes rose by 8.5% annually. This trend – gradually breaking the link between transportation financing and system use – is making the transportation system less efficient, less fair, and less green just as policymakers at all levels are trying to improve the system's performance on those dimensions.

An Alternative Policy Direction: Reemphasizing User Fees

In the short run, a modest increase in federal and state motor fuel taxes would enable revenue to come closer to keeping pace with needs. Despite the obvious political drawbacks of raising these fees, they are much more consistent with our emerging policies of encouraging energy efficiency than increasing reliance on sales taxes or general revenues. Higher motor fuel taxes will simultaneously produce needed revenue and encourage the purchase of more fuel efficient cars such as hybrids. I encourage the commission to support motor fuel tax adjustments in the near future.

Two widely considered strategies for stabilizing user-based revenue growth in the relatively short term involve states or potentially the federal government avoiding periodic political firestorms over raising rates by adopting fuel tax rates that adjust automatically under changing conditions. The first way to accomplish this is through legislation to convert from cents per gallon excise taxes to an ad valorem tax, which means that the tax, like most sales taxes, is set as a percentage of the sale price of the fuel. Over time, the trend in fuel prices is likely to be upward, so a fixed percentage should produce a growing revenue stream. While the political battle to achieve such a change may be vigorous, once won it need not be fought every few years.

The second way to achieve this goal is through legislation indexing the fuel tax to some appropriate indicator, such as the consumer price index, or perhaps more logically, to the construction cost index. These approaches are worthy of careful consideration, but they have some subtle potential drawbacks in addition to obvious benefits. Several states adopted "variable rate" fuel taxes between 1974 and 1982 when the nation was experiencing high rates of increase in fuel prices and we expected rapid reductions in fuel tax revenues due to the adoption of corporate average fuel economy standards. But the fuel prices that had risen so rapidly in the seventies fell quite rapidly in the eighties and fuel tax revenues that were pegged to the price of fuel also produced dramatic reductions in revenues. The case of Michigan is widely cited. After adopting a fuel tax rate directly proportional to a highway maintenance construction cost index and inversely proportional to state fuel consumption, that state allowed indexing to expire in the mid-eighties after experiencing a 36 percent decline in revenue under the new system. About fifteen states enacted some form of indexing in the seventies or early eighties, and most reversed themselves after discovering that the volatility of the price of energy was among the most vigorous sources of inflation. The volatility of the price of petroleum was the fundamental cause of decreasing stability in transportation revenues. In order to dampen potential volatility it is possible to index only a portion of the motor fuel tax and it might be possible to couple indexing with a "cap" upon annual changes in the upward or downward direction in order to avoid wild fluctuations in tax revenue and in prices faced by consumers.

Longer-Term Prospect for Direct User Charges through Electronic Tolls

While some might dismiss reluctance to raise motor fuel taxes as a matter of political will that could change, there are stronger reasons to argue that the motor fuel tax is not a viable revenue base for transportation over the long term. A reduction of 20 percent in average fuel consumption per vehicle mile is possible by 2025 if fuel economy improvement is driven by regulation or sustained fuel price increases or both. The recent introduction of hybrid vehicles provides an

indication of what may well be a long-term transition away from exclusively petroleum-based propulsion.

It is difficult to anticipate with precision the likely market penetration of hybrid, battery electric, biofuels, or hydrogen fuel cell vehicles over the coming decade or more. More important than any particular technology are increasing concerns with global warming and the links between the use of carbon-based fuels of all sorts and the concentration of greenhouse gases in the atmosphere. We should expect a growing national commitment to reducing the production of greenhouse gases, foreshadowed by the California Energy Commission's current program aimed at automobile engines. In addition to state initiatives, it may soon become national policy to reduce the burning of fossil fuels in order to slow growing concentrations of greenhouse gases. Should this happen, basing our system of transportation finance on the sale of carbon-based fuels at both the federal and state levels via the motor fuels tax will be increasingly problematic because it creates for government a deep conflict of interest. If one national policy is aimed at reducing the consumption of fossil fuels while the surface transportation program depends upon growth in the sale of such fuels as a principal source of needed revenue, it creates an undesirable struggle between environmental and revenue policy objectives. It is possible to envision higher transportation energy taxes as a mechanism by which to induce greater vehicle efficiency, but to the extent that such a strategy succeeds in improving efficiency it eventually defeats itself as a revenue source. For this reason it seems useful to plan for alternatives user fees, such as tolls and per mile charges for driving on American highways as successors to motor-fuel taxes.

In stark contrast to the gradual drift away from user fees, recent technology innovations – such as GPS and wireless communications – have stimulated proposals for the introduction of pay as you drive tolling as a long-term replacement for the gas tax. In addition to overcoming the structural and political liabilities of motor fuel taxes, VMT tolling would also breathe new life into the user-fee principle around which transportation finance in the U.S. has traditionally centered. The basic idea behind VMT tolling is to measure the amount of mileage driven by each vehicle in different jurisdictions. Per-mile usage fees would then be assessed, and the resulting revenue would be divided proportionally among the jurisdictions in which travel took place. To measure and record road use, each vehicle must be equipped with an onboard unit integrating a GPS receiver, a set of digital maps with jurisdictional boundaries, an odometer feed, a rate table for computing distance charges, and wireless communication technology for reporting billing data. During each trip, the computer checks the GPS receiver to determine geographic coordinates, then compares this information with digital maps to establish the current jurisdiction. Each mile traveled (based on the odometer feed) is then sorted and stored by jurisdiction, and the computer uses this

information, along with the rate table, to keep a running total of fees owed to different authorities (for example, different states or different counties within states).

Periodically, the recorded road use information is transmitted to a billing agency so that charges can be levied and fees paid. This could occur via dedicated short-range communications when the driver refuels, in which case the fees could be simply added to the fuel bill. Alternatively, data could be uploaded via cellular communications to the billing agency on a periodic basis, and the vehicle owner would then be billed electronically. To prevent toll evasion, the onboard equipment must be tamper-resistant. In one strategy, the onboard units could be programmed to perform regular checks against the odometer to ensure that the metering equipment has not been disabled during any period of operation. Jurisdictions might also choose to mount roadside devices that can communicate with passing cars to verify that onboard units are installed and operational. Automated billing systems to support VMT tolling would likewise need to be secure.

The implementation of VMT tolling would be a major initiative that would require considerable investment. Eventually, all cars would need to be outfitted with the required onboard equipment which would appear to cost on the order of $100 per vehicle, though the required technology is becoming cheaper with time. In addition, it would also be necessary to implement a range of supporting information technology infrastructure – such as data collection and automated billing systems – that would facilitate the operations of VMT tolling. Capital outlays for implementing VMT tolling at the national level would likely total in the range of tens of billions of dollars. On the other hand, once all of the requisite systems are in place, much of the processing would be automated, and the long term cost-efficiency of operating VMT tolling would likely be high. VMT tolling would also represent a significant evolution in the mechanisms of transportation finance.

In the U.S., detailed feasibility analyses and pilot studies of VMT tolling have been conducted by the University of Iowa, the Oregon Department of Transportation, and the Puget Sound Regional Council. The Oregon Department of Transportation organized a Road User Fee Taskforce and is conducting a pilot study of mileage-based user fees and area-wide congestion tolls, facilitated by on-board units featuring GPS receivers and short wave radio communications. The technology platform was successfully demonstrated in May of 2004, and a pre-pilot test involving 20 vehicles equipped with the onboard metering units was performed in the fall of 2005. The full pilot test, which includes 260 vehicles in the Portland area, was launched in the spring of 2006 and will continue until the spring of 2007. One portion of the study group will pay distance charges only, while the remainder will pay both mileage fees (albeit at a reduced rate) as well as congestion tolls. To compensate for these fees, all participants will receive rebates on their fuel taxes at the time of purchase. Depending on the results of the study, legislation to enact the mileage fee (and

potentially introduce congestion tolls) on a statewide basis may be considered as early as 2009. Several European nations, including Austria, Germany, and Switzerland, have recently implemented automated weight-distance truck tolling programs. Among these, the German TollCollect system utilizes onboard technology similar to that required for general-purpose VMT tolling, thus proving the technical feasibility of the concept

VMT tolling offers the opportunity to charge for every mile driven by every vehicle on every road, and of course the level and type of charging is subject to many political considerations. Depending on the per-mile levy, VMT tolling could be structured as a revenue-neutral replacement for motor fuel taxes, or alternatively the fees could be set to enhance total revenues. For example, the federal gas tax is currently set at 18.4 cents per gallon, while the average fuel economy of the nation's existing passenger vehicle fleet hovers around 22 miles per gallon. Thus, a per-mile fee of around 0.84 cents per mile would generate sufficient revenue to replace the existing federal fuel tax. If a higher per-mile fee were levied, total revenues would obviously be increased. In addition to a flat mileage charge, researchers investigating VMT tolling have also discussed the possibility of incremental per-mile charges for travel during congested periods or for highly polluting vehicles. If instituted, such add-on charges could be used either to augment total revenues or to lower the base per-mile charge without decreasing total revenues. At the same time, by sending price signals that encourage drivers to travel less during peak periods and purchase more environmentally-benign vehicles, these add-on charges could improve the efficiency of our transportation system and reduce the environmental externalities associated with auto and truck travel.

A compelling advantage of VMT tolling is that the revenue stream is not inherently dependent on the fuel economy of the vehicle. In contrast, motor fuel taxes grow weaker with improved fuel economy, necessitating periodic rate hikes that have become increasingly unpopular in recent decades. At the same time, VMT tolling functions effectively regardless of fuel type, whereas current motor fuel taxes are not well-equipped to handle rapidly developing alternatives such as electricity, bio-fuels, or hydrogen. Another benefit of VMT tolling is that the revenue stream is fairly stable, varying only with the number of miles driven by the population. Because the demand for road maintenance and new construction also varies with miles driven, the supply and demand for highway revenues should track one another fairly well.

Many are concerned that the onboard equipment required for VMT tolling would enable the government to track drivers without their consent. Yet when one digs deeper into the details of VMT tolling proposals, it becomes evident that privacy concerns can be addressed through appropriate technical and programmatic design. Researchers have designed ingenious methods

TESTIMONY OF BARRY R. SEDLIK

ACTING SECRETARY
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
STATE OF CALIFORNIA

TESTIMONY OF GILL V. HICKS

CALIFORNIA MARINE AND INTERMODAL TRANSPORTATION SYSTEM ADVISORY COUNCIL (CALMITSAC)

Testimony of Gill V. Hicks, Chairman
California Marine and Intermodal Transportation System Advisory Council
(CALMITSAC)

Before the
National Surface Transportation Policy and Revenue Study Commission
February 21, 2007
Los Angeles, CA

Good morning, Mr. Chairman and members of the Commission. Thank you for this opportunity to speak to you today about "national freight policy as a tool for economic growth."

CALMITSAC is a regional affiliate of the Marine Transportation System National Advisory Council (MTSNAC) established by former Secretary of Transportation Norman Mineta. CALMITSAC has over 30 members representing a broad cross section of goods movement-related stakeholders from industry, government and academia. A list of our members is attached to this testimony.

This month CALMITSAC will be publishing Growth of California Ports: Opportunities and Challenges: A Report to the California State Legislature (February 2007). The report addresses the projected growth and congestion of the ports, impacts of port growth on the state's transportation system, air pollution caused by the ports and proposed mitigations, and port security. The report summarizes the best thinking from around the state on the importance of California's 11 public ports to the state and U.S. economies, putting forth strategies for improving the efficiency, reliability, velocity, capacity and security of the Marine Transportation System (MTS), while at the same time addressing the growing public health problems associated with freight, particularly the effects of diesel emissions.

Unfunded Trade Mandate: the Federal Government Must Pay its Fair Share

It is the policy of the U.S. government to reduce barriers to trade wherever possible. While these policies promote international commerce and jobs growth, they also create an ***unfunded trade mandate*** for gateway regions such as California ports. The federal

government has not provided any special funds for international gateways to effectively cope with the surge in cargo through its ports and airports and along its roads and railways.

Thus, there is a major disconnect between federal trade and transportation policies. As a result, funding for goods movement-related projects has fallen way behind the actual need. Agencies received far less than they requested in the most recent national transportation reauthorization legislation, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

Federal assistance is essential to compensate the region for the disproportionate costs borne locally and regionally for the goods movement services and the significant economic benefits provided to the rest of the nation. (Our accompanying "white paper" goes into more detail about these economic benefits and the environmental challenges facing the state's Marine Transportation System.) The next reauthorization must recognize the importance of a ***national goods movement system***, establish appropriate levels of federal funding support, as well as provide further opportunity for flexibility in the use of federal funds.

CALMITSAC endorses the Coalition for America's Gateways and Trade Corridors' call for a "dedicated and predictable freight infrastructure funding." Funding and allocation strategies need to be developed for Projects of National and Regional Significance (PNRS). CALMITSAC joins with the Coalition for America's Gateways and Trade Corridors in urging the National Surface Transportation Policy and Revenue Commission to place dedicated freight funding as a top priority.

California Has Pledged its Fair Share.

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B), approved by voters on November 7, 2006, provides for $19.925 billion in General Obligation bond funds to fund transportation investments statewide. Of this total, $3.1 billion will be set aside in a Ports Infrastructure, Security, and Air Quality Improvement Account to fund goods movement-related infrastructure, emission reductions strategies and homeland security improvements:

1) The Trade Corridor Improvement Fund (TCIF), to be allocated by the California Transportation Commission (CTC), will provide $2 billion for improvements along trade corridors of national significance.
2) An additional $1 billion will be allocated by the California Air Resources Board (CARB) for emission reductions from activities related to goods movement.
3) $100 million will allocated to ports for port-related security improvements.

Other components of the infrastructure bond program could potentially fund goods movement-related projects related to congestion mitigation, intercity passenger rail, and highway-railroad crossing safety.

Private Sector Must Contribute Its Fair Share.

Even with the new funding resources from Proposition 1B and possibly from the federal government, there will not be enough funding to pay for all of the necessary infrastructure and mitigation projects recommended for the region. To help reduce the funding gap, all levels of government as well as private industry must participate and pay a share.

Given the limitations of federal and state funds, it must be recognized that "self-help" public-private funding arrangements will be the best way to complete the financing for critical projects.

Thus, CALMITSAC strongly endorses efforts to negotiate cargo or container fees for infrastructure and environmental mitigation projects. The value of improvements to the study area's goods movement system must be converted into revenue for improving infrastructure and mitigating environmental impacts. Federal and state funds require local/private matching funds, thus private sector contributions will add strength to applications for leveraging federal and state funds. CALMITSAC believes that fees should be negotiated by goods movement stakeholders in each region.

Projects that *successfully* negotiate shared public-private funding arrangements should be rewarded by receiving higher priority in the allocation of federal and state funds.

While private ownership of facilities may be one way to bring private resources to the table, it is not the only way and should not be preferred over equally viable public-private financing mechanisms. For example, the Alameda Corridor is publicly owned by the Ports of Los Angeles and Long Beach but relies on a revenue stream from the railroads. The ports are currently investigating the feasibility of cargo or container fees to pay for other critical infrastructure and environmental mitigation projects on a "pay-as-you-go basis" without the need for borrowing. If successful in these negotiations, projects should be rewarded by receiving higher priority for federal and state funding.

Conclusion

In summary, CALMITSAC applauds the hard work of this Commission and pledges its support in your ongoing efforts to find feasible solutions to the nation's pressing financial problems. I believe the key to success will be continued collaboration and a willingness of all stakeholders – both public and private – to not only share in the benefits of key projects, but to also accept shared responsibility for the problems facing our transportation system and a shared responsibility for funding these projects. Thank you.

CALIFORNIA MARINE AND INTERMODAL TRANSPORTATION SYSTEM ADVISORY COUNCIL

Officers:

Chair: Gill V. Hicks, Gill V. Hicks and Associates, Inc.

Co-Vice Chair: Marianne Venieris, Center for International Trade and Transportation

Co-Vice Chair: Bob Gore, Infrastructure Delivery Council

Chair, Infrastructure and Competitiveness Committee: John Amos, National Industrial Transportation League

Chair, Environmental Committee: Gary Gregory, California State Lands Commission

Chair, Port Security and Consequence Management Committee: Larry Mallon, Southern California Marine Transportation System Advisory Council

Chair, Policy and Funding Committee: Jeff Brown, California Senate Sub-Committee on California Ports and Goods Movement

Executive Committee: Gill Hicks, Marianne Venieris, Bob Gore, John Amos, Gary Gregory, Larry Mallon, Jeff Brown, Norman-Fassler-Katz, Tim Schott

Secretary/Treasurer: Bill Lyte, Consulting Engineers and Land Surveyors of California

Staff Consultant: Norman Fassler-Katz, California Senate Sub-Committee on California Ports and Goods Movement

Roster:

Gill Hicks, Chairperson	Gill V. Hicks and Associates, Inc.
John Amos	National Industrial Transportation League
Captain M.H.K. Aschemeyer	Marine Exchange of Southern California
Michael Bittner, Ph.D.	California Maritime Academy
Selwyn Moore	The Waterfront Coalition
Jeff Brown	California Senate Sub-Committee on California Ports and Goods Movement
Robert Calix	So. Cal. Marine Transportation System Advisory Council

Roster (continued):

John Cockle	California Short Line Railroad Association
Steve Vaughn	California Highway Patrol
Dominic DiMare	California Chamber of Commerce
Bob Dockendorf	Pacific Maritime Association
Norman Fassler-Katz	California Senate Sub-Committee on California Ports and Goods Movement
James FitzGerald	Burlington Northern and Santa Fe Railway Company
Brian Foss	California Maritime Infrastructure Authority
Bob Gore	Infrastructure Delivery Council
Gary Gregory	California State Lands Commission
Robin Grove	Pacific Coast Council (of Customs Brokers and Freight Forwarders)
Lee Hieber	California Marine Affairs and Navigation Conference
Bill Jones	U.S. Environmental Protection Agency
Captain Lynn Korwatch	Marine Exchange of San Francisco Bay Region
Bill Lyte	Consulting Engineers and Land Surveyors of California
Lawrence Mallon	So. Cal. Marine Transportation System Advisory Council
John McLaurin	Pacific Merchant Shipping Association
Scott Moore	Union Pacific Railroad
Richard Nordahl	California Department of Transportation
Rob Oglesby	California Environmental Protection Agency
Ray Ortiz	International Longshore and Warehouse Union
Peter Peyton	Marine Transportation System National Advisory Council
Randy Rogers	U.S. Department of Transportation
Dorothy Rothrock	California Manufacturers and Technology Association
Tim Schott	California Association of Port Authorities
Barry Sedlik	California Business, Transportation and Housing Agency
Scott Smith	Ocean Carriers Equipment Management Association (OCEMA)
Marianne Venieris	Center for International Trade and Transportation

Public-Private Funding for Freight Projects: All Sectors Must Pay Their Fair Share

Presented to:

National Surface Transportation Policy and Revenue Study Commission

February 21, 2007

By

Gill V. Hicks

President, Gill V. Hicks and Associates, Inc.

Chairman, CALMITSAC

Overview of CALMITSAC

- Regional affiliate of the national MTS advisory council established by Secretary Mineta.
- Over 30 members representing industry, government, and academia.
- Coordinating closely with West Coast Corridor Coalition: similar mission and goals and objectives.

Marine Transportation System (MTS) Infrastructure Needs ($Millions)

Southern CA	$16,861
Northern CA	$2,991
Central CA	$487
Total	$20,339

Unfunded Trade Mandate

- U.S. policy: reduce barriers to trade.
- Promote international commerce and jobs growth.
- Trade supports 1 in 7 jobs in California and over 2 million jobs nationally.
- Federal government has not provided sufficient funds for international gateways to cope with the surge in cargo through its ports and airports and along its roads and railways.

Federal Government Must Pay Its Fair Share

- Compensate the region for the disproportionate costs borne locally and regionally for the economic benefits and goods movement services provided to the rest of the nation.
- Establish appropriate levels of federal funding support, as well as provide further opportunity for flexibility in the use of federal funds.

Dedicated Freight Funding Should Be a Top Priority

- CALMITSAC endorses the Coalition for America's Gateways and Trade Corridors' call for a "dedicated and predictable freight infrastructure funding."
- Funding and allocation strategies need to be developed for Projects of National and Regional Significance (PNRS).

California Has Pledged Its Fair Share: Proposition 1B: $19.925 Billion

- $2 billion for trade corridors infrastructure
- $1 billion for trade-related emissions reductions
- $100 million for port security
- $4.5 billion for corridor mobility improvements
- $2 billion in new STIP funding
- $1 billion for SR 99
- $200 million for school bus retrofit
- $4 billion for public transit
- $1 billion for state-local partnership program
- $1 billion for transit safety and security
- $125 million for local bridge seismic retrofit
- $250 million for railroad grade separations
- $750 million for SHOPP funds
- $2 billion for local streets and roads

Private Sector Must Pay Its Fair Share.

- "Self-help" public-private funding arrangements will be the best way to complete the financing for critical projects.
- While private ownership of facilities may be one way to bring private resources to the table, it is not the only way and should not be preferred over equally viable public-private financing mechanisms.

Need Negotiated Cargo or Container Fees

- CALMITSAC strongly endorses efforts to negotiate cargo or container fees for infrastructure and environmental mitigation projects.
- Fees should be negotiated by goods movement stakeholders in each region.
- Projects that have successfully negotiated shared public-private funding arrangements should be rewarded by receiving higher priority in the allocation of federal and state funds.

Public-Private Funding Negotiations: Keys to Success

- Consensus on what to build, funding shares, method of payment
- Legal authority
- Stable revenue stream
- Funding firewalls and sunset clauses
- Appropriate allocation of risk
- Cost and schedule control
- Experienced project management
- Product orientation not process orientation
- Focused agency mission
- Clear decision making authority

Conclusion

- Negotiate plans of finance for key projects. (Failure to reach consensus = choosing the "do nothing" alternative by default.)
- Can't do everything for everyone.
- Establish priorities: focus on a few success stories and be willing to fund them.
- All sectors must contribute.

TESTIMONY OF JERRY N. TIDWELL

SENIOR VICE PRESIDENT SUPPLY OPERATIONS
SAFEWAY INC.

REMARKS BY JERRY TIDWELL

Senior Vice President for Supply Operations

Safeway Inc.

Before the Field Hearing of the National Surface Transportation Policy and Revenue Study Commission

February 21 & 22, 2007

Los Angeles, California

OUTLINE OF REMARKS: "Fundamental principles for solutions"

Members of the Commission:

Thank you for the opportunity to appear before you today. My name is Jerry Tidwell. I am Senior Vice President for Supply Operations for Safeway Inc.

I would also like to thank federal, state, and local leaders across California for addressing goods movement and transportation concerns and needs; Safeway looks forward to working across all regions of the State to strengthen transportation systems.

It is an honor to appear before this Commission, to welcome you to my hometown of Los Angeles, and to share with you some of the challenges facing retail and manufacturing businesses operating in the most congested metropolitan areas of our nation.

Safeway is best known as one of the largest food and drug retailers in North America, with more than 1760 neighborhood grocery stores in the United States and Canada with annual sales of approximately $40 billion.

In the United States Safeway operates more than 1500 stores in 22 states, from Pennsylvania to Virginia, Texas to Washington, Alaska and Hawaii.

What few people realize, however, is that Safeway is also a major manufacturer of food products at our thirty-one processing facilities nationwide, and that we are one of the nation's largest distribution, logistics and trucking companies. To keep our 1761 stores supplied with the freshest products possible, Safeway operates seventeen distribution centers, and a fleet with more than 3000 truck tractors and 8000 trailers. Twelve thousand Safeway employees, or more than five percent of our total workforce, are devoted to manufacturing, transportation and logistics to keep our stores stocked with fresh products everyday.

I understand that this week's hearing will be the Commission's only visit to California. As such, I would like to focus my remarks today on Safeway's California operations. In particular, I would like to share with you some of the challenges we face supplying the more than 500 Safeway stores in Southern and Northern California, two of our company's most important regions, and two areas that contain some of the most congested metropolitan areas of the nation.

California is home to 524, or more than one third, of Safeway's U.S. retail stores. These stores are supplied by three of Safeway's busiest distribution

centers, including our Northern California distribution center in Tracy which, at nearly 2 million square feet, is one of the largest food distribution centers in North America.

From our Northern California Distribution Center we supply Safeway's 267 Northern California, Nevada and Hawaii stores, the latter via ocean shipping through the Port of Oakland.

This Distribution Center operates 24 hours per day, every day of the year. Four hundred truckloads, containing as many as 40,000 distinct products or SKUs, are received, processed and shipped through Safeway's Northern California Distribution Center daily.

In addition to the distribution and logistics operations I have just described, Safeway operates its own network of manufacturing plants. Here in California we have seven manufacturing plants, four in Northern California and three in Southern California. These manufacturing plants receive fresh produce from nearby farms via truck, and commodities such as flour for baked goods, liquid sugar for soft drinks, and resin to make milk cartons via rail. The products manufactured at Safeway plants are then distributed to Safeway stores throughout North America, and are exported to customers in the Pacific Rim and worldwide through California's network of Ports, primarily Oakland, Los Angeles and Long Beach.

To deliver the very freshest products to our customers, Safeway invests tens of millions of dollars every year in new transportation and refrigeration equipment, information technology, logistics, and infrastructure at our

seventeen North American distribution centers. These are smart investments that speed our products to our retail stores in a fresher, more wholesome condition for purchase by our customers. And each of these investments must clear Safeway's rigorous internal investment hurdle before it is approved.

BUT, the return on these investments in our distribution, logistics and transportation infrastructure is limited by the lack of reliability in the freeway network over which our trucks must travel to deliver products to Safeway stores in the most congested metropolitan areas of the nation.

Let me share with you two examples of the cost of this congestion to Safeway and our customers:

Delivering Milk to Hawaii

Earlier I mentioned that most of the products sold in Safeway's Hawaii stores are supplied from our Northern California Distribution Center in Tracy.

One highly perishable product which does not move through our Distribution Center on its way to Hawaii is fresh milk. With twenty percent of its twenty-one-day shelf life consumed in transit at sea, keeping our Hawaii stores supplied with enough fresh milk to meet local demand, while minimizing spoilage and waste, presents a significant challenge.

To maximize the freshness of the milk in our Hawaii stores, ninety minutes before the ship sets sail for Hawaii from the Port of Oakland, Safeway trucks

loaded with milk leave our San Leandro milk plant and drive directly to the dock where the milk is loaded onto the ship for immediate departure to Hawaii.

About 6500 truckloads of milk per year leave our San Leandro plant destined for Hawaii. Most of these trucks make the ten mile trip north along Interstate 880 to the dock at the Port of Oakland within the 90 minute delivery window. Most, but not all.

Last year, it was not unusual that milk traveling on trucks from our milk plant in San Leandro to the Port of Oakland, destined for Hawaii, did not make it. These trucks took more than 90 minutes to travel ten miles along Interstate 880 from the milk plant to the Port of Oakland, and they arrived at the dock after the ship had set sail. Each of these missed shipments cost Safeway more than one thousand dollars in demurrage charges, incremental waste and missed costs. This does not include the cost to Safeway and its Hawaii customers for lack of availability of milk in our Hawaii stores.

This is just one example among many of the costs to Safeway and our customers of operating in congested metropolitan areas where the reliability of the highways limits our ability to provide our customers with the freshest possible products at the lowest possible cost. Similar examples of the cost of congestion exist in supplying fresh fruits and vegetables to Safeway stores in Hawaii, San Francisco, Los Angeles, and nearly every major metropolitan area where Safeway operates.

Let me share with you another example of the cost of freeway congestion.

Many of our retail stores have narrow delivery windows and strict delivery curfews. Ironically, in order to reliably meet these delivery windows and curfews, Safeway has had to add hundreds of additional trucks to the road to counter the impact of congestion.

Dispatching fully loaded trucks from our distribution center would be the most cost-efficient, energy-efficient, environmentally preferable way to distribute our products. Unfortunately, it is not the most reliable.

While a fully loaded truck could supply many Safeway stores in a day, each additional stop along the route through a congested metropolitan region reduces our drivers' ability to meet the remaining delivery windows and curfews.

Accordingly, we have increased the number of trucks we dispatch from our distribution centers each day, and reduced the loads and number of deliveries per truck. This increases our capital and labor costs, as well as the amount of fuel consumed in making the deliveries. Ironically this strategy worsens congestion by adding more trucks to the already congested freeway network. But, this strategy ensures that we can reliably meet the strict curfews and delivery windows.

Increasing the speed and reliability of our distribution system is not entirely within our control. The returns on investments in private distribution infrastructure are limited by the condition of the public infrastructure that

connects us to our customers. When our trucks get caught in traffic and miss their delivery times– at the Port dock or the loading dock of a neighborhood Safeway market – we and our customers pay a heavy price.

Rather, the condition of the infrastructure over which our goods must travel to reach the market -- the highways, rail lines that connect manufacturing and distribution facilities to our customers here in California, throughout the United States via Interstate Highways and rail lines, and to customers overseas via our ports – is the greatest factor determining when our goods will reach their market, what condition they will arrive in, and at what cost.

Improving the condition of our trade and freight infrastructure is critical to the national and international competitiveness of American businesses. This is especially true for businesses like Safeway that operate in our nation's most congested metropolitan regions.

Greater attention and dedicated funding is needed to upgrade our state and national freight infrastructure.

Here in California, voters last year approved an historic $20 billion statewide transportation investment package which included $2 billion in dedicated funding for the State's busiest trade corridors and an additional $1 billion to address environmental impacts in these corridors. This funding will hopefully serve as a much needed starting point for upgrading California's network of ports, highway and rail lines that are the backbone of California's economy.

But, as important as this first step is, California's investment, and that being made by private businesses, must be leveraged with additional investment by the federal government. To this end, Congress could follow California's lead and create dedicated funding for projects that address the most significant national freight movement challenges.

In doing so, Congress, federal and state transportation agencies should work with the business community to identify the greatest needs are and also how to ensure the greatest return on the public investment.

Fortunately, the business community here in California has begun to organize around the need for greater investment in our goods movement infrastructure. Here in Southern California the Los Angeles Economic Development Corporation, Southern California Leadership Council, and others have brought business leaders together to focus on goods movement in the region. And in Northern California, Safeway Division President Karl Schroeder chairs the Northern California Trade Corridor Coalition, a broad coalition of manufacturers, retailers and agricultural businesses from the Central Valley and the San Francisco Bay Area, created by the Bay Area Council, with a mission to advocate for the best investments in Northern California's busiest freight corridors.

One size does not fit all: In some corridors the needs are primarily improving highway conditions for trucks. In other corridors the needs are primarily reducing congestion or increasing capacity for freight rail. And in both Southern and Northern California, a major area of need is improving access to our busy ports and airports.

Thank you for your time. I would be pleased to answer any questions you have.

TESTIMONY OF RAY BURGETT

DIRECTOR OF INTERNATIONAL TRANSPORTATION
PIER 1 IMPORTS

National Surface Transportation Policy and Revenue Study Commission
Testimony of Ray Burgett
Pier 1 Imports, and
The Waterfront Coalition
February 21 & 22, 2007, Los Angeles, California Hearing

Secretary Peters, and the Commission, I would like to thank you for giving me the opportunity to come before you today in L.A. to present a vision for the future of intermodal freight movement in this country on behalf of both Pier 1 Imports and The Waterfront Coalition. The fact that we are in L.A. today is important. The ports of San Pedro Bay together comprise the nation's busiest and premier – intermodal freight gateway. Thousands of companies, similar to Pier 1 Imports, all over the United States rely on traffic coming through these marine terminals to offer a wide range of products to American consumers.

The fact that we are in L.A. is also important for the impressive amount of intermodal freight that moves through this region. I am sure that the Commission has been presented with a variety of statistics that prove that these ports, roads, highways and rails that serve them - are quickly nearing capacity. I don't want to summarize these numbers because I am sure that you have all heard them. However, these statistics are telling because they do confirm the immediacy of the problem, which is rapidly becoming a crisis.

Congestion caused by inadequate capacity to handle freight – both imports and exports – could, at any time, could cripple the American economy. Most companies, including Pier 1, rely on speed of delivery of products to reduce overall costs and deliver a wide range of products at competitive prices to our customers while also expanding and offering employment opportunities in all facets of our operations. It is important to note here that speed is the critical variable. Bottlenecks in this intermodal delivery system – here in southern California as well as across the country – increases everyone's costs. Cargo delays that slow down the system require companies to add inventory to ensure that store shelves are replenished. An increase in inventory also results in more goods traveling at any one time through the system on ships, trucks and trains. These added costs, both inventory carrying costs and transportation costs, designed to keep products on store shelves inevitably lead to increases in costs paid by our customers. These costs are compounded by the number of companies moving well over a billion dollars of goods each day. With this kind of inefficiency and waste in mind, it is not surprising that former Secretary Mineta estimated that congestion costs the American economy $200 billion each day.

To provide efficient transportation which benefits all interest groups, and more importantly, all Americans, a comprehensive national freight policy is long overdue. In fact, last year former Secretary Mineta announced such a policy which we believe represents a giant leap forward. That policy enshrined in "The Framework for a National Freight Policy" recognizes that both the private sector and the government share in the responsibility to solve this capacity crisis. Transportation providers and users must make changes to the way they do business to make better use of existing infrastructure. The private sector must invest in portions of the freight system in their control as well. The

federal government also maintains an enormous role in the process by funding the maintenance and expansion of important roads and highways, and by providing national leadership.

However, this document is only a starting point to address freight mobility in this country. Let me give you our vision of the future for moving intermodal commerce.

First, transportation providers, their labor partners, and their customers need to make better use of existing infrastructure by adopting changes to the way we do business. We cannot solely build ourselves out of this crisis. Shippers and transportation providers will need to move more freight during non-traditional hours through congested corridors. Already here in southern California we are dispatching truck-borne cargo through marine terminals at night when trucks do not compete with commuters which reduces congestion. A similar program exists in New Jersey through Maher Terminals. Other stakeholders in congested regions should consider doing the same.

Transportation providers that own chassis should move towards the adoption of port-wide or regional chassis pools. Pooling this equipment reduces the number of chassis needed while freeing scarce real estate to store more containers, or provide more on-dock rail. Successful chassis pool programs have been established in marine terminals in Virginia as well as in many intermodal rail yards across the nation. These successful programs have demonstrated the efficiencies gained while also increasing the safety and condition of the equipment.

Private sector stakeholders can also work together to spread out vessel arrivals at marine terminals. Addressing the vessel bunching problem will help to evenly distribute the volume of containers throughout the week as opposed to an inflow of cargo on only a few days a week. As larger and larger container vessels are put into service, the problem of vessel bunching, will only increase, which means we need to discuss today how to evenly spread out the growing amount of cargo reaching US ports in the future.

I'd like to inform the Commission that, thanks to groups like the Waterfront Coalition, we are working with our industry partners to make sure that these business practices become a reality.

However, business practices alone will not be able to solve this capacity crisis. Portions of the freight system in the hands of both the private sector and the government must be expanded and expanded as soon as possible. One of the essential modes of the freight system in this country is owned and controlled by private interests – the railroads. Many intermodal shippers are experiencing costly rail delays given the growing inadequacy of key segments of the network. Today, Class I railroads are trying to grow their network as

quickly as possible by constructing and expanding rail yards, purchasing new equipment and locomotives and laying new track. Given the railroads enormous capital costs, they are having quite a difficult time locating additional resources to make these much-needed investments. Here the federal government can lend a helping hand. We would urge the Commission to seriously consider endorsing attempts to offer investors in freight rail infrastructure a tax credit to help reduce these high capital costs needed to gain access to Wall Street funds.

The federal government can play an even bigger role in this national freight policy by funding important roads and highways that move the commerce of the country. Groups like the Waterfront Coalition have identified many of these important arteries that feed freight facilities, or intermodal connectors. I urge you to take a look at their report titled "The National Marine Container Transportation System: A Call To Action". The recent surface transportation bill, SAFETEA-LU, also referenced these projects in programs such as the Projects of Regional Significance and the Corridors and Borders Program. Unfortunately, in many cases funding in the bill did not live up to expectations. It is our hope that Congress will share in this vision to fully meet federal obligations in funding for these projects soon.

Locating sources of funding will be difficult as gasoline tax revenues continue to decline. I understand that the Commission has heard testimony concerning toll revenue as a funding mechanism to meet unfunded federal obligations to the National Highway System. We are not opposed to tolls, if they are structured appropriately so that all users pay and are fire-walled so that the revenues are dedicated to specific projects. We are concerned about national tolls in two respects:

First, we think the commission needs to consider how national tolls might affect state and local tolling authorities. It's important that this commission not recommend sources of federal funding for freight infrastructure that states have traditionally turned to. That would only be robbing Peter to pay Paul.

Second, shippers like Pier 1 will pay the costs of better transportation infrastructure in one way or another. We would like to have some confidence that our contribution to the funding stream—whether it be user fees, taxes, tolls, or higher freight rates—is dedicated to the large, nationally-significant freight projects upon which our business depends. To be assessed a toll or a tax that is used for non-freight-related projects is unfair. In the past, important connector projects like the Gerald Desmond Bridge here in southern California and the CREATE project in Chicago, have failed to receive vital federal funding, while other non-freight related projects have been fully funded. We desperately need the federal government to identify key freight transportation corridors and insure

that projects within those economically important corridors are funded appropriately and as a national priority.

I appreciate the opportunity to provide the testimony and this vision of the intermodal freight transportation system of the future. I look forward to your questions. Thank you.

TESTIMONY OF TONY GRASSO

EXECUTIVE DIRECTOR
SAN BERNARDINO ASSOCIATED GOVERNMENTS (SANBAG)

Funding Options to Sustain Global Competitiveness

Presentation Overview

Southern California's Infrastructure Capacity Crisis

When discussing Trade Infrastructure in Southern California one must look at the total system. This includes the ports, rail and highway infrastructure, transloading facilities including logistics technology, intermodal facilities, and grade separations. In the future these are likely to be joined by inland ports, shuttle trains, dedicated truck lanes, and even new cleaner modes not in use today. Focusing on an isolated portion of the entire system only adds to the strain on the other components.

The Consequences

Infrastructure capacity shortfalls will exacerbate trade-related congestion and pollution. Local commerce, which shares much of the infrastructure used by international trade, will be adversely affected too. If trade-related jobs growth is restricted by capacity constraints, it will hurt our Southern California economy, as well as the National economy.

Trade growth is so large that Southern California MUST add capacity

Today, roughly thirty percent of the goods entering the U.S. via the Ports of Los Angeles and Long Beach are destined for the local market. A further 25 percent makes its first stop in the region, as part of some value-adding activity, before moving on. The rest moves more or less directly to destinations elsewhere in 49 out of the 50 states. With trade expected to triple in the coming decades, Southern California would find itself out of capacity even if the ports were restricted to just handling California-bound goods.

Building infrastructure is an investment in livability and prosperity

Investing in trade infrastructure makes sense on two fronts: First, the negative impacts on the local community – congestion and air pollution – must be solved, or the rewards of trade will be bitter fruit indeed. Second, building trade infrastructure is an investment in the future prosperity of the region, state, and nation.

The Solution:

The investment program to provide adequate infrastructure capacity for goods movement through Southern California is expected to cost in excess of $30 billion, but will generate major economic, environmental and congestion relief benefits.

Studies yield the following findings on strategies to finance Southern California's logistics system:

- A $200 fee per container collected at the ports and **importantly**, *invested in an expanded goods movement infrastructure* would increase the volume of job-creating Transloaded Cargo through Southern California.
- A dedicated truckway system could yield a significant return on investment from the system to justify user fees or tolls, with a speed and reliability cost savings of anywhere from 5.4 to 11.1 times the fee per trip. The studies further showed that by building expanded track and alternative route capability, the amount of delay and the time to move freight trains would decline dramatically.
- Container fees could partially or totally offset the cost of building the estimated $3.4 billion in needed rail improvements and would yield very significant improvements in rail system's speed and reliability.

Conclusions

The local market in Southern California has greatly influenced trade in the region. Moreover, the scale of Southern California's infrastructure, which while clearly under strain, dwarfs the rest of the West Coast. Together, the Ports of Los Angeles and Long Beach are the third busiest container facility in the world, handling more than one third of all U.S. container traffic, and more than three quarters of all container traffic on the West Coast. In a mutually reinforcing relationship the volume of trade both supports and is supported by a network of logistic firms, freight forwarders, truckers, distribution centers, and other trade workers. Only Southern California has both the dockside and landside potential to accommodate the retail industry's shift to ever-larger container ships and the capability to meet the demand.

Clearly, we are not merely coming to the federal government with palm out; instead, we are requesting collaboration by the federal and state governments with the regional interests to finish the definition and begin timely implementation of this nationally significant freight strategy, relying on a combination of negotiated private sector contributions and federal and state funding instruments to accomplish both our infrastructure and our environmental objectives.

We support the following principles with respect to establishment of a dedicated federal Freight Trust Fund (FTF):

- The cost of goods and goods movement should support and internalize some portion of the cost of expanding related needed infrastructure, such that growth in demand for moving goods supports corresponding expansion of infrastructure.
- All potential funding mechanisms and funding sources should be considered and based on benefit.
- Funding should be predictable, dedicated and sustained.
- Funds should be available to support projects, of various size and scope, but with special priority for projects of national significance.
- Funds should be available to support multi-jurisdictional and multi-state projects.
- Fund distribution should be based on objective, merit-based criteria, with higher-cost projects subject to more stringent evaluation than lower-cost efforts.
- Funding should be linked with projects in a manner similar to Full Funding Grant Agreements that ensure once a project is approved, funds will flow through to completion.
- Fund availability should be "Pay as you go" and not result in deficit spending.

In addition, we urge:

- Congress to move forward with hearings to document public support for a FTF;
- The 1909 National Transportation Policy and Revenue Study Commission established by SAFETEA-LU to place dedicated freight funding as a top priority;
- U.S. Department of Transportation to initiate a national freight benefits study; and,
- Government Accountability Office (GAO) to assess the potential for a portion of the future growth in customs fees to be assigned to the FTF.

Respectfully submitted by,

Tony Grasso, Executive Director
San Bernardino Associated Governments

Funding Options to Sustain Global Competitiveness

Southern California's Infrastructure Capacity Crisis

When discussing Trade Infrastructure in Southern California one must look at the total system. This includes the ports, rail and highway infrastructure, transloading facilities including logistics technology, intermodal facilities, and grade separations. In the future these are likely to be joined by inland ports, shuttle trains, dedicated truck lanes, and even new cleaner modes not in use today. Focusing on an isolated portion of the entire system only adds to the strain on the other components. Considering this, we should be cognizant that the Southern California multimodal system stretches from the ports to the eastern state borders and on to adjacent states. The economic benefit of inexpensive imported goods for many states is gained to the detriment of the Southern California transportation system and Southern California citizens. This burden must be shared.

The volume of trade flowing through the Ports of Los Angeles and Long Beach has surged in recent years, with the number of containers (measured in twenty-foot equivalent units or TEU) rising from roughly 5 million in 1995 to 15.7 million in 2006. Today's import volume is expected to triple over the next twenty five years, constrained by port and landside infrastructure capacity. We have a problem, however. Southern California's existing road and rail capacity is tested even at today's levels. Our rail yards are nearing capacity and freight railways will see significant goods movement delay within five years. Highway congestion, already the worst in the United States, will deteriorate further, imposing increased transportation cost because of delay and poor reliability, with no benefit to anyone. The situation in Southern California is dire.

Why do large high value shippers with multiple U.S. markets prefer to ship to Southern California's ports and use local facilities to consolidate and transload goods to relatively expensive trucks or trains for nationwide delivery? Their option is to use inexpensive ships to take their goods to multiple U.S. ports nearer those markets. However, while that choice would save on transportation costs, retailers would have to spend 18% to 20% more on inventory. According to a recently completed Port and Modal Elasticity Study commissioned by the Southern California Association of Governments (SCAG) from University California Berkeley Professor Robert Leachman, this is the case for three reasons:

The longer the lag between each market's sales forecast and the arrival of inventory, the higher a retailer's inventory size and cost, since sales conditions often change. If a firm ships directly to several markets via multiple ports, each sales forecast must be made while its goods are still in Asia … **4-7 weeks** before delivery. By shipping to Southern California and using local trans-loading facilities, the firm's sales forecasts in each market can be made just **1-2 weeks** before delivery, lowering the risk of forecasting errors and cutting the size and cost of the inventory it must order.

The longer the sales-to-delivery time lag (because of potential problems along the supply chain path), the higher a retailer's inventory size and cost will be. If a retailer sends goods directly to 12 markets, and a truck with goods for one misses its ship, 11 markets will get all their goods and **one will get none**. By shipping to Southern California and using local consolidation

facilities, the firm can send each market **11/12**^{ths} of its order, spreading the risk and reducing its needed "safety" inventory in each market.

The more a retailer's individual products are worth, the higher its inventory cost. This is the case because the cost of inventory is magnified for expensive goods ordered to guard against sales forecasting errors made 4-7 weeks out while goods are in Asia. So also are the costs of inventory ordered to ensure that each market is protected from supply chain disruptions. High value retailers are thus the most likely to ship to Southern California and manage their inventories via local consolidation and trans-loading.

This nationally significant system is susceptible to disruption. This was seen in the fall of 2004 when 93 ships were tied up in San Pedro Bay because of the inability of the ports to unload them and move freight through their gates in a timely manner. It was twice seen in rail delivery disruptions: first, when the consolidation of Union Pacific and Southern Pacific railroads slowed the movement of freight out of Southern California; and second, in early 2005, when torrential rains and landslides disrupted the movement of freight from the area. Meanwhile, the congestion along the freeway routes is slowing eroding the reliability of interstate trucks moving from the ports through Cajon Pass (*I-15 freeway*) and San Gorgonio Pass (*I-10 freeway*). And growing neighborhood opposition to port, rail and freeway expansion due to diesel fumes, noise pollution and lack of grade separations may prevent the expansion of infrastructure to deal with these delays. Already, several retailers have built alternative facilities across the country to guard against Southern California's emerging difficulties.

The Consequences

In Southern California, infrastructure capacity shortfalls will exacerbate trade-related congestion and pollution. Local commerce, which shares much of the infrastructure used by international trade, will be adversely affected too. If trade-related jobs growth is restricted by capacity constraints, it will hurt our Southern California economy. Our state and federal governments will miss out on additional tax revenue. Even comparatively small delays to goods moving through Southern California will cost trade partners in countries such as China, Japan, Korea, and Taiwan hundreds of millions, perhaps billions, of dollars per year, which will no doubt make imported goods more expensive for consumers throughout the United States. Firms throughout the United States will be hurt by congestion in Southern California's trade infrastructure, which connects them with markets overseas. The same troubled infrastructure connects domestic producers to consumers in Southern California, who are also an important market for United States companies. Doing nothing is NOT a solution. While superficially appealing – trade growth has not been without its costs, notably worsening traffic congestion and air pollution – doing nothing would only exacerbate existing problems. Rather than being capped at current levels, congestion and pollution would steadily worsen as the infrastructure is stretched to take every last ounce of trade. And the region would forego the potential creation of 500,000 direct and indirect trade-related jobs. It can be fairly argued that doing nothing leads to a worst-case scenario.

Trade growth is so large that Southern California MUST add capacity

Today, roughly thirty percent of the goods entering the U.S. via the Ports of Los Angeles and Long Beach are destined for the local market. A further 25 percent makes its first stop in the region, as part of some value-adding activity, before moving on. The rest moves more or less directly to destinations elsewhere in 49 out of the 50 states. With trade expected to triple in the coming decades, Southern California would find itself out of capacity even if the ports were restricted to just handling California-bound goods. The other West Coast ports are simply not big enough to handle more than a fraction

of the current container traffic at the Ports of Los Angeles and Long Beach, ignoring future growth. The Port of Oakland, for example, is the next largest port on the West Coast. In 2003, however, the growth alone the Ports of Los Angeles and Long Beach was more than 80% of Oakland's total annual throughput.

Building infrastructure is an investment in livability and prosperity

Investing in trade infrastructure makes sense on two fronts: First, the deleterious impacts on the local community – congestion and air pollution – must be solved, or the rewards of trade will be bitter fruit indeed. Second, building trade infrastructure is an investment in the future prosperity of the region, state, and nation. Forecasts by SCAG's economic staff have found that by building the infrastructure to accommodate the growth of international trade and clean up its worst environmental side-effects, some 1,381,000 jobs can be created in Southern California. Of these, 325,000 would come from the natural increase of logistics if it is allowed to grow. Another 95,000 logistics jobs would be added due to the increased efficiency of the region's transportation network. The construction and maintenance of the new transportation infrastructure would add another 277,000 jobs. The balance of the job growth would come from multiplier impacts of this investment spending (*510,000*).

The Solution

Trade flows through the Ports of Los Angeles and Long Beach over an infrastructure network that includes the ports and the region's freeways and railways all the way to the state border. This enormous transportation infrastructure network is a key component in the local, state, and national economy, connecting businesses and consumers throughout the country with our trading partners in the Pacific Rim. California has benefited enormously from the international trade flowing through the system, but the job creation and efficient flow of goods has come at the cost of worsening congestion and air pollution. Major capacity and quality of life improvements are desperately needed, yet the only way to successfully ease freight bottlenecks and reduce pollution is through a comprehensive, system-wide approach to trade infrastructure. Southern California's goods movement infrastructure is an interconnected network, with changes in one component creating far-reaching implications for the rest of the system. Despite this obvious interconnectedness, trade infrastructure is controlled by state, local, and federal governments and their agencies, plus special districts and private companies, all working independently. To avert the looming goods movement crisis, however, the disparate groups collectively responsible for the regional trade infrastructure will have to band together and tackle the problem.

The investment program to provide adequate infrastructure capacity for goods movement through Southern California is expected to cost in excess of $30 billion, but will generate major economic, environmental and congestion relief benefits. This effort has begun with the determination of the projects to be built if the system is to attain the efficiency levels necessary to convince shippers to expand in the area and create jobs within it.
Stakeholders in the SCAG region and ongoing studies are now refining a goods movement project list totaling nearly $30 billion. In addition, it is an axiom in California that major infrastructure projects are impossible unless the environmental and health communities are satisfied that the program will, at worst, do no harm. In the case of this
logistics infrastructure program, the key will be whether the measures associated with the program will reduce the impact of particulate matter and NOx (*nitrogen oxides*) from diesel fumes and congestion, plus the traffic idling and noise pollution associated with a lack of rail grade separations. This will be a necessity and is expected to cost, at minimum, another $10 billion.

Funding Approaches
Regional studies mentioned previously have assessed the value to the logistics industry of infrastructure improvements that increase system speed and reliability, and further assessed the effects of imposing various levels of user fees to use it, with the funds invested in helping to retire the construction debt. As summarized above, the study showed that it is in the interest of *high-value product* shippers to manage their inventories by shipping to the ports of Los Angeles or Long Beach and using local consolidation and transloading facilities to move their merchandise to various U.S. markets by truck or train. This allows them to assign cargo to various markets just three days before ships reach port, reducing the impact of sales forecasting errors and supply interruption risks.

In summary, these studies yield the following findings on strategies to finance Southern California's logistics system:

- A $200 fee per container collected at the ports and **importantly**, *invested in an expanded goods movement infrastructure* would increase the volume of job-creating Transloaded Cargo through Southern California.
- Access to a dedicated truckway system could yield a significant return on investment from the system to justify user fees or tolls, with a speed and reliability cost savings of anywhere from 5.4 to 11.1 times the fee per trip. These ratios are based on a conservative estimate for the value of time for cargo movement by truck, and could be much higher. Furthermore, this analysis is based only on the current configurations of trucks allowed in California.
- The studies further showed that by building expanded track and alternative route capability, the amount of delay and the time to move freight trains would decline dramatically.
- Container fees could partially or totally offset the cost of building the estimated $3.4 billion in needed rail improvements and would yield very significant improvements in the rail system's speed and reliability.

Given this background, is it possible to build all or part of the $30 billion in highway and rail transportation improvements, add over 1 million jobs related to logistics and, after the system is available, institute user fees to repay the construction financing that stay within the $200 container fee limit where the elasticity study says the area gains its maximum trade benefit? What about financing the $10 billion roughly needed for environmental projects? In each case, the answer appears to be yes as suggested below:

Exhibit 10.-Potential Goods Movement System Financing Options

Project	Capital Cost	Fee Structure	Approximate Fee Range (*assumptions*)
No Project	$0	None	None
Truckway Only	$16.5 Billion	Container Fees & Truckway Toll	$60 to $70 Container Fee $0.86 per Mile Truckway Toll (*Level debt @ 5%, 30-35 Years*)
Rail Improvements Only	$3.5 Billion	Container Fees	$15 to $30 Container Fee (*Low Fee: tax credit instrument*) (*High Fee: 5%, ascending debt; 20 Years*)
Total Highway & Rail Improvements	$26.2 Billion	Container Fees & Truckway Toll	$120 to $130 Container Fee $0.86 per Mile Truckway Toll (*Roads: level debt @ 5%, 30Yr, 35Yr, 40Yr*) (*Rail: tax credit & ascending debt for rail*)
Total Highway & Rail Improvements & Environmental Mitigation	$36.2 Billion	Container Fees & Truckway Toll	$160 to $170 Container Fee $0.86 per Mile Truckway Toll (*Highway/Environmental: Level debt @ 5%, 30Yr, 35Yr & 40Yr*) (*Rail: tax credit instrument & ascending debt*)

Note that a $0.86 per mile truckway toll in combination with a container fee of $160-$170 could finance a substantial share of the improvements to highways and the rail system and as well as the cost of environmental mitigation as described above – with a total impact within the $200 threshold where the region's trade could be hurt.

We would also suggest that the federal government participate through the allocation to the program of federal funds, potentially in the form of customs revenues from cargo ports. In 2003 alone, the Los Angeles U.S. Customs District collected $6.6 billion in customs duties on goods imported through the ports of Long Beach and Los Angeles. Approximately 10 percent of this annual revenue stream could be designated for goods movement investments in Southern California over the next six years.

Further, the state will commit substantial revenues from the Trade Corridors Improvement Fund (TCIF) enacted by the voters of California as part of Proposition 1B to the strategy noted herein.

Conclusions

The local market in Southern California has greatly influenced trade in the region. Moreover, the scale of Southern California's infrastructure, which while clearly under strain, dwarfs the rest of the West Coast. Together, the Ports of Los Angeles and Long Beach are the third busiest container facility in the world, handling more than one third of all U.S. container traffic, and more than three quarters of all container traffic on the West Coast. In a mutually reinforcing relationship the volume of trade both supports and is supported by a network of logistic firms,

freight forwarders, truckers, distribution centers, and other trade workers. Only Southern California has both the dockside and landside potential to accommodate the retail industry's shift to ever-larger container ships and the capability to meet the demand.

Clearly, we are not merely coming to the federal government with palm out; instead, we are requesting collaboration by the federal and state governments with the regional interests to finish the definition and begin timely implementation of this nationally significant freight strategy, relying on a combination of negotiated private sector contributions and federal and state funding instruments to accomplish both our infrastructure and our environmental objectives.

Background Information

Eugene K. Skoropowski

Gene is now in his eighth year as Managing Director for the Capitol Corridor Joint Powers Authority (CCJPA), in Northern California. The Capitol Corridor is a 170-mile long intercity passenger rail route interconnecting three major metropolitan areas: San Jose – Oakland/San Francisco – Sacramento/Auburn, and all but 2 miles are property of, and dispatched by, the Union Pacific Railroad..

During Gene's tenure, the Capitol Corridor has gone from 8 trains a day to 32 trains a day, tripled its ridership, funded major capacity improvements in UPRR's property, and the Capitol Corridor has become the third busiest Amtrak-operated route in the country. State funding for operations has not increased in 6 years, and farebox recovery has gone from 29.8% to about 50% today.

Gene spent ten years as Director of Transportation Services for Fluor Corporation, and his transportation career started at Boston's MBTA, then to SEPTA in Philadelphia and then, with Fluor, to Los Angeles MetroRail construction, and on to other rail projects across the globe in Montreal, Paris, London and Amsterdam.

Gene has also been a licensed architect in six states. He is a graduate of The Catholic University of America in Washington, DC, and resides in Dublin, California.

PANELIST BIO
NATIONAL SURFACE TRANSPORTATION POLICY & REVENUE STUDY FEBRUARY 21-22, 2007/ LOS ANGELES, CA

Mehdi Morshed

Mehdi Morshed is one of California's leading transportation policy experts and innovators, with over 40 years of experience in the planning, engineering and construction of transportation projects and in development and enactment of transportation policies and laws for the State of California.

"As executive director of the California High-Speed Rail Authority, it is my job to ensure that members of the Authority board receive the best, most comprehensive and up-to-date information available to help them chart the future direction of high-speed train service in this state," says Morshed.

The Authority board is responsible for preparing a viable financing plan and operational structure for a critical new transportation link between California's major cities.

Morshed served as the principal policy person on transportation issues for the California State Senate for more than 20 years. Prior to that he worked for the California Department of Transportation in various capacities, including planning, design and construction of bridges. He was a member of the design engineering team for San Diego's Coronado Bridge.

Educated at the University of Washington in Seattle as a civil engineer, he received a masters degree in transportation engineering from the University of California, Berkeley.

While with the California Senate, Morshed was responsible for the development and enactment of a wide range of transportation laws, policies and programs. Besides establishing rules for driving, vehicle safety and emission standards, he helped guide creation of the state's principal transportation institutions such as the California High-Speed Rail Authority, the California Transportation Commission and various local and regional commissions, transportation districts and other agencies.

He helped establish policies for oversight of the Department of Transportation, Department of Motor Vehicles, Highway Patrol and the Air Resources Board, as well as creative concepts for generation and distribution of revenues to pay for highways and roads, public safety and mass transit.

Morshed was appointed to the California High Speed Rail Commission in 1994 and was the first member to be appointed to the newly formed California High Speed Rail Authority in 1997.He was appointed as the Executive Director in 1998 and has served in that capacity since then.

Peter A. Speer

President, The American Traffic Safety Services Association (ATSSA)
15 Riverside Parkway – Suite 100
Fredericksburg, Va. 22406

Peter A. Speer became the 20th president of the American Traffic Safety Services Association (ATSSA) on March 5, 2006.

Mr. Speer is currently the vice president of sales, Filtrona Extrusion (Tacoma, Wash.), and has been with that company since 1984, when he began as a technical representative for their new highway division. Today, Filtrona Extrusion (Davidson Traffic Control Products) manufactures a unique family of Type I, II and III barricades, channelizer posts, curb systems, work zone pavement markers, flexible delineator posts, reflectors for barrier walls and guardrails, snow poles, and many adhesive products that have gained acceptance worldwide.

Mr. Speer – an avid outdoorsman – holds a bachelor's degree from The Evergreen State College (Olympia, Wash.). He and his wife Marian have two grown children – Anna and Madeline, and they reside in Kirkland, Wash.

ATSSA members have led the roadway safety industry in manufacturing and installing the majority of roadway safety features found on America's roadways. These include signs, stripes, guardrails, crash cushions, and lighting. ATSSA also has heavy emphasis on worker safety and training in roadway work zones. ATSSA's 1,600 members will celebrate 40 years of *"Advancing Roadway Safety"* in 2009.

On the web –
ATSSA.com
DavidsonTraffic.com

Bio Sheet

Genevieve Giuliano

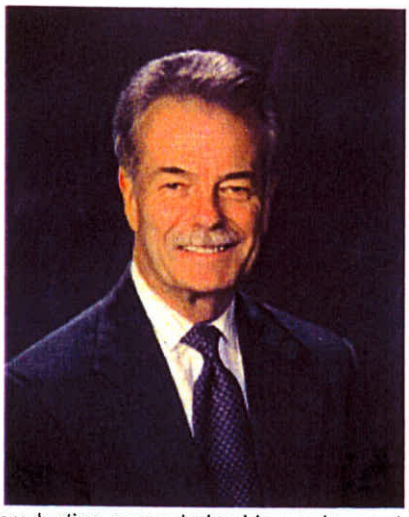
Professor and Senior Associate Dean of Research and Technology,
School of Policy, Planning, and Development, USC
Director, METRANS Transportation Center

Genevieve Giuliano is Professor and Senior Associate Dean of Research and Technology in the School of Policy, Planning, and Development, University of Southern California, and Director of the METRANS Transportation Center, a joint USC and California State University Long Beach University Transportation Center funded by USDOT and the California State Department of Transportation (Caltrans). She also holds courtesy appointments in Civil Engineering and Geography. Professor Giuliano's research focus areas include relationships between land use and transportation, transportation policy analysis, and information technology applications in transportation. Current research activities include modeling of freight flows within metropolitan areas, evaluation of goods movement regulatory policies, and technology applications for managing and monitoring truck traffic. She has published over 120 papers, and has presented her research at numerous conferences both within the US and abroad.

Professor Giuliano serves on the Editorial Boards of Urban Studies and Journal of Transport Policy. She is a past member and Chair of the Executive Committee of the Transportation Research Board. She was named a National Associate of the National Academy of Sciences in 2003, received the TRB William Carey Award for Distinguished Service in 2006, and was awarded the Deen Lectureship in 2007. She has participated in several National Research Council policy studies; currently she is on the Committee for Global Climate Change and Transportation, and is chairing the Committee on Funding Options for Freight Transportation Projects of National Significance. She was recently appointed Chair of the California Research and Technology Advisory Panel, which will advise both Caltrans and the Department of Business, Housing and Transportation on the implementation of the Strategic Growth Management Plan.

For recent publications, see
http://www.usc.edu/schools/sppd/research/publications/index.html

Will Kempton
Director



Appointed by Governor Schwarzenegger in November 2004, Mr. Kempton is responsible for managing the day-to-day operations of California's state transportation system, including more than 50,000 lane miles of state highways stretching from Mexico to Oregon and from the Pacific Ocean to Nevada and Arizona.

As leader of Caltrans, Mr. Kempton oversees an annual operating budget of more than $11 billion, 22,000 employees, and $9 billion worth of transportation improvements under construction.

Mr. Kempton began his career in transportation with Caltrans in 1973. He held management positions in the area of finance and the director's office prior to being appointed as Assistant Director in charge of Legislative and Congressional affairs. In these positions, Mr. Kempton developed a broad understanding of transportation programs and policies at all levels of government. He is particularly knowledgeable in the area of transportation finance and legislative point of view.

Mr. Kempton translated his knowledge of transportation programs into the production arena during his employment as executive director of the Santa Clara County Traffic Authority. The sales tax program he managed is widely viewed as one of the most successful ever undertaken in the state, resulting in the delivery of nearly one billion dollars in highway improvements in less than 10 years. During his assignment as director of the Santa Clara County effort, Mr. Kempton mobilized California's sales tax programs into an effective coalition of "self help" counties. Selected by his peers to head this group, he marshaled a confederation of agencies and successfully lobbied Caltrans and the state Legislature for the creation of a state-matching program for locally funded projects. To date, the state/local partnership program has provided more than $1.5 billion in matching funds for local transportation projects. This creative approach to achieving favorable objectives and the ability to build interest group consensus characterize Mr. Kempton's management style.

Over the course of his career, Mr. Kempton has developed extensive contacts throughout the transportation community at all levels of government. These contacts include local, regional and state administrators, as well as many key members of the state Legislature and the United States Congress. Mr. Kempton has been able to use these contacts effectively to accomplish a variety of objectives. For example, his professional relationship with then Congressman Norman Mineta, former Chair of the House Transportation and Infrastructure Committee, and currently Secretary, U.S. Department of Transportation, has been extremely helpful in securing federal grants to support projects such as the completion of the Measure A program in Santa Clara County.

In January of 2003, Mr. Kempton joined the City of Folsom as Assistant City Manager, Community Services. He was responsible for overseeing the operations of the City's Community Development, Neighborhood Services, Parks and Recreation, Utilities, and Public Works departments. Prior to his appointment, he served as a City Parks and Recreation Commissioner for eight years.

TESTIMONY OF EUGENE K. SKOROPOWSKI

MANAGING DIRECTOR
CAPITOL CORRIDOR JOINT POWERS AUTHORITY (CCJPA)
OAKLAND, CA

National Surface Transportation Policy and Revenue Study Commission
February 21 & 22, 2007
Los Angeles, California
Field Hearing

Testimony of
Eugene K. Skoropowski
Managing Director
Capitol Corridor Joint Powers Authority (CCJPA)
Oakland, California
February 21, 2007

Thank you for the opportunity to address the Commission today. My name is Eugene K. Skoropowski and I am the Managing Director of the Capitol Corridor Joint Powers Authority (CCJPA) based in Oakland, California. I have been in this position for nearly eight years, and I have nearly forty years experience in railroad construction, operations, and maintenance. Virtually all of my railroad experience is in the provision of passenger rail service.

The CCJPA is a special purposes district covering 8 counties in Northern California. The member agencies are six transit districts stretching over a 170 mile long major rail corridor owned by Union Pacific Railroad (UPRR), and interconnecting three major metropolitan areas: San Jose, Oakland/San Francisco, and Sacramento. The purpose of the CCJPA is the management, improvement and expansion of intercity passenger rail service along this route.

The Capitol Corridor is one of three state-supported intercity passenger rail corridors. They are the Pacific Surfliner route in Southern and Central California, connecting San Diego-Los Angeles-Santa Barbara- San Luis Obispo; The Capitol Corridor just mentioned; and the San Joaquin route, connecting our Central Valley from Bakersfield to Fresno-Modesto-Stockton to Sacramento and Oakland. This intra-state intercity passenger network is operated by Amtrak and includes dedicated connecting buses that extend service coverage to virtually all parts of California, urban, suburban and rural. This integrated network connects to Amtrak's long-distance trains, and has provided our people, and people who visit here with a real travel choice in moving around our state.

This statewide passenger rail system did not 'just happen'. The voters of California in 1990 approved propositions that established the intercity passenger rail program, and authorized billions of dollars to build it. To date, the State has invested more than $1.7 billion of its own capital funds to build this system, and it has take 15 years to build it. California has 'delivered' what the voters mandated. Last November (2006), California voters approved an additional $400 million to continue to expand this intercity passenger rail program.

The results are quite 'eye-opening'. In 1990, California had only a handful of Amtrak trains, almost all longer distance national network trains tying our state to the rest of the country. Today, Amtrak's top five busiest routes are in California. After the busy Northeast Corridor, the Pacific Surfliner is the nation's second busiest Amtrak route, the Capitol Corridor is the third busiest, and the San Joaquin route is fifth busiest, and soon could overtake New York's Empire Corridor as the fourth busiest.

Although it is not recognized in Washington, or in most other parts of the country, California now generates 20% of all the riders on the Amtrak system. This has happened not because Washington or Amtrak provided a funding source to help us to build what we have, but because Californians decided for themselves at the ballot box that intercity passenger rail was a worthwhile investment, and that intercity passenger rail must become an integrated part of our state's transportation system. I know from contacts with our sister states all across the country, that sentiments are the same in almost every state.

California's intercity passenger rail network has continued to grow, year after year, because of the availability of capital funding. California owns its own fleet of passenger cars and locomotives. We operate the cleanest diesels available. We have a constructive working relationship with the private, host railroads over which our services operate, primarily Union Pacific Railroad and BNSF Railway. We have made significant investments for the provision of our passenger services, and the freight railroads and California's ports have also benefited from these public capital investments.

To sustain this intercity rail program, the state provides $75 million per year in operating support for these three Amtrak-operated services. This operating support has not increased in the last 6 years, yet passenger use of all three services has skyrocket. In the case of the Capitol Corridor, the state provided funding support in 2001 to increase our frequency from 14 to 18 daily trains. We currently operate 32 daily trains on our trunk between Sacramento and Oakland, the same frequency as the much-touted Northeast Corridor between Boston and New York, with 14 trains extending to/from San Jose. The increase from 18 to 32 trains has been self-financed from passenger revenue growth. This was only able to be done, however, because of the initial; capital investments made by the state.

Our state has established a goal of achieving 50% farebox recovery from passengers of the annual operating costs of our intercity service, and all three services are now accomplishing that goal, and the share borne by the riders is increasing annually as ridership and revenue continue to grow. There were 463,000 riders on the Capitol Corridor in 1998. Today there are more than 1,302,000. We have also implemented many unique-to-California travel 'assists' to riders to provide flexible travel options, by partnering with our state's regional transit operators. In Southern California, the Metrolink-Amtrak Rail-to-Rail flexible ticketing program allows riders to use multiple services on a single ticket. In Northern California, the Transit Transfer program allows passengers on our Amtrak-operated trains to connect 'free' to local transit operations.

Clearly, California has 'delivered' what the voters mandated back in 1990, and what the voters reaffirmed last November. However, even California cannot continue to make 100% of the capital investments in passenger rail ourselves. We need a federal partner for these capital investments, the same way that we have a federal funding 'partner' for our highways, public transit, waterways & ports, airports and air traffic control systems, etc. The only component of our nation's transportation system that has no federal matching program for capital investment is intercity passenger rail service. An excellent report on this issue was prepared and published by AASHTO in 2002, but has received far too little recognition, and no action.

If there is any message I want to deliver to you today, it is to please work to establish a federal capital matching program for states to develop, expand, and improve intercity passenger rail. It is our belief that such a federal matching program, on a par with highways (an 80% federal share and 20% state/local share) will generate nationwide development of this form of travel choice for our country. California and our sister states are just waiting for Washington to act on this, as the people are supportive, from coast-to-coast. Just look at the systems of transport already developed largely because of federal matching programs for them.

I do ask, that in setting up a federal matching program, please to not penalize California and our sister states that have 'gone it alone' and invested 100% state dollars in successful intercity passenger rail systems. We did it because our voters said they wanted it, even though there was no federal matching program. Please allow us credit as 'state match', for the federal capital share we would need to match once a federal funding program is in place.

And please, do not let the 'nay-sayers' tell you that Americans will not ride trains. If here in California, the automobile capital of the planet, we can entice drivers out of their cars and onto trains, think of what can happen in Wisconsin, Illinois, Ohio, Georgia, North Carolina, Virginia and all across America, and possibly even in Texas.

The President has called for reducing our dependence on oil. The scientists say we are polluting the air, mostly with auto exhaust, and this is accelerating climate change on our planet. Intercity passenger rail can provide a travel option that does not exist for many Americans, and it is a travel option that is environmentally responsible, improves mobility and helps reduce our oil consumption.

If I can digress for a moment, I'd like to give you real-world examples from two Capitol Corridor riders that underscores the importance of our intercity passenger rail services. Robert Conheim, from Auburn, California, stated that before he started taking the Capitol Corridor train regularly in 2001 to Sacramento, he drove. He racked up 30,000 miles per year on his car just making this regular trip. Since 2001, riding the train, he chalks up barely 3,000 miles per year on his car IN TOTAL. If we are to heed the President's call for reducing our oil dependency, passenger trains are one sure-fire way to do it.

Anne Lawrence, a professor at San Jose State University showed up unannounced one day at my office bearing a large gift. She said, "you don't know me, but what you have done has saved my job and my sanity. You added an additional morning train to San Jose that allows me to give up driving on Interstate 880." (I-880 is the main artery from Oakland to San Jose, and is known for its trucks and hopeless congestion during weekday peak travel periods). She presented our office with an assortment of coffee for our staff as a 'thank you' for simply doing what we have been charged to do. This illustrates how important passenger rail is and can be to the quality of life of our people.

Washington folks need to understand how much intercity passenger rail service means to the people of this country, and how supportive they are of its expansion and improvement. I hope I have conveyed some of that understanding to you today, based on our actual experience here in California. Thank you. I would be pleased to respond to any questions you may have.

TESTIMONY OF MEHDI MORSHED

EXECUTIVE DIRECTOR
CALIFORNIA HIGH-SPEED RAIL AUTHORITY

PREPARED TESTIMONY: NATIONAL SURFACE TRANSPORTATION POLICY AND REVENUE STUDY COMMISSION HEARING
FEBRUARY 21-22, 2007/ LOS ANGELES, CA

Introduction

Thank you for giving me the opportunity to speak on behalf of California's High-Speed Rail Authority.

Established in 1996, the California High-Speed Rail Authority is charged with planning, designing, constructing and operating a state-of-the-art high speed train system, that can travel at speeds over 200 miles per hour.

Extensive research shows that California's planned high-speed train system will increase mobility for all Californians — both regional commuters and intercity/statewide travelers.

What's more, when compared to other transportation modalities, high-speed trains move more people at a lower cost, with greater environmental benefits and increased safety.

For speed and ease of travel — as well as for our environment and bottom line, high-speed trains are a truly an unrivaled answer to California's transportation challenges.

The Authority: Members

The Rail Authority Board consists of nine members: five appointed by the Governor, two appointed by the Senate Rules Committee, and two by the Speaker of the Assembly.

Current members

Chairman:	Judge Quentin L. Kopp
Vice-Chairpersons:	Marc Adelman; Fran Florez
Board Members:	Donna Andrews, Rod Diridon, Joseph E. Petrillo, Lynn Schenk, and, Tom Stapleton

The Train System

The proposed system stretches from San Francisco, Oakland and Sacramento in the north -- with service to the Central Valley -- to Los Angeles and San Diego in the south, over 700 miles in total.

With high-speed trains operating at speeds up to 220 mph, the express travel time from downtown Los Angeles to San Francisco is just 2 ½ hours. Once operational it will not require a government subsidy to function. I repeat, once operational the system will not require a government subsidy to operate! IT will generate an operating surplus that can be used for system expansion or capital debt retirement.

It's important to note that the system is not only designed for long distance travel. The system will increase mobility in regional trips by connecting existing rail, air and highway systems. High-speed trains will shorten local commutes and local trips to the airport as well as offer cheap and fast Southern California to Northern California connections.

The bottom line is that as the California's population grows to fifty million people in just twenty years, high-speed trains are uniquely suited to improve mobility in a way that is fast, safe, convenient, comfortable, economical and earth-friendly.

Studies indicate that the train system will mean 10,000 fewer auto accidents on our roads and highways each year.

And when it comes to the environment, we are happy to report that high-speed trains use less energy, less land, emit less air pollution and will cost taxpayers far less than building comparable capacity via roadways or airports

- Electrically propelled, high-speed trains use one sixth the energy of cars in traffic and one fourth the energy of airplanes.
- High-speed trains would eliminate the CO2 emissions that cause global warming by 12.4 billion pounds per year versus highway and air travel. That's like removing a million vehicles from roads or 11 billion miles traveled each year.
- High-speed trains will reduce dependence on foreign oil consumption -- by up to 5 million barrels per year.

Where We Stand Today

Already we have completed and certified the program level environmental impact reviews to determine the pathways of the train and where it will be elevated, trenched or tunneled.

We've hired a program manager, Parsons Brinckerhoff, to manage all aspects of the project and we've begun mobilizing a comprehensive team of contractors to begin the corridor-specific, project-level environmental analysis and engineering work. We have 10 consulting team on board utilizing the expertise of 150 engineers, environmental planners, and related specialties.

That's the good news. The bad news is that we are shamefully behind other nations including Mexico, Iran, Viet Nam. And many European and Asian countries. Because we don't have a system up and running, launching the train system will require determination and commitment.

Now, let me talk about the elephant in the room- that's the price tag to get the system operational.

Don't be afraid of the elephant! Here's why:

- Building the train will be done incrementally and will provide immediate local benefits in the form of reduced train and car collisions crossings and improved mobility.
- Building the train will involve federal money and private investment.
- It will cost less than half of building new freeways and airports to move the same amount of people and goods.

A Window of Opportunity

Now is the time to plan for high-speed trains and here's why:

California voters overwhelmingly passed transportation bonds to expand our roads for increased population and relieve traffic congestion. As those investments are made in building and improving railroad overpasses and underpasses, rather than do construction twice, a cost effective approach is to lay the initial groundwork for high-speed rail while current grade separation for roads and highway projects are ongoing.

The Authority is actively informing the Governor's Administration, California Legislature and interested parties this year about the funding requirements needed to keep the project viable.

At the federal level, what is most helpful to projects like ours is a flexible funding mechanism — less "categoricals" — so that we can compete for investments based on the merits rather than doing a project because federal money is available.

It is our hope that future funding decisions will be made based on transportation systems that can best deliver mobility. In a true competitive environment project like ours will do very well.

It is our steadfast belief that high speed trains must be part of California's transportation solutions. High-speed trains make environmental and economic sense, while delivering increased mobility.

By investing now, we can cut greenhouse gases while at the same time improve our economy by transporting people and goods more effectively and efficiently throughout our state

Thank you for your time. I look forward to answering your questions and concerns.

TESTIMONY OF PETER SPEER

PRESIDENT
THE AMERICAN TRAFFIC SAFETY SERVICES ASSOCIATION

National Surface transportation Policy and Revenue Study Commission
Field Hearing: Los Angeles, Calif.
Feb. 21-22, 2007
Written Testimony
Peter Speer, President
The American Traffic Safety Services Association

Madam Secretary and members of the Commission – thank you for holding this hearing. My name is Peter Speer. I am the President of the American Traffic Safety Services Association (ATSSA) and I am here today to talk about roadway safety programs. ATSSA members manufacture and install roadway safety devices and features including signs, pavement markings, guardrail, crash cushions, and just about everything orange that you see in a work zone. About 700 of our members are from public agencies. We deal with intelligent transportation systems and safety and public awareness issues. In short, we are involved in all aspects of the infrastructure side of roadway safety. ATSSA's core purpose is to *"Advance Roadway Safety."*

We propose that a Toward Zero Fatalities vision be the focus of the 2009 reauthorization of SAFETEA-LU. Federal, state, and local governments must unite with private industry towards a single overarching goal – *To annually reduce fatalities until there are no deaths on America's roadways.*

The concept of envisioning zero fatalities was first adopted in Sweden in 1997 as "*Vision Zero*," and has since been adopted in several other countries[1]. Indeed, several state Strategic Highway Safety Plans – created as a result of SAFETEA-LU legislation – have identified zero fatalities as their core objective[2]. A core objective such as this allows roadway safety infrastructure, driver behavior, and vehicle safety programs to blend together, in a complimentary manner, in order to achieve the same shared goal – to save lives on America's roadways.

Similar to *Vision Zero*, Toward Zero Fatalities brings multiple agencies and organizations together to create a "toolbox" to address roadway safety issues using the concept of the "4 E's" (Education, Enforcement, Engineering, and Emergency Medical Services). Given the broad experience and expertise of ATSSA members, as well as a substantial body of research, we believe that thousands of lives can be saved through expanded educational opportunities for making our roadways safer.

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[1] *Vision Zero - An Ethical Approach to Safety and Mobility,* Claes Tingvall and Narelle Haworth Monash University Accident Research Centre, presented to the 6th ITE International Conference Road Safety and Traffic Enforcement: Beyond 2000, Melbourne, Sept. 6-7, 1999, http://www.monash.edu.au/muarc/reports/papers/visionzero.html

[2] See Utah's Strategic Highway Safety Plan, located at http://www.atssa.com/galleries/default-file/Utah_SHSP.pdf

Sweden's *Vision Zero* model explicitly states that the responsibility for roadway safety is shared by the designers/owners of the system and the road users. In the *Vision Zero* model, there is a substantial focus on the roadway itself, as well as on the driver. While the behavior of many drivers may be modified, it would be unlikely that the behavior of all drivers can be altered. In order to achieve a reachable goal in saving lives, thereby beginning to move in the direction of Toward Zero Fatalities, there is a need to *"invest to improve the inherent safety of the system, with a more or less given mobility. These investments will be mainly directed towards the infrastructure.*[3]"

Driving on America's roadways is an inescapable part of life. In 2005, Americans traveled almost three billion vehicle miles. People must use the roads to get to school, to work, or to simply run errands. With that in mind, it is imperative that we make our roadways as safe as possible. Unfortunately, in 2005, 43,443 people were killed in roadway crashes.

Madam Secretary, I have heard you describe roadway deaths in terms of losing an entire city in Arizona in a year. Since we are in California, imagine if we had lost the entire population of Palm Springs last year. Automobile deaths continue to be the leading cause of death for children, for teenagers, and all people from ages three to 33.

Accidents on our nation's roadways are many times avoidable. People speed, talk on their cellular phones, eat, and even read while driving. Poor judgment however, should not be punishable by death. Efforts to modify driver behavior and improve the structural safety of motor vehicles are at an all time high. Seatbelt usage continues to grow as more and more states enact primary seatbelt laws. Alcohol-related traffic fatalities continue to fall as states have become more aggressive about stopping drunk drivers.

While these efforts are commendable and should continue, more can still be done. By increasing efforts to make the roadways as forgiving as possible, we can collectively limit the damaging effects bad behaviors can produce. The 43,443 deaths on our nation's roads in one year are too much. It is the equivalent of 82 fully occupied 747 passenger planes crashing in one year, and in California alone – 4,329 people died in roadway crashes in 2005.

According to NHTSA, the national economic cost in terms of lost time, wages and medical expense is a staggering $230.6 billion a year. That is an average of $820 a year for every person in the United States.

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[3] Claes Tingvall, Op. cit. P4

When we talk about roadway fatalities, we use a lot of numbers and statistics. In doing so, we often times lose the human side of things.

Every one of the 43,443 people killed in roadway crashes in 2005 was a father or mother, or brother or sister, or son, daughter or grandparent. I would like to take a few minutes to relate some real stories.

Dustin and Courtney Muse were killed Dec. 6, 2006 on their way to visit their father. Dustin, 16, was driving his father's Jeep Wrangler south on Route 15 in Leesburg, Va. when the vehicle veered off the road. Courtney, 13, was in the front passenger seat. Both were wearing seatbelts. Drugs or alcohol were not a factor, and police said speed was not a factor. After running off the road, their car struck and came to rest at the base of a large tree in the woods off the side of the road.

As a direct result of this crash, a 700-foot guardrail was installed at the site to prevent further fatalities. The Va.-DOT is also planning other safety upgrades for Route 15. It is a shame that sometimes it takes the loss of life before we make our roadways safer.

The second story I want to tell you involves a former ATSSA member and my friend, Chuck Bailey. Chuck died when a large object in the road was projected into his vehicle after being struck by a truck. After the impact, Chuck's car crossed the median and struck another vehicle head-on. Both Chuck and the driver of the other car were killed. This accident is so tragic – not simply because a good friend was killed – but because Chuck's car crossed the median and killed an innocent driver. Had a low-cost cable barrier been installed in the median, Chuck's car would have been prevented from crossing into oncoming traffic.

How do we prevent tragedies like these from occurring in the future?

In 2002, ATSSA developed a Roadway Safety Program for the reauthorization of T-21. We presented this program to then U.S.-DOT Secretary Norman Mineta.

As we developed ATSSA's Roadway Safety Plan, we focused on areas where people were dying, like run-off-the-road accidents, intersections, and pedestrian safety. Many of the areas ATSSA used in it's Roadway Safety Plan were included as part of SAFETEA-LU's Highway Safety Improvement Program, and many states have included these areas into their own Strategic Highway Safety Plans.

ATSSA believes that the best way to improve safety in these areas is to take advantage of low cost road safety solutions.

To help states maximize their limited resources, ATSSA commissioned the Texas Transportation Institute to develop a series of case studies with proven, lifesaving solutions. ATSSA then published these 16 studies in a booklet titled, *"Low Cost Local Road Safety Solutions."* To date, ATSSA has distributed over 15,000 copies free of charge.

Since this hearing is taking place in California, let's look at Mendocino County.

That county introduced a sign and pavement marking installation program that greatly reduced crashes and fatalities. The county calculated its return on that investment at an astounding (ROI) 159-to-One.

In other examples – rumble strips/stripes placed on the shoulder or edge line are used to alert drivers that they are leaving the travel lane. On freeways, these low coast safety solutions reduced run-off-road crashes between 15 and 80%. The Miss.-DOT saw a 25% reduction in run-off-road crashes after they installed edge line rumble stripes on two lane roadways.

Horizontal signing consists of symbols or words on the pavement directly in the driver's line-of-sight. In a study by the Texas Transportation Institute, researchers applied a curve arrow followed by the words "50 MPH" before a curve on an urban four lane divided highway. Prior-to the installation, the average speed at the beginning of the horizontal curve was 66 MPH. After installation of the horizontal signing, the speed fell to 59 MPH.

Converging Chevron Pavement Markings can also be used to reduce speed. In 1999, the Wis.-DOT used this low cost solution on one of the Interstate 94 exit ramps. Twenty months after the installation, the 85th percentile speed immediately downstream of the converging chevron patter dropped 24%. The number of crashes on the ramp was also reduced by 43%.

Longitudinal channelizers are shown to reduce gate violations at highway-railroad grade crossings by an average of 75%. North Carolina, for example, saw a 77% reduction in gate violations when they installed longitudinal channelizers at railroad grade crossings between the cities of Raleigh and Charlotte.

While all of these solutions are proven to work, they are all but useless unless we know where to install them.

According to SAFETEA-LU, states must develop Strategic Highway Safety Plans (SHSP), or they will lose federal dollars for transportation. As part of their SHSPs, states must submit a *Five Percent Report* to the Secretary of Transportation. This report identifies the five percent most dangerous roads within a state, however, it is up to each state to decide how to identify the most dangerous roads.

The AAA Foundation for Traffic Safety has a program that shows great promise for helping states identify key locations at which they can improve roadway safety. This program, called the U.S. Road Assessment Program (USRAP), provides a new approach to organizing highway safety information to help highway agencies more effectively manage road safety.[4] USRAP has two main objectives:

- Reduce death and serious injury on U.S. roads through a program of systematic assessments of risk that identifies major safety shortcomings, which can be addressed by practical road improvement measures; and

- Ensure that assessment of risk lies at the heart of strategic decisions on route improvements, crash protection, and standards of route management.[5]

The primary tool for the USRAP is the "Risk Map." These maps illustrate the safety performance of the road system by measuring and mapping where people are killed and seriously injured in crashes.[6] In this way, transportation agencies can identify roadways where there are opportunities to improve safety, or where drivers should exercise more care in driving.[7]

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[4] AAA Foundation for Traffic Safety. Rating U.S. Roads for Safety.2006. Page 3
[5] Ibid. Page 2
[6] Ibid. Page 3
[7] Ibid. Page 3

Studies confirm that older drivers are driving more, and to a later age. Over the next two decades, the population of older drivers – those motorists over 65 years of age – will increase dramatically. This age group is highly at risk, with injuries and fatalities exceeding rates for the general motoring public.

In 2005, 6,512 seniors in this group were killed in automobile accidents. An even greater number were injured (191,000 in 2005) in automobile accidents. These are significant numbers when the longer physical recovery times for this age group is considered. We must take steps to address this emerging issue.

California is one state taking steps to address this issue by using low cost solutions. California has established a program to increase the size of road signs, making it easier for older drivers to read them. California published a new MUTCD in September 2006 recommending that on multilane roadways, larger signs *"should"* be used – 36" X 36" for Do Not Enter signs, and 54" X 18" for Wrong Way signs.

So where do we go from here?

ATSSA believes that Toward Zero Fatalities should be a national objective. We also suggest that 10% of transportation funding should be used for saving lives. Finally, we recommend that the following improvements be made to the Highway Safety Improvement Program in the next reauthorization:

1. Authorizing legislation should be clarified to indicate that "systemic" roadway improvements might be made in lieu of focusing on small but dangerous segments.

2. States should be provided with an incentive to promote low-cost improvements, thereby increasing the return on investment in terms of lives saved.

3. Greater integration of safety planning efforts and federal-aid programs should be promoted. This might be accomplished in part by requiring that funding sources for countermeasures be included in state Strategic Highway Safety Plans. As an example, a standard to upgrade signs to minimum levels of retroreflectivity, with breakaway signposts, might be established for all Interstate Maintenance programs.

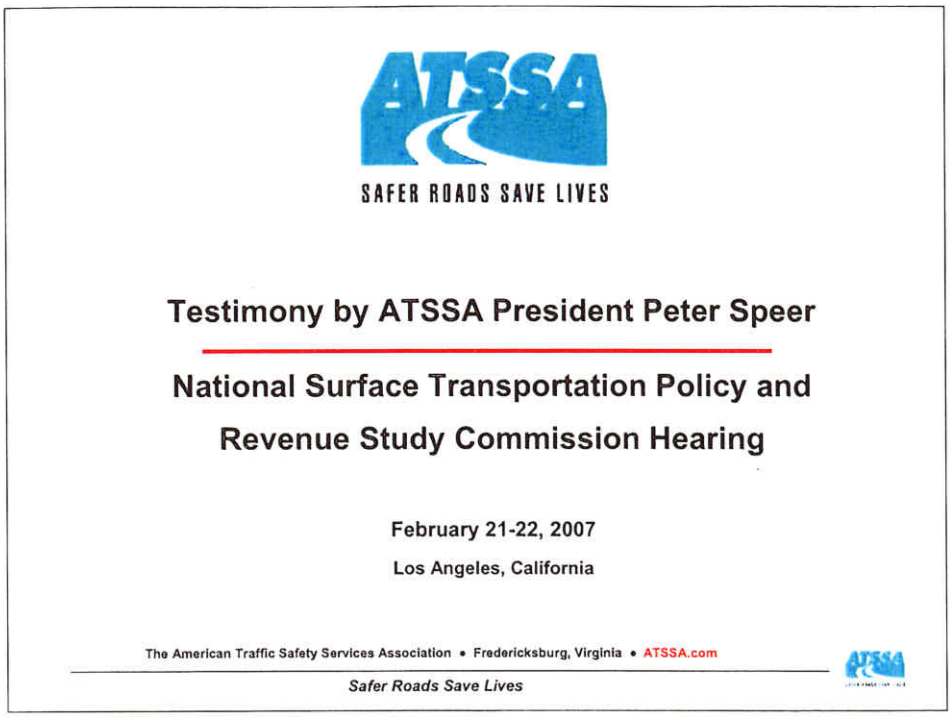
4. Thee should be a greater focus on older drivers and on high-risk rural roads, with specific funding targeted or increased in these areas.

5. States should be encouraged to use the AAA Foundation's USRAP program.

6. States should be encouraged to use Roadway Safety Audits as one step in the process to plan countermeasures in their Strategic Highway Safety Plans.

Madam Secretary and Commissioners – thank you for the opportunity to speak today.

Peter Speer
President, ATSSA

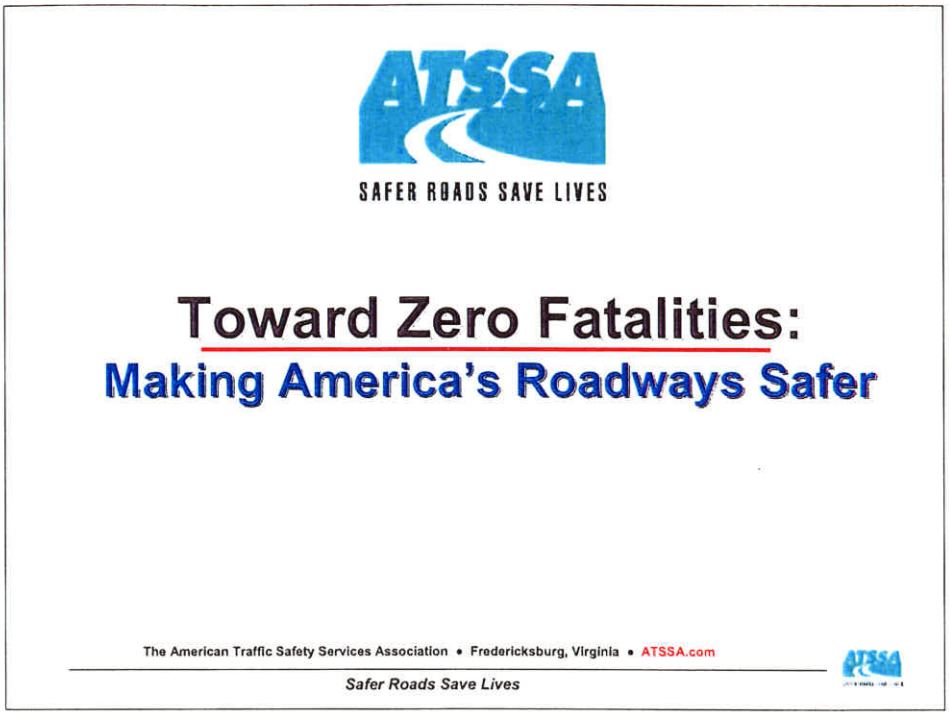


Madam Secretary and members of the Commission – thank you for holding this hearing.

My name is Peter Speer. I am the President of the American Traffic Safety Services Association, and I am here today to talk about roadway safety programs.

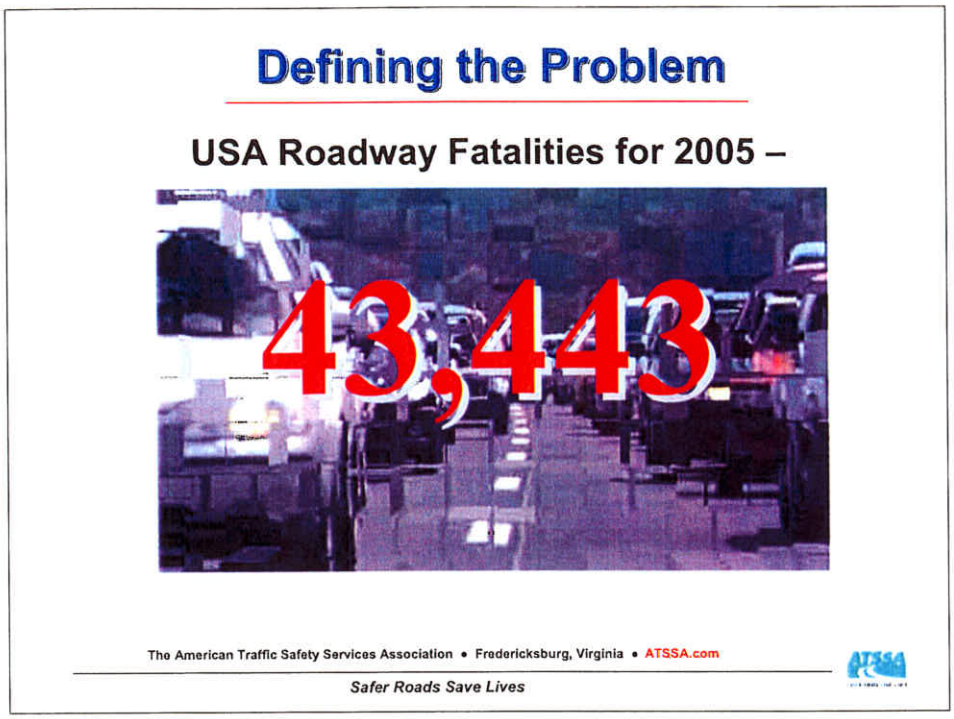
ATSSA's 16-hundred members manufacture and install roadway safety devices and features including signs, pavement markings, guardrail, crash cushions, and just about everything "orange" that you see in a roadway work zone.

We also have about 700 members from public agencies.



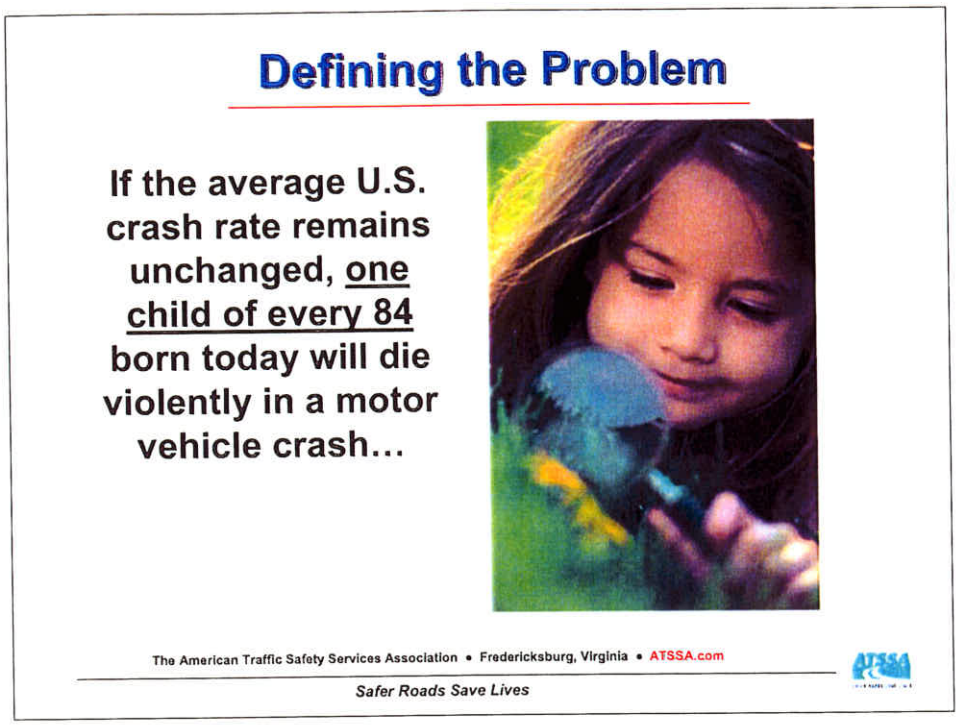
ATSSA proposes that a "Toward Zero Fatalities" vision be the focus of the 2009 reauthorization of SAFETEA-LU.

Federal state, and local governments must unite with private industry toward a single overarching goal – that being to annually reduce fatalities until there are no deaths on America's roadways.

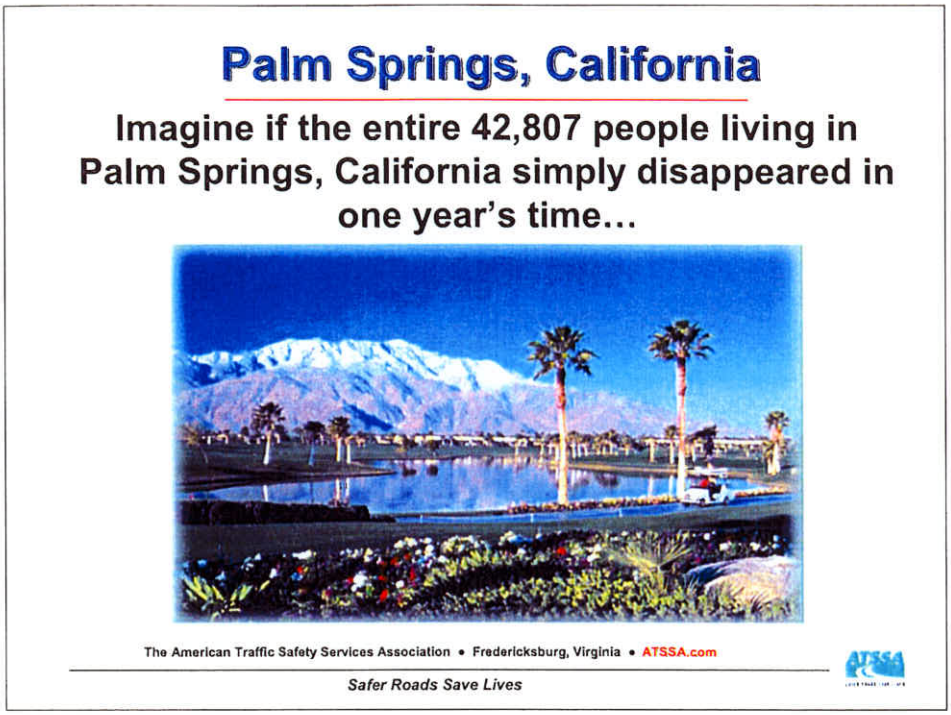


Driving on America's roadways is an inescapable part of our lives.

Americans travel almost three billion vehicle miles a year, and unfortunately in 2005 – 43,443 people were killed in roadway crashes.



Surprisingly, automobile deaths are the leading cause of death for children, teenagers – in fact for *all people* from ages three to 33.



Madam Secretary, I have heard you describe roadway deaths in terms of losing an entire city in Arizona in one year. Since we are in California, please imagine if the entire population of Palm Springs, California was lost in one year.

82 Passenger Planes

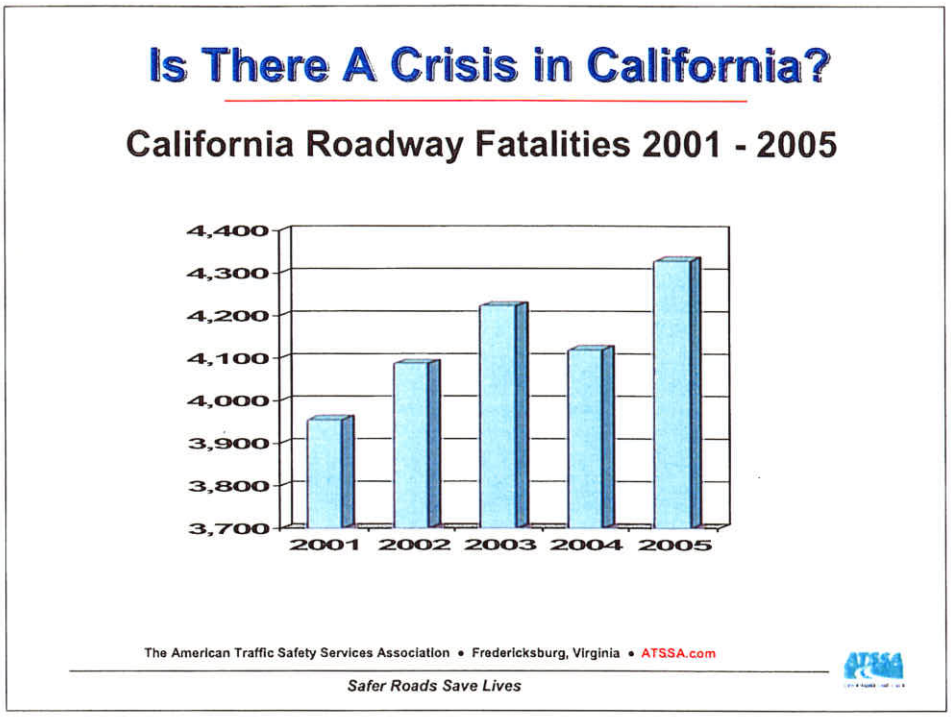
A 747 can hold 524 passengers. Imagine if 82 of them crashed in a year…

The American Traffic Safety Services Association • Fredericksburg, Virginia • ATSSA.com

Safer Roads Save Lives

I said earlier that 43,443 people were killed in roadway crashes in 2005.

That number is the equivalent of 82 fully occupied 747 passenger planes crashing in one year.

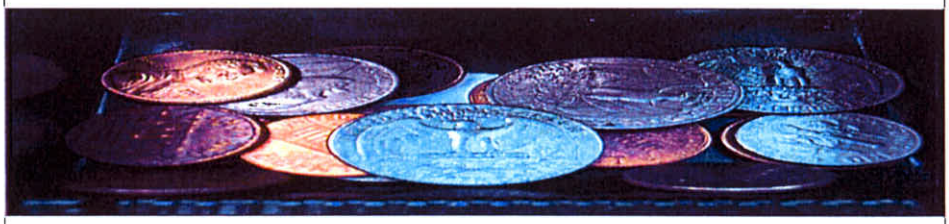


In California alone, 4,329 people died in roadway crashes in 2005. Here's a quick look at the five year trend.

The Economic Cost

"The economic impact of motor vehicle crashes on America's roadways has reached $230.6 billion a year, or an average of $820 for every person living in the United States."

Source: NHTSA May 2002



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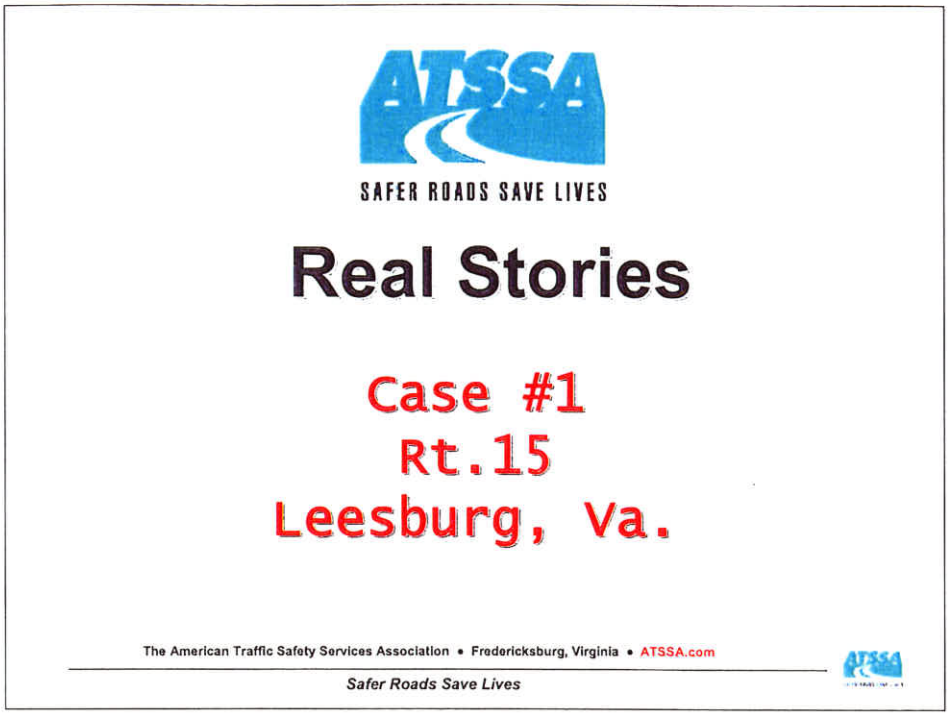
According to NHTSA, the national economic cost in terms of lost time, wages and medical expense is a staggering $230.6 billion a year.

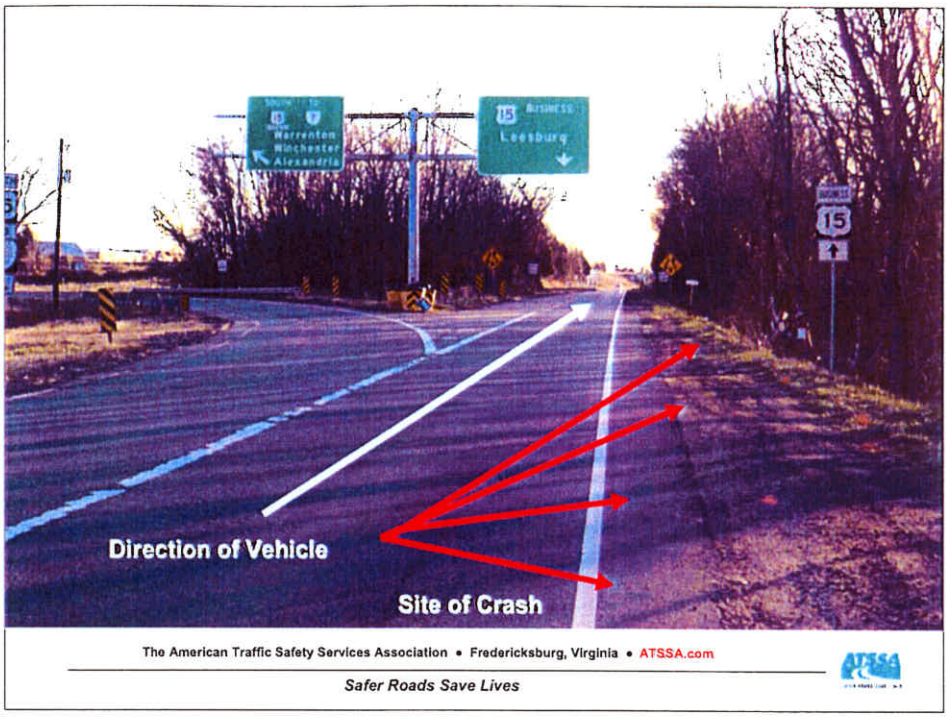


When we talk about roadway fatalities, we use a lot of numbers and statistics. In doing so, we sometimes lose the human side of things.

Every one of the 43,443 people killed in roadway crashes in 2005 was a father, mother, sister or brother, son or daughter, or grandparent.

I would like to take a few minutes to relate some real stories close to home.

First, Dustin and Courtney Muse were killed in Virginia on December 6, 2006 on their way to visit their father.



Sixteen-year-old Dustin was driving a Jeep Wrangler south on Route 15 in Leesburg, Virginia when the vehicle veered off the road.

Thirteen-year-old Courtney was in the front passenger seat. Both were wearing seatbelts. Dustin, the driver, was not impaired by drugs or alcohol.

Their Jeep hit the base of a tree roughly 50-feet from the roadway. Police said speed was not a factor.

Crash Site

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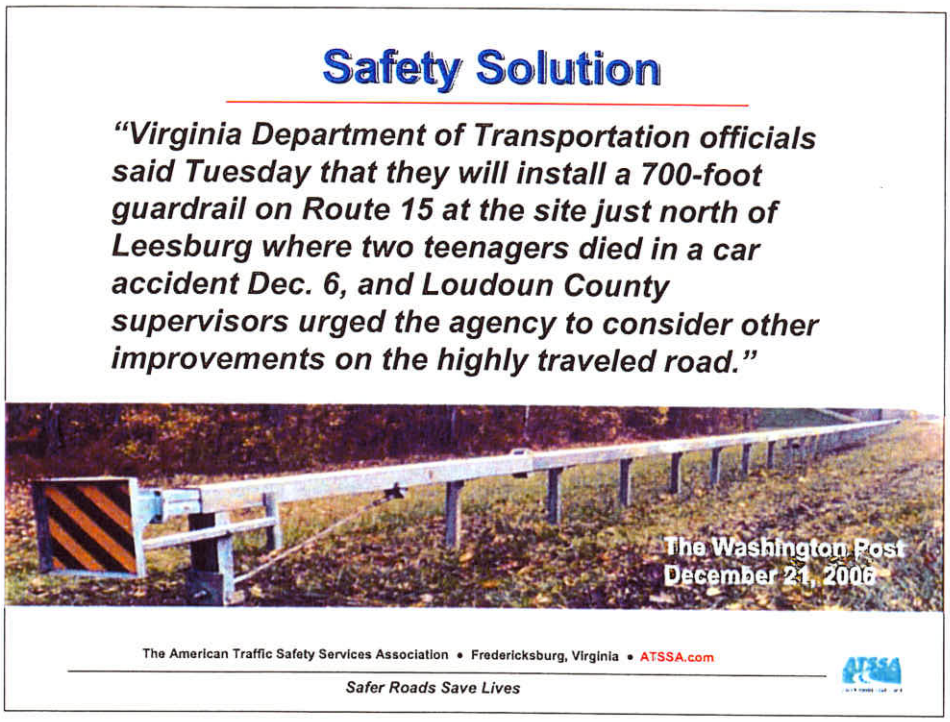
Safer Roads Save Lives

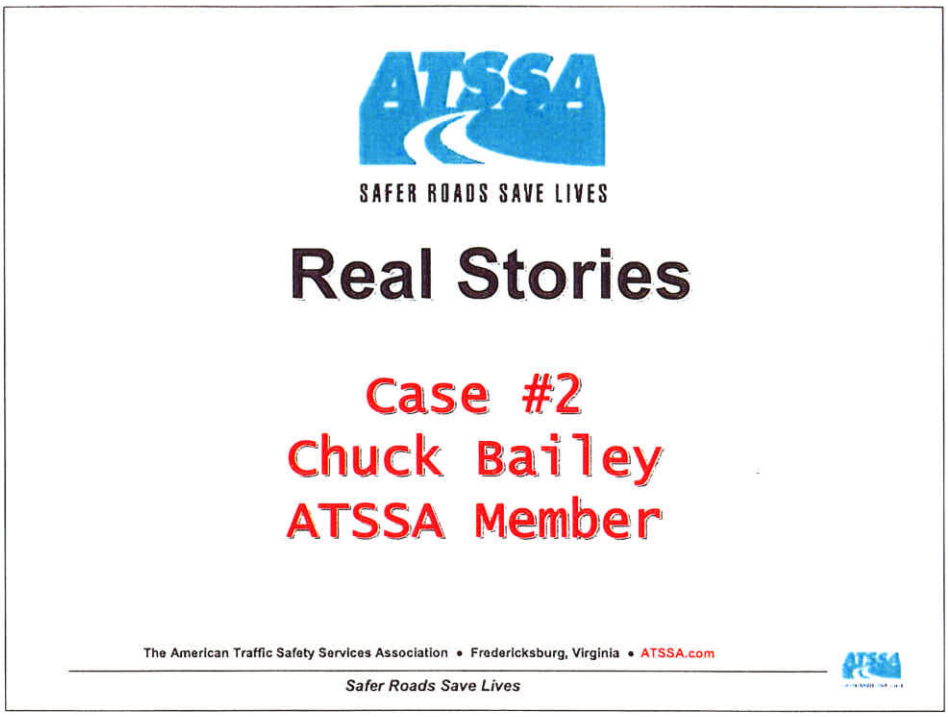
Here is where the vehicle came to rest.

As we see all too often these days, a memorial was erected at the site of the crash by family and friends.

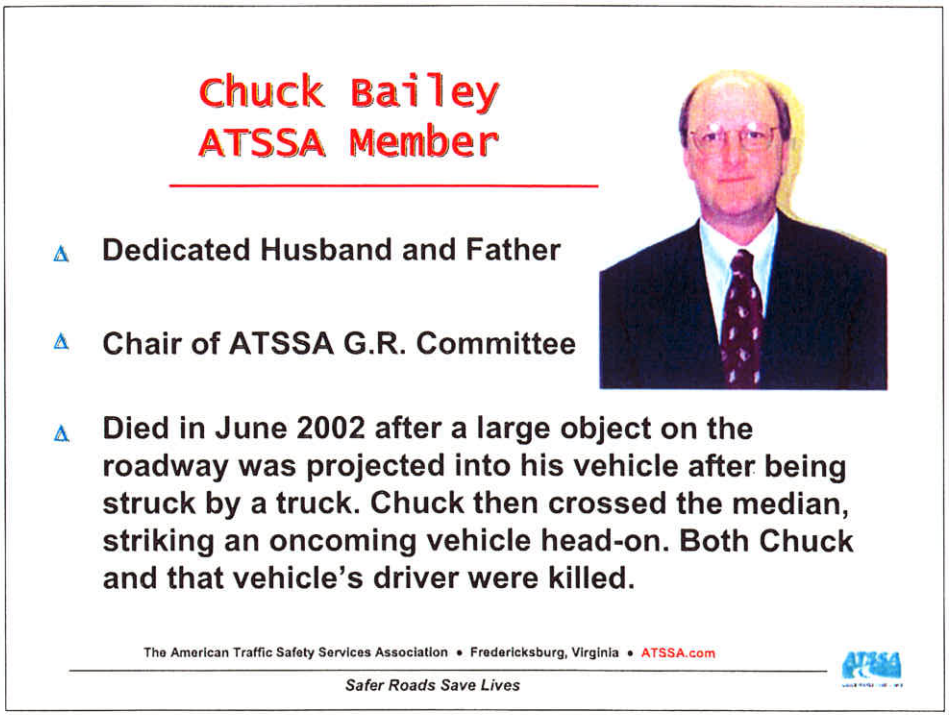


As a direct result of that crash, a 700 foot guardrail was in installed in January to prevent further fatalities and run-off-the road accidents.

It is a shame that it took the loss of life before this stretch of road was made safer.



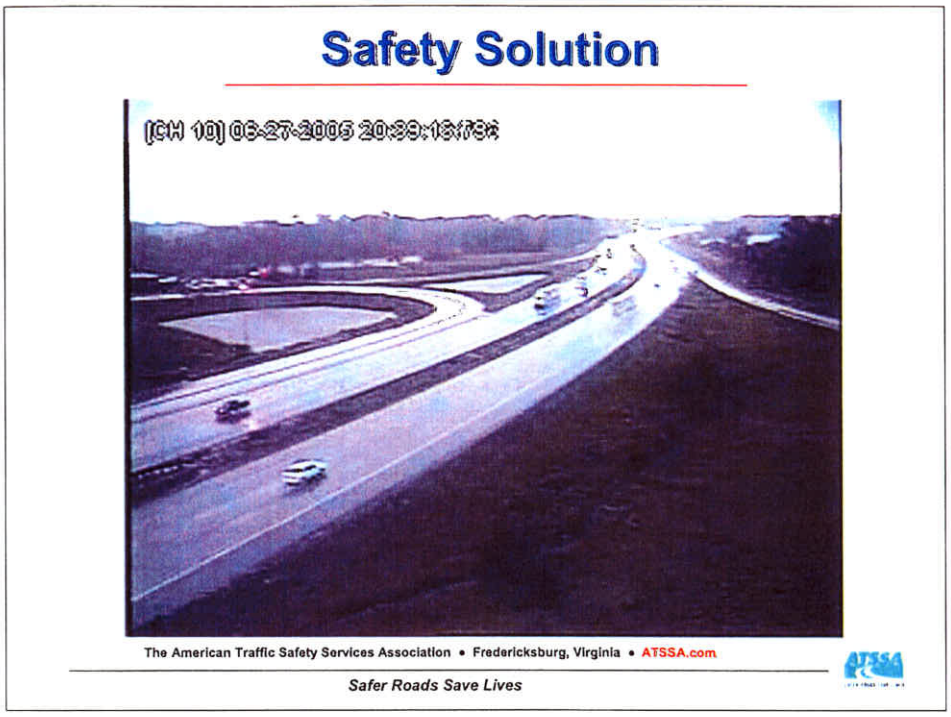
The second story I want to tell you involves a former ATSSA member and my friend, Chuck Bailey.



Chuck died when a large object in the road was projected into his vehicle after being struck by a truck.

After this occurred, Chuck's car crossed the median on I-70 near Concordia, Missouri and struck another vehicle head-on.

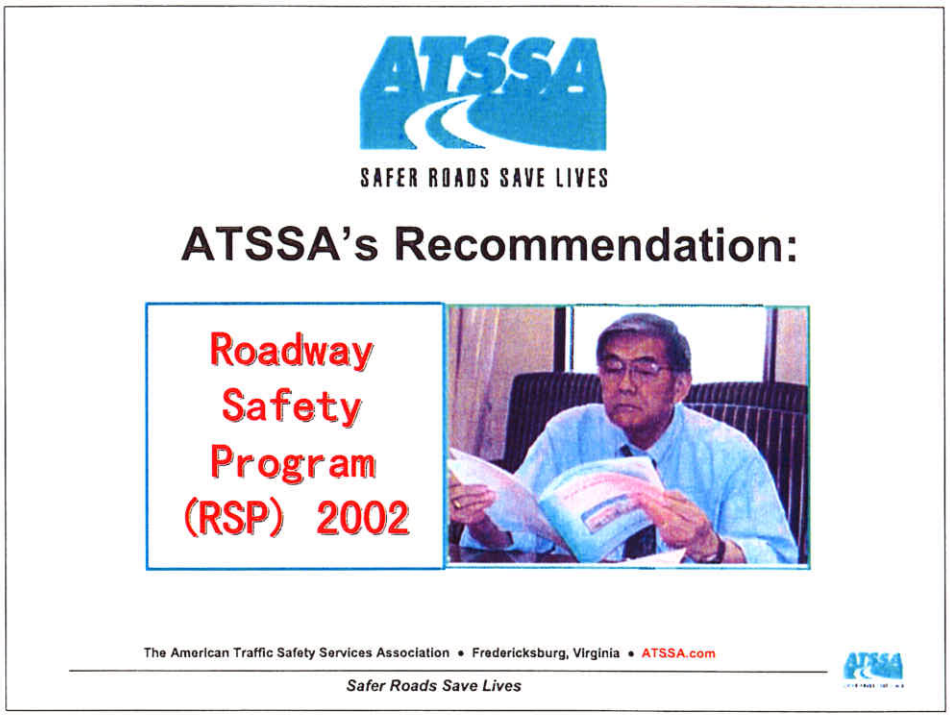
Both Chuck and the driver of the other car were killed.



This accident is so tragic, not simply because my good friend was killed, but because Chuck's car crossed the median and killed an innocent driver.

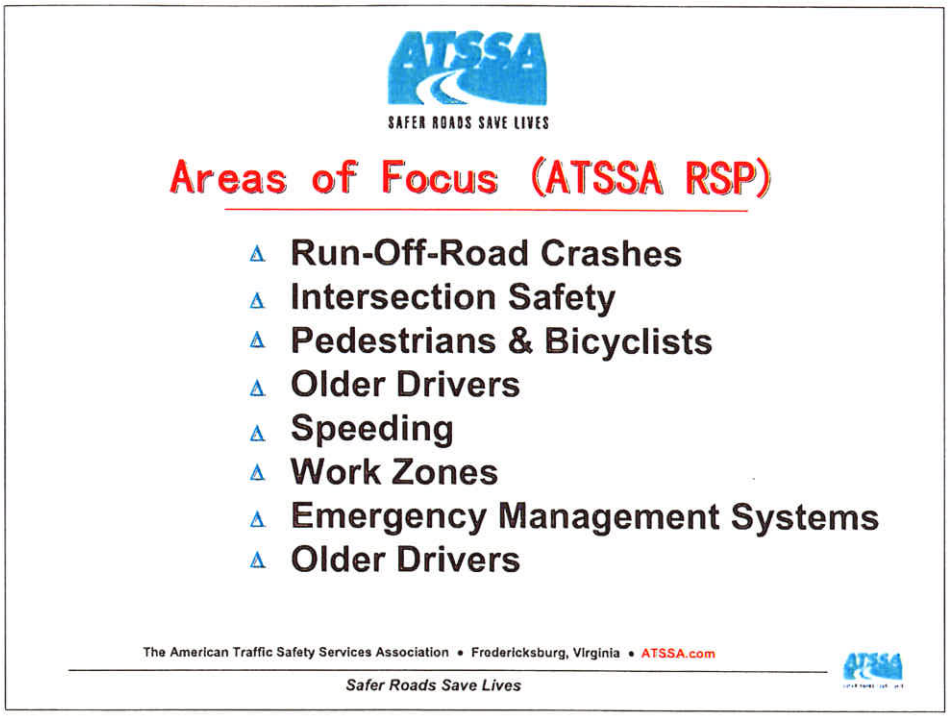
Had a low-cost cable barrier been installed in the median, Chuck's car would not have crossed into the oncoming traffic.

Take a look at this video from a traffic camera in Minnesota.

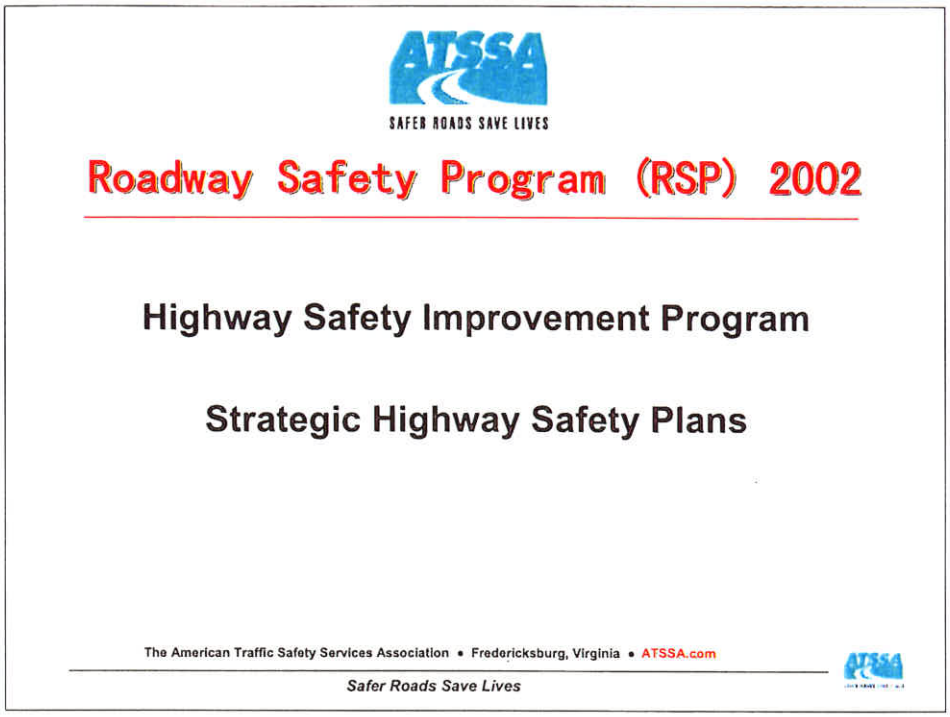


How do we prevent tragedies like these from occurring in the future?

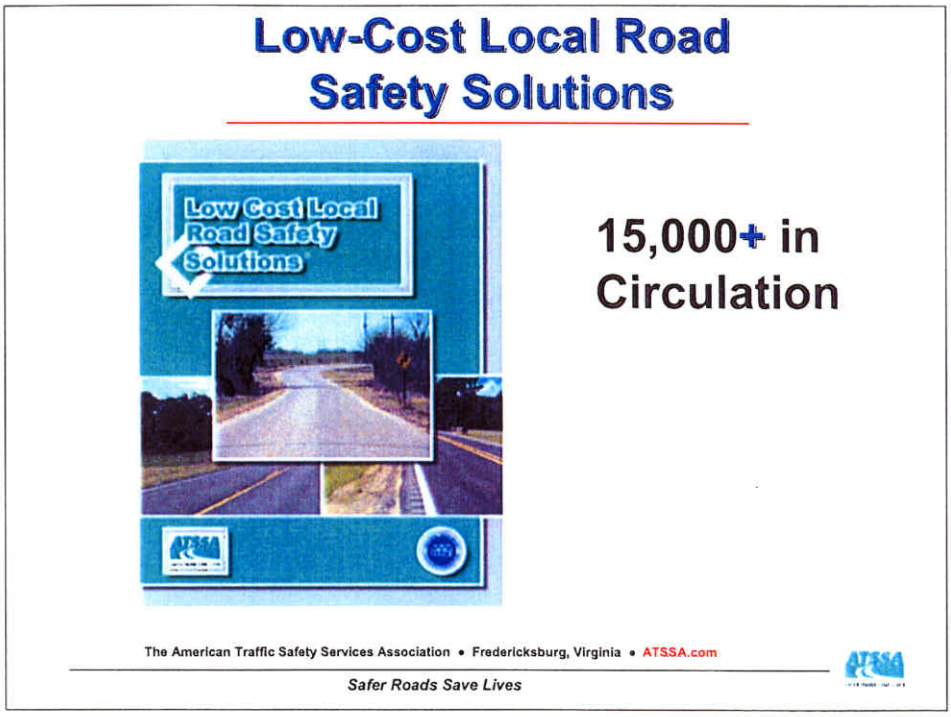
In 2002, ATSSA developed a Roadway Safety Program for the reauthorization of TEA-21. We presented our program to then Secretary of Transportation Norman Mineta.



As we developed our Roadway Safety Plan, we focused on areas where people were dying or were being injured most. As you can see by this slide there are a number of focus areas – like run-off-road crashes, intersections, and pedestrian safety.

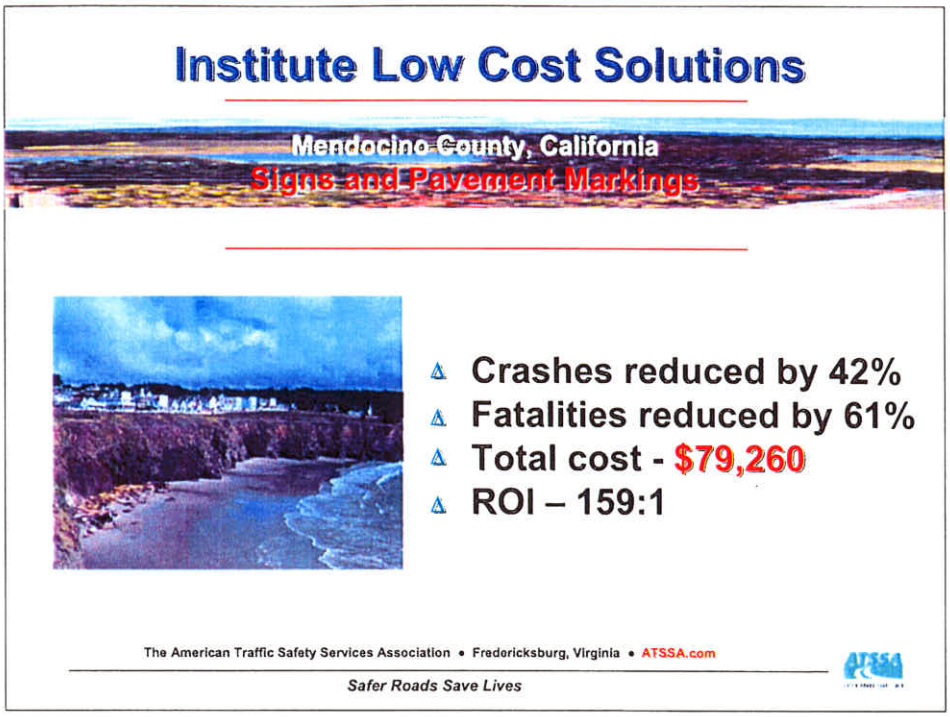


Many of the areas ATSSA focused on in its Roadway Safety Plan were included as part of SAFETEA-LU's Highway Safety Improvement Program, and many states have even included these areas in their own Strategic Highway Safety Plans.



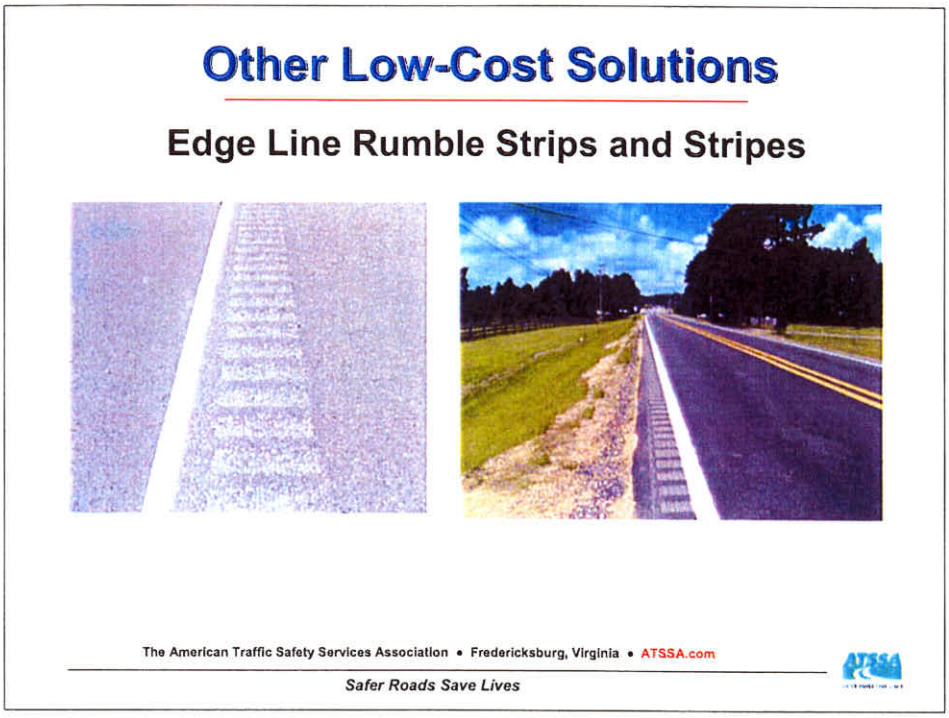
ATSSA believes the best way to improve safety in these focus areas is to take advantage of low cost safety solutions.

To help states maximize their limited resources, ATSSA commissioned the Texas Transportation Institute to develop a series of case studies with proven, life saving solutions. We published the 16 studies in a publication called "Low Cost Local Road Safety Solutions." To date, we have distributed over 15,000 copies nationwide, free of charge. Let's quickly look at a few examples.

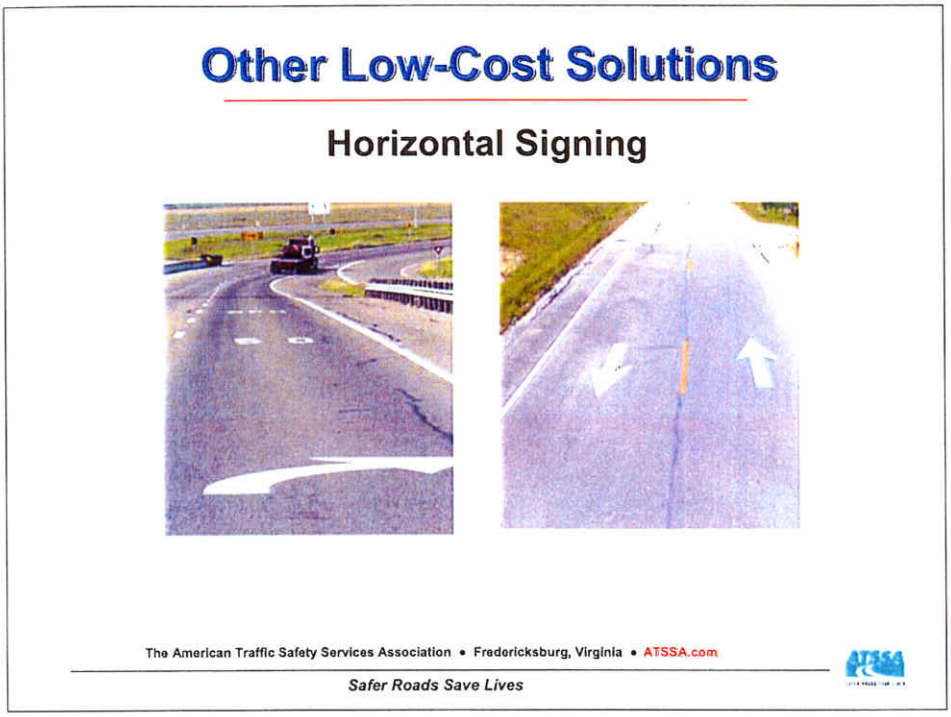


Since we are in California, let's take a quick look at Mendocino County.

Officials there introduced a sign and pavement marking installation program that greatly reduced crashes and fatalities. The county calculated its return on investment at an astounding 159-to-One.



Rumble strips and stripes placed on the shoulder or edge line are used to alert drivers that they are leaving the travel lane. On freeways, these low cost safety solutions reduce run-off-road crashes between 15 and 80 percent. The Mississippi DOT saw a 25 percent reduction in run-off-road crashes when they installed edge line rumble stripes on two lane roadways.



Horizontal signing consists of symbols or words on the pavement directly in the driver's line-of-sight. In a study by the Texas Transportation Institute, researchers applied a curve arrow followed by the words "50 Miles Per Hour" before a curve on an urban, four-lane divided highway. Prior-to installation, the average speed at the beginning of the horizontal curve was 66 miles per hour. After the installation, the speed fell to 59 miles per hour.

Other Low-Cost Solutions

Converging Chevrons

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Safer Roads Save Lives

Converging chevron pavement markings can also be used to reduce speed. In 1999, the Wisconsin DOT used this low cost solution on one of their interstate exit ramps. Twenty months after installation, exit speed dropped 24 percent and the number of crashes fell 43 percent.

Other Low-Cost Solutions

Channelizers at Highway Railroad Grade Crossings

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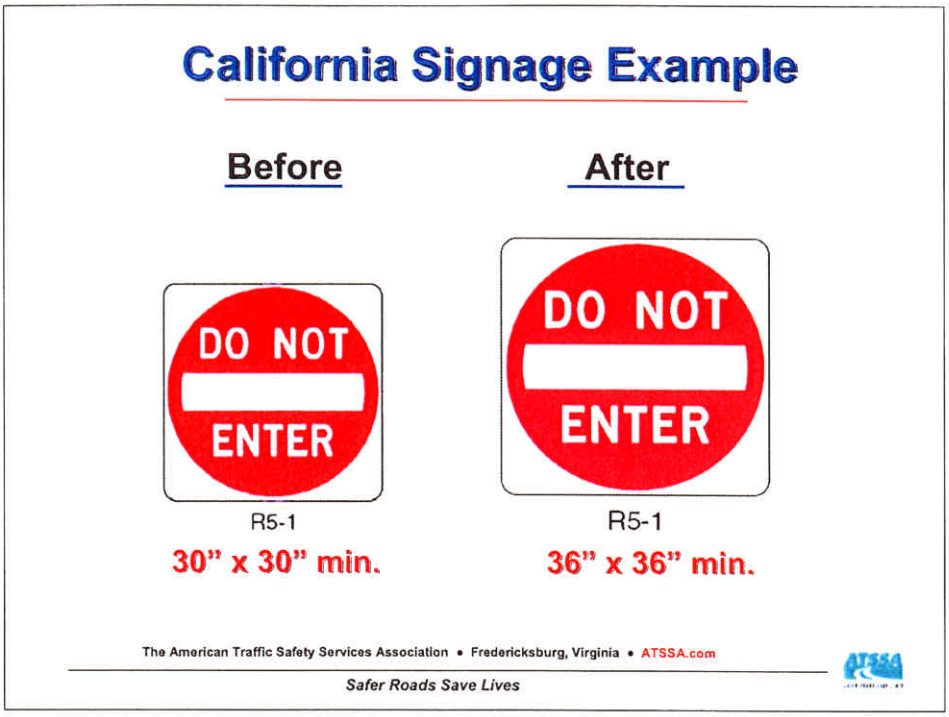
Safer Roads Save Lives

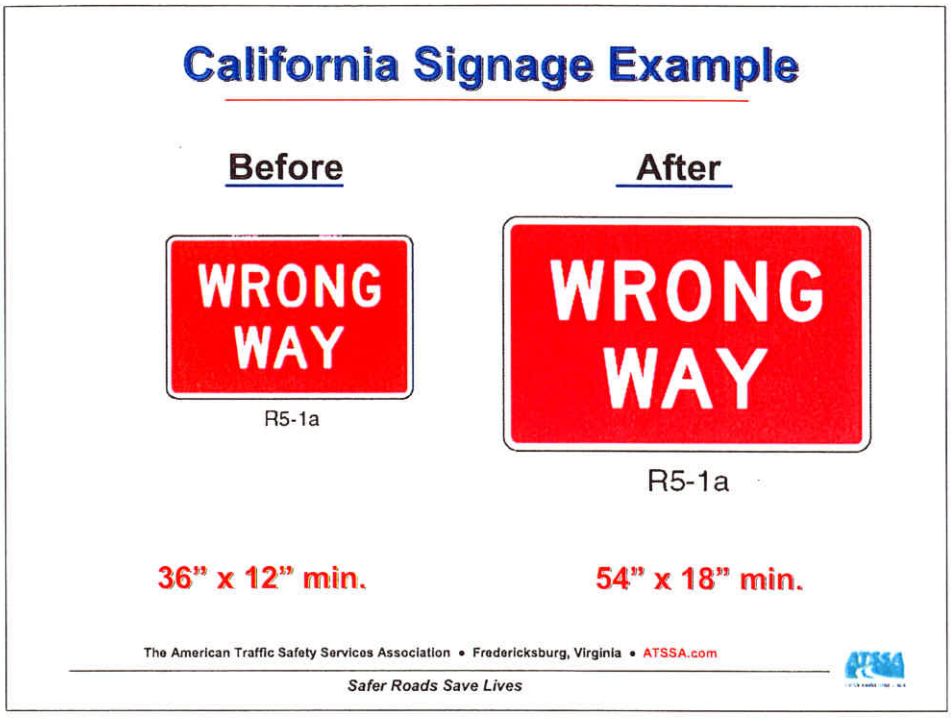
Longitudinal channelizers reduce gate violations at highway-railroad grade crossings by an average of 75 percent. North Carolina saw a 77 percent reduction in gate violations when they installed longitudinal channelizers at railroad grade crossings between Raleigh and Charlotte.

Studies confirm that older drivers are driving more and to a later age.

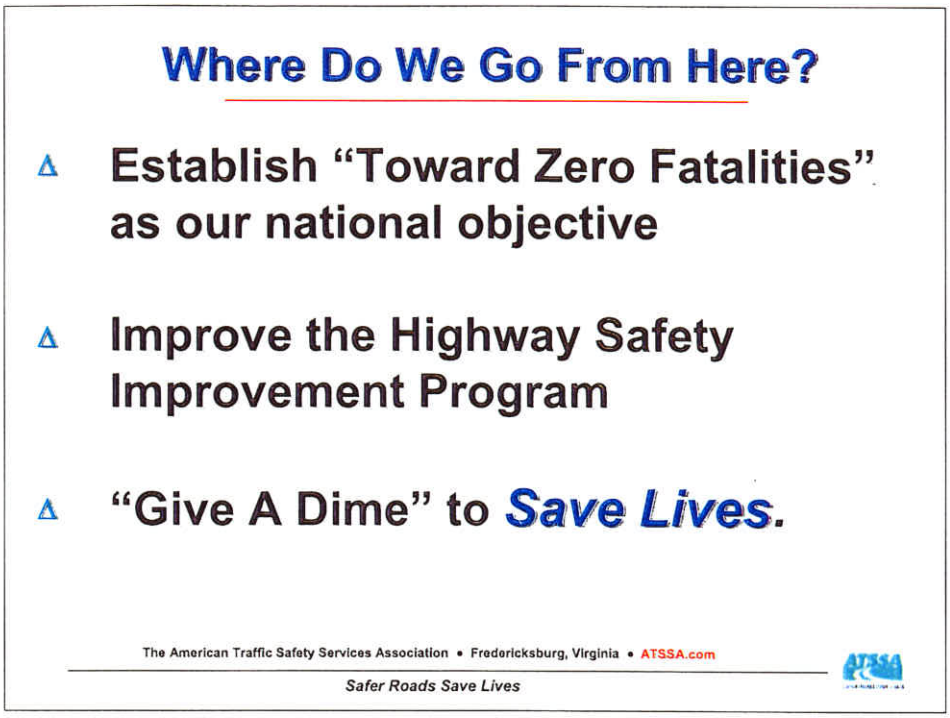
Over the next two decades, the population of older drivers – those over 65 years old – will increase dramatically. We must take steps to address this huge population.



California is one state taking steps to address this issue by using low cost solutions to address older driver concerns. California has established a program to increase the size of road signs making it easier for older drivers to read them.



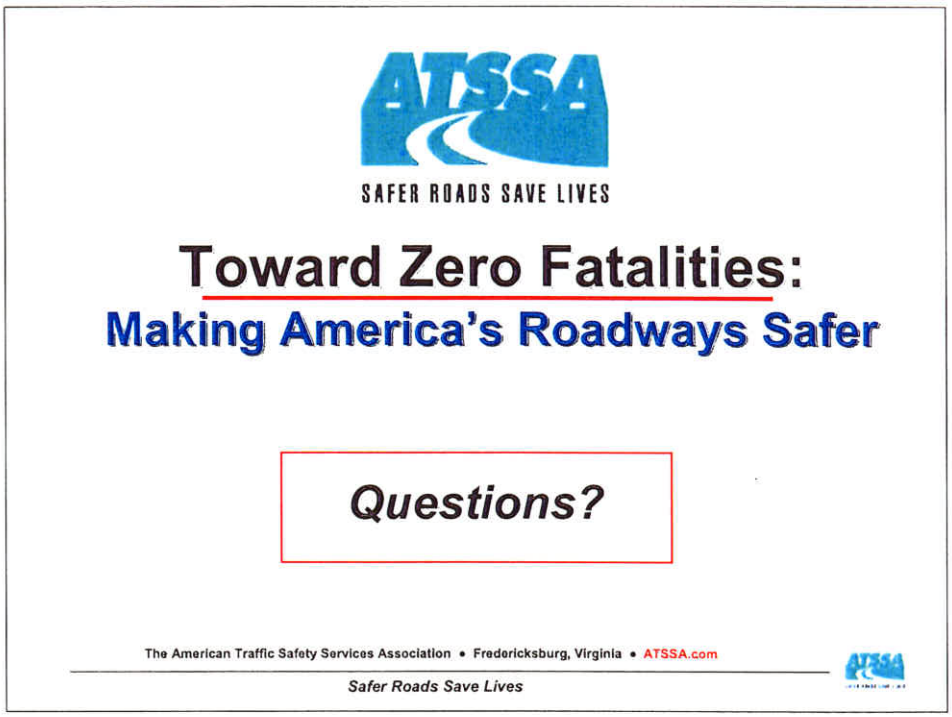
In fact, California published a new MUTCD in September 2006 recommending that on multilane roadways larger signs "should" be used; 36 by 36 inches for "Do Not Enter" signs, and 54 by 18 inches for "Wrong Way" signs.



So where do we go from here?

Well, ATSSA believes that Towards Zero Fatalities should be a national objective. We think that some improvements can be made to the Highway Safety Improvement Program, and we have included some recommendations in our written testimony.

Finally, ATSSA suggests that 10 percent of transportation funding should be used for saving lives.



Madam Secretary, Commissioners, thank you for the opportunity to speak with you today.

I am happy to answer any questions you might have.

TESTIMONY OF GENEVIEVE GIULIANO, PhD

SENIOR ASSOCIATE DEAN, RESEARCH AND TECHNOLOGY
DIRECTOR, METRANS TRANSPORTATION CENTER

SCHOOL OF POLICY PLANNING AND DEVELOPMENT
UNIVERSITY OF SOUTHERN CALIFORNIA
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Giuliano Testimony

New Technologies to Enhance Mobility

INTRODUCTION

My presentation addresses the first item of the Commission's duties as listed in the SAFETEA-LU legislation: "Conduct a comprehensive study of the current condition and future needs of the surface transportation system." It is related to the larger question of funding the national system, as any efficiency improvement of the existing surface transportation system will contribute to reducing the funding burden required to support it.

My topic is technologies and options for enhancing mobility by improving the efficiency of freight flows on the surface transportation system, and I focus specifically on freight flows within metropolitan areas. I will make two basic points: 1) there is significant potential for technology solutions, and much of the technology already exists; 3) the main challenge is to solve organizational and institutional constraints to effective technology solutions.

Growing volumes of international trade, along with increasingly dispersed systems of manufacturing and distributions, have contributed to large increases in truck traffic volumes. Increased freight volumes have had significant impacts on metropolitan areas. Traffic at major freight generators (ports, airports, rail yards, warehouse and distribution nodes) has greatly increased, adding to congestion and impacting surrounding neighborhoods. Increased truck traffic contributes to congestion, more delay due to accidents, and more vehicle emissions. These impacts have motivated a search for solutions, and one promising area is technology.

POINT 1: TECHNOLOGY SOLUTIONS ARE AVAILABLE

Opportunities for increasing the efficiency of our transportation system via technology are significant. I will describe just a few key examples given our time constraints. Details are available in my background briefing paper.

Advanced sensor technologies

Passive means for data collection will continue to be a necessary component of transportation system management. We need more extensive and reliable data on truck flows. Sensor technology is being developed for the collection of highly accurate data on traffic volumes, vehicle classification and vehicle re-identification. Sensors may be permanently installed in the roadway or on bridges, or may be deployed on the roadway surface for temporary data collection or emergency traffic management. They may be connected to a central data center, or be self-contained. Such technologies do not require specific equipment (e.g. GPS) in trucks, and hence would not be dependent upon technology adoption within the trucking industry.

Vehicle-Infrastructure Integration

Technology researchers see Vehicle-infrastructure Integration (VII) as the next generation system for traffic management. Two-way communications between vehicles and transportation system operations centers would allow system managers to 1) monitor traffic conditions in real-time, 2) inform vehicles of downstream conditions, 3) manage traffic in real-time (e.g. slowing down traffic upstream of an accident to reduce congestion). Two-way communications would allow vehicles to 1) poll the operations center for down-stream conditions, 2) change route or schedule in response. VII would greatly increase the quality and quantity of information available to travelers and system managers, allowing more efficient utilization of our highway resources.

Virtual weight and compliance system

Monitoring trucks for compliance is costly both for the enforcement agencies and the trucking industry, but the costs of non-compliance are high as well. Overweight trucks damage pavements and increase highway maintenance and rehabilitation costs. Overweight trucks and trucks with mechanical problems have been associated with higher crash risk.

The concept of the virtual weight and compliance system (VWCS) is to develop a technology and information system that supports human enforcement activities. Sensor technology that provides weight data sufficiently accurate to support enforcement is being developed. Combining technologies, for example heat sensors to monitor brakes, emissions sensors, and sensors for detection of toxics, etc., all capable of monitoring vehicles in motion, would allow for the identification of potential non-compliant vehicles. Linking these in-road data with driver information would allow compliance checks on both driver and vehicle.

Automated vehicle applications in freight

Several of the "new generation" rail transit systems in the US are automated (e.g. there is no need for human operators on the trains). Similarly, airplanes operate on auto-pilot. There are many possibilities for automation that could make better use of physical capacity, such as automated truck guideways, hybrid truck/rail concepts, or automated intermodal transfer operations.

Alternative propulsion systems

In California Mag-Lev technology is being discussed as an alternative for short-haul trucking. It is argued that the speed of Mag-Lev (cruise speed of about 150 mph) would make short-haul transfers (say from port to inland distribution terminal) competitive with truck. Longer-term technology solutions will depend greatly on costs and incentives. Entirely new systems, such as Mag-Lev, have high risks, in terms of both capital costs and performance. In the current pricing environment, it is unlikely that such costs could

be justified. In addition, the availability of substitutes must be considered. Trucks operated on clean fuels, for example, may be more cost-effective.

POINT 2: ORGANIZATIONAL AND INSTITUTIONAL CONSTRAINTS

Given the rate and extent of technology development, it is legitimate to ask, why haven't we already implemented technology solutions that are currently available? The answer is that technology solutions must be implemented within existing organizational structures. There are several challenges to technology solutions that require either changes in operating practices, or changes in institutional relationships and responsibilities.

1. Technology solutions may generate outcomes that have net benefits, but impose additional costs on one or more participants. Participants may be unwilling or unable to absorb these costs.
2. A technology solution may lead to net benefits when collectively adopted, but there may be no incentive for individual agencies to act cooperatively.
3. Technology may affect labor practices and be perceived as a threat to jobs, or labor practices may be bound by union contracts that are costly to change.
4. Technology may affect ownership of information. Privacy concerns are obvious. Less obvious is the question of ownership within public agencies. Data sharing requires formal agreements, assignment of responsibilities, and assignment of associated costs.
5. Successful technology adoption requires human technical capacity, which may be lacking in public agencies.

Possible Solutions

These challenges need to be addressed if we are to take advantage of the opportunities new technology provides. I close with some ideas on how national policy might promote the adoption and implementation of effective technology solutions.

1. First, we might consider a competitive program for technology demonstrations, where multi-party partnerships are a key feature. The demonstrations would include an evaluation component, with the evaluation focused on organizational and institutional outcomes, rather than technology performance.
2. A second possibility is to establish a technology challenge program, much like the DARPA challenge program.
3. Third, we might develop stronger incentives for cooperation across public agencies, and across private and public sectors. Examples include funding tied to cooperative arrangements, or funding bonuses for public/private technology projects. These incentives should be tied to guidelines on effective partnerships.
4. Fourth, national leadership is required to solve inter-operability problems affecting interstate commerce.
5. Finally, there is a national role in research, education and training. In order to take full advantage of technology opportunities, the future workforce will need much broader training and the capacity to work across many disciplines.

Thank you very much for your attention.

Background Briefing Material

NEW TECHNOLOGIES AND OPTIONS TO ENHANCE MOBILITY

INTRODUCTION

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Background

The US launched a major effort with the 1991 ISTEA Transportation Bill to support research and development in advanced technology. At the time called Intelligent Transportation Systems (ITS), it was anticipated that within a decade or two we would see the implementation of new technologies that would lead to automated highways and vehicles. The vision was powerful: researchers predicted that automation could triple the capacity of the existing highway system, making it possible to accommodate anticipated growth in travel demand without expansion of the physical system. ITS proponents predicted that investment capital would come from the private sector; the government's role would be to support the research and facilitate private investment.

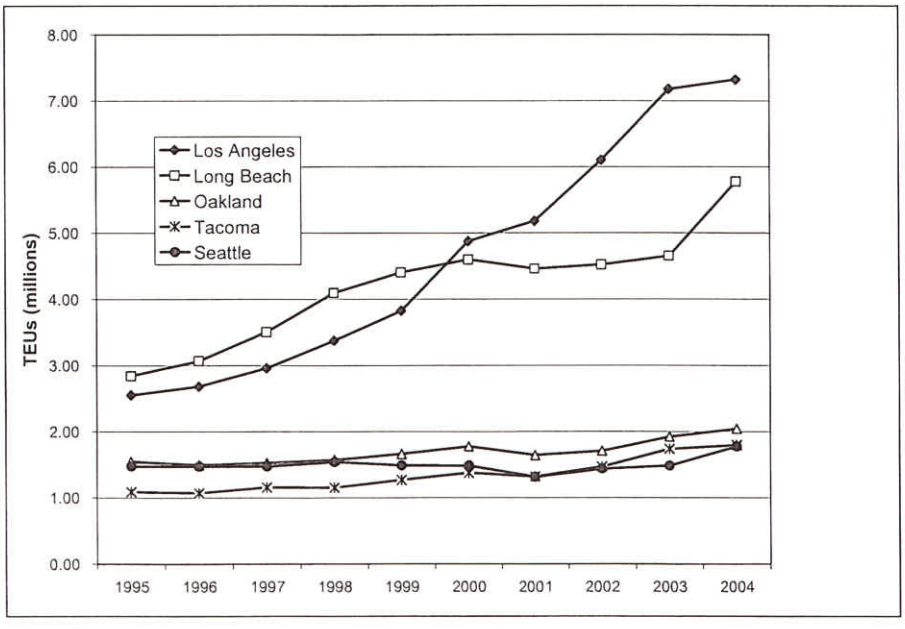
Needless to say, in 2007 we have yet to see an operating automated highway, and we are still driving ourselves – despite field demonstrations of automated vehicles that took place in 1996. Yet great strides have been made. Those of us living in metropolitan areas may check the local traffic congestion map before starting our trip, and here in southern California we have freeway message signs that give us real time travel time estimates, as well as warnings about accidents and road closures. We have navigation equipment in our vehicles, and "intelligent" cruise control is now offered in the high end vehicle market. Information and communications technology has continued to advance, and we are now at a point where the payoff from the last decade of research is rapidly increasing.

My presentation today is on new technologies that will enhance the efficiency of goods movement. Growing volumes of international trade, along with increasingly dispersed systems of manufacturing and distributions, have contributed to large increases in truck

traffic volumes. Increased freight volumes have had significant impacts on metropolitan areas. Traffic at major freight generators (ports, airports, rail yards, warehouse and distribution nodes) has greatly increased, adding to congestion and impacting surrounding neighborhoods. Increased truck traffic contributes to congestion, more delay due to accidents, and more vehicle emissions.

The Los Angeles region provides an extreme example. The Ports of Los Angeles and Long Beach combine to form the largest container shipping facility in the U.S. in terms of both value of cargo and container traffic, and the Los Angeles airport is the third busiest cargo airport in the US. The Los Angeles/Long Beach port complex is the fifth busiest container facility in the world, handling 14 million TEU (Twenty-foot Equivalent Units, the standard measure of cargo volume) in 2005. The ports serve the entire US: about 60% of all cargo originates or arrives outside the Los Angeles region. While all of the major West Coast ports have experienced growth in the recent past, the rate of growth in Southern California has been more dramatic (Figure 1). Increased market share of the west coast port business is explained by several factors: 1) the large consumer market of Southern California (about 20 million population), 2) increasing returns to scale in ocean shipping, 3) capacity of the LA/LB ports for large ships, 4) a large trade-related industry base, and 5) good surface rail and ground transport connections with the national trade corridors.

Figure 1: West Coast Container Traffic 1995-2004
Source: American Association of Port Authorities



Rapid growth of port volume has resulted in rapid growth of external costs. Heavy-duty truck miles in the Los Angeles region (i.e. those trucks with five or more axles) have

increased faster than total vehicle miles traveled. The major routes serving port-related trade carry very large HDT truck shares: 12 to 14% of total daily traffic, compared to 2 – 3% for other highways in the region. High volumes of trucks add to congestion problems and contribute disproportionately to incident related delays. These impacts have motivated a search for solutions, and one promising area is technology.

TECHNOLOGY SOLUTIONS

Opportunities for increasing the efficiency of our transportation system via technology are significant. Some key examples are presented here.

Technologies for monitoring and management

A major problem in metropolitan areas is the lack of adequate information on freight flows, particularly truck flows. Information is needed to better manage truck traffic on the highway system, to have a better understanding of the dynamics of truck flows, and to develop more effective methods for planning and forecasting. At a time when we are considering major investments to accommodate truck traffic, such as highway expansions or truck only toll lanes, it is imperative that such investment decisions be made in an informed manner.

Advanced sensor technologies

We anticipate that GPS and other location devices will soon become standard equipment on heavy-duty vehicles. However, shippers and trucking companies are private entities who for competitive reasons are reticent to make detailed data available to public agencies. Therefore passive means for data collection will continue to be a necessary component of transportation system management. If truck traffic is to be better managed, we need more extensive and reliable data on truck flows. Current practice passive techniques (e.g. roadway sensors) are generally not capable of vehicle classification (counting vehicles by type) or vehicle re-identification (identifying individual vehicles). Thus truck flow data are obtained via manual counts or video recording. Such data collection methods are costly, and consequently infrequent.

Sensor technology is being developed for highly accurate vehicle classification and for re-identification. There are many possible technologies for sensor units, communications and configurations. Sensors may be permanently installed in the roadway or on bridges, or may be deployed on the roadway surface for temporary data collection or emergency traffic management. Sensors may be configured as a network, with data and computational exchanges within the network. They may be connected to a central data center, or be self-contained. Such technologies do not require specific equipment (e.g. GPS) in trucks, and hence would not be dependent upon technology adoption within the trucking industry.

Vehicle-Infrastructure Integration

Technology researchers see Vehicle-infrastructure Integration (VII) as the next generation for system management. Two-way communications between vehicles and transportation system operations centers would allow system managers to 1) monitor traffic conditions in real-time, 2) inform vehicles of downstream conditions, 3) manage traffic in real-time (e.g. slowing down traffic upstream of an accident to reduce congestion). Two-way communications would allow vehicles to 1) poll the operations center for down-stream conditions, 2) change route or schedule in response. It is not necessary for all vehicles in the system to have two-way communications capability. For example, fleet vehicles (say taxis) may be equipped, and the combination of vehicle and sensor data would be sufficient to monitor and provide system performance information.

Pressures to increase the security of the freight transport system are moving us to technologies that will allow vehicle tracking in various ways, for example, radio frequency identification devices (RFID) on containers or truck tractors. Once GPS systems are a standard truck feature, truckers or shippers would have the option of participating in the VII system.

Technologies for truck monitoring and enforcement

A second challenge resulting from rapid growth in truck traffic is monitoring and enforcement. In California, truck travel has increased 60% over the past 5 years, but there has been no increase in vehicle compliance facilities or enforcement labor force. Expansion of physical facilities in metropolitan areas is prohibitive due to costs, lack of available right-of-way, and impacts on adjacent properties. To date, state budget constraints have restricted expansion of the state enforcement force.. Overweight trucks damage pavements and thus increase highway maintenance and rehabilitation costs. Overweight trucks and trucks with mechanical problems have been associated with higher crash risk. There is a need to use technology to expand enforcement capabilities

Virtual weight and compliance system

Monitoring trucks for compliance is costly both for the enforcement agencies and the trucking industry. If a large number of trucks require inspection, they may wait in queue, wasting driver time, generating additional emissions from idling, and possibly causing a safety hazard to the roadway. Compliance monitoring and enforcement includes many aspects of both the vehicle and the driver. Technology can replace some aspects of inspection and monitoring, while data integration techniques can assess non-compliance risk and hence increase the effectiveness of the existing human labor force.

The concept of the virtual weight and compliance system (VWCS) is to develop a technology and information system that supports human enforcement activities. Sensor technology that provides weight data sufficiently accurate to support enforcement is being developed. Combining technologies, for example heat sensors to monitor brakes, emissions sensors, and sensors for detection of toxics, etc., all capable of monitoring vehicles in motion, would allow for the identification of potential non-compliant vehicles. Linking these in-road data with driver information would allow compliance checks on

both driver and vehicle. As technology improves, it will be possible to use the data for ticketing, in much the same way that red light cameras currently operate.

More efficient vehicle and container routing

Although large trucking companies are avid consumers of methods and technologies to increase the efficiency of vehicle routing, they are optimizers only within their own systems. Thus UPS or FEDEX or Wal-Mart use highly complex models to minimize delivery time and maximize efficient use of vehicles and drivers. There is no such "system manager" across firms. In markets characterized by many firms (e.g. port drayage), company-based routing leads to inefficiencies. One example is the movement of empty cargo containers: empty containers typically are returned to the port terminal, and then assigned to the next user. Information systems that provide a matching service for empty containers could reduce the movement of empty containers in metropolitan areas. Another concept is inland container terminals, where containers are allocated within smaller spatial networks.

Longer-term technology solutions

Automated vehicle applications in freight

Several of the "new generation" rail transit systems in the US are automated (e.g. there is no need for human operators on the trains). Similarly, airplanes operate on auto-pilot. There are many possibilities for automation that could make better use of physical capacity, such as automated truck guideways, hybrid truck/rail concepts, or automated intermodal transfer operations. In the case of truck-only toll lanes, for example, dual control tractor units might operate with shorter headways under automated control, but under manual control in mixed traffic. In high traffic corridors, single tractors might haul multiple trailers, much like a short-haul rail line. Finally, through robotics technology, it is feasible to automate many types of freight moves, including moves within container yards or intermodal facilities.

Alternative propulsion systems

A major question to be considered is whether there is a breakthrough technology that would substitute for short-haul trucking in high density corridors. Much of the current discussion focuses on Mag-Lev: high speed trains for freight rather than passengers. Mag-Lev technology has been demonstrated with the construction of the rail line connecting Shanghai with its Pudong airport. It is argued that the speed of Mag-Lev (cruise speed of about 150 mph) would make short-haul transfers (say from port to inland distribution terminal) competitive with truck. Mag-Lev systems are powered by electricity, and hence operation generates no emissions.

Longer-term technology solutions will depend greatly on costs and incentives. Entirely new systems, such as Mag-Lev, have high risks, in terms of both capital costs and performance. In the current pricing environment, it is unlikely that such costs could be

justified. If transportation policy moved toward pricing of external costs, say for example a carbon tax or a VMT tax based on emissions, high-speed rail alternatives may be more competitive. In addition, the availability of substitutes must be considered. Trucks operated on clean fuels, for example, may be more cost-effective.

ORGANIZATIONAL AND INSTITUTIONAL CONSTRAINTS

Given the rate and extent of technology development, it is legitimate to ask, why haven't we already implemented technology solutions that are currently available? The answer is that technology solutions must be implemented within existing organizational structures.

Challenges to technology solutions

There are several challenges to technology solutions that require either changes in operating practices, or changes in institutional relationships and responsibilities. First, technology solutions may generate outcomes that have net benefits, but impose additional costs on one or more participants. One example is the coordination of public transportation service through common schedules at transfer locations. Common transfer times provide benefits to the transit user, but typically require adjusting transit route schedules.

Second, although a technology solution may lead to net benefits when collectively adopted, there may be no incentive for individual agencies to act cooperatively. This is the case for the empty container problem described above. No single entity involved in the use and exchange of empty containers is motivated to provide the virtual container yard option, and the container owners (steamship lines) have no incentive to provide a service from which they would receive few benefits. Lack of cooperation or coordination also leads to the larger problem of inter-operability across technologies and information systems. Obvious examples include transponders used in toll collection systems, or the various truck pass programs used in different states.

A third challenge relates to labor practices and the perceived threat of technology to jobs. An extreme example is terminal operations. The longshore labor contract covers wages, working conditions, and operating practices. Thus any technology implementation that affects longshore labor must be negotiated. Technology was a major issue in the 2002 labor dispute that shut down all west coast ports for several days. Differences in labor practices explain in part why automation of terminal operations is more widespread in Europe and Asia than in the US.

A fourth challenge is ownership of information. Many benefits of technology derive from making information more widely available, or integrating information from various sources. Privacy concerns are obvious; implementation of VII for examples depends on developing ways to protect data on individuals or businesses. Less obvious is the question of ownership within public agencies. The VWS concept requires data sharing and integration. In the California example, various units within Caltrans, California Highway Patrol, and the Department of Motor Vehicles would be required to share and

integrate data. Such sharing requires formal agreements, assignment of responsibilities, and assignment of associated costs.

The fifth challenge is human technical capacity, particularly in public agencies. The labor force in state and local departments of transportation often lack the skills to use new technology effectively. Without sufficient technical sophistication, public agency representatives are ill-equipped to make technology decisions or communicate with technology developers. This knowledge gap increases the risk for technology failures and promotes resistance to technology solutions.

Possible Solutions

These challenges need to be addressed if we are to take advantage of the opportunities new technology provides. I close with some ideas on how national policy might promote the adoption and implementation of effective technology solutions. First, we might consider a competitive program for technology demonstrations, where multi-party partnerships are a key feature. The demonstrations would include an evaluation component, with the evaluation focused on organizational and institutional outcomes, rather than technology performance. A second possibility is to establish a technology challenge program, much like the DARPA challenge program. Third, we might develop stronger incentives for cooperation across public agencies, and across private and public sectors. Examples include funding tied to cooperative arrangements, or funding bonuses for public/private technology projects. These incentives should be tied to guidelines on effective partnerships. Fourth, national leadership is required to solve inter-operability problems affecting interstate commerce. The former ITS research program had an inter-operability goal, but implementation outcomes have not resulted in common standards across the US. Finally, there is a national role in research, education and training. In order to take full advantage of technology opportunities, the future workforce will need much broader training and the capacity to work across many disciplines.

New Technologies to Enhance Mobility

National Surface Transportation Policy and Revenue Study Commission

Los Angeles Field Hearing

February 21-22, 2007

Genevieve Giuliano
METRANS Transportation Center
and
School of Policy, Planning and Development
University of Southern California

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Transportation Center
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Introduction

- Topic: Technologies to improve efficiency of freight flows on surface transportation system
- Problem: Impacts of growing freight volumes in US metro areas
- Two points:
  1. Significant potential for technology solutions
  2. Organizational, institutional constraints are main challenge

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Technology Solutions: Examples

- Technologies for monitoring and management
  - Passive monitoring: advanced sensors, sensor networks, data integration
  - Vehicle-infrastructure integration (VII): two-way communication, active system management
- Truck monitoring and enforcement
  - Virtual weight and compliance system: sensors, communications, data integration

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More Technology Examples

- Automated vehicle applications
  - Automated guideways, intermodal transfers, hybrid concepts
- Alternative propulsion systems
  - Mag-Lev for freight? High risks, costs; availability of substitutes

Constraints

1. Net benefits, but added costs to individual participants
2. Net benefits, but no incentive for cooperative action
3. Labor practices, agreements
4. Ownership of information
5. Human technical capacity

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Possible Solutions

1. Demonstrations: multi-party, focus on organizational outcomes
2. A "technology challenge" program
3. Strong incentives for multi-party cooperation, ties to funding
4. Inter-operability is national responsibility
5. Research, education and training of future workforce

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Thank You

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TESTIMONY OF WILL KEMPTON

DIRECTOR
CALIFORNIA DEPARTMENT OF TRANSPORTATION

STATEMENT OF WILL KEMPTON
DIRECTOR
CALIFORNIA DEPARTMENT OF TRANSPORTATION
(DEPARTMENT)
BEFORE THE
SURFACE TRANSPORTATION POLICY AND
REVENUE STUDY COMMISSION
LOS ANGELES, CALIFORNIA

FEBRUARY 21, 2007

FIRST SLIDE: INTRODUCTION AND LOGO

THANK YOU FOR INVITING ME TO SPEAK TO YOU TODAY ON BEHALF OF THE CALIFORNIA DEPARTMENT OF TRANSPORTATION. IN THE NEXT FIVE MINUTES, I WILL TRY TO PAINT A PICTURE OF CALIFORNIA'S RESPONSE TO ITS TRANSPORTATION NEEDS AND TO PROVIDE RECOMMENDED CHANGES THAT WILL IMPROVE THE FEDERAL PROGRAM.

SECOND SLIDE: PORT PICTURE

AS YOU HAVE SEEN DURING TODAY'S TOURS OF THE PORTS OF LOS ANGELES AND LONG BEACH, AND THE ALAMEDA CORRIDOR, AND HAVE HEARD FROM EARLIER PANELISTS, THE CALIFORNIA TRANSPORTATION SYSTEM IS A VITAL LINK IN THE NATION'S ECONOMY. OUR SYSTEM SUPPORTS JOBS, TRADE, AND ECONOMIC GROWTH IN EVERY STATE OF THE UNION. YET, IT IS A SEVERELY IMPACTED AND

STRESSED SYSTEM. SIGNIFICANT CONTINUING INVESTMENT IS NEEDED FOR ITS MAINTENANCE AND EXPANSION. THE FINANCIAL CHALLENGE WE FACE IS STAGGERING. ONE PROJECT ALONE, THE ALAMEDA CORRIDOR EAST, IS ESTIMATED TO COST 4.6 BILLION DOLLARS TO COMPLETE.

THIRD SLIDE: TRANSPORTATION COLLAGE

UNFORTUNATELY, THE FEDERAL CONTRIBUTION TO DEVELOPING AND SUSTAINING CALIFORNIA'S TRANSPORTATION SYSTEM HAS NOT KEPT PACE WITH OUR NEEDS AND THE GROWTH IN OUR SYSTEM'S IMPORTANCE TO THE NATIONAL ECONOMY. IN ITS CURRENT STATE, THE HIGHWAY TRUST FUND IS IN NO POSITION TO INCREASE ITS DISBURSEMENTS. TO PARTIALLY FILL THIS VOID, MANY COUNTIES IN CALIFORNIA HAVE ADOPTED LOCAL SALES TAX MEASURES. EIGHTEEN COUNTIES HAVE HALF-CENT MEASURES THAT WILL PROVIDE MORE THAN 7 BILLION DOLLARS OVER THE NEXT 10 YEARS. IN ADDITION, LAST NOVEMBER, CALIFORNIA VOTERS PASSED PROPOSITION 1B, WHICH WILL PROVIDE 19.9 BILLION DOLLARS THROUGH GENERAL OBLIGATION BONDS FOR TRANSPORTATION PROJECTS THROUGHOUT THE STATE.

THIS BOND ISSUE IS PART OF GOVERNOR SCHWARZENEGGER'S STRATEGIC GROWTH PLAN (SGP), A MASSIVE INFRASTRUCTURE IMPROVEMENT PROGRAM THAT WILL FORTIFY THE STATE'S TRANSPORTATION SYSTEM. OVER THE NEXT DECADE, THE SGP WILL EMPLOY DEMAND-MANAGEMENT STRATEGIES, CONSTRUCT DEDICATED TRUCK LANES AND HIGH OCCUPANCY TOLL LANES, HELP MAINTAIN AND PRESERVE OUR SYSTEM, AND BUILD NEW CAPACITY. IT REQUIRES INNOVATION IN TRANSPORTATION PLANNING, CONSTRUCTION AND MANAGEMENT, SUSTAINED COORDINATION BETWEEN REGIONAL TRANSPORTATION AGENCIES AND THE STATE, AND DEDICATED FUNDING.

FOURTH SLIDE: SGP TRIANGLE

THE SGP IS A COMPLETE SYSTEM APPROACH BASED ON THE PREMISE THAT INVESTMENTS IN MOBILITY THROUGHOUT THE SYSTEM YIELD SIGNIFICANT IMPROVEMENTS IN CONGESTION RELIEF. THE MOST IMPORTANT FEATURE OF THE PROGRAM IS THE FRONT-END ACCOUNTABILITY ESTABLISHING PERFORMANCE STANDARDS FOR EACH PROJECT PRIOR TO THE EXPENDITURE OF FUNDS. OTHERWISE, THE SGP IS A SIX LAYER PROGRAM FOUNDED UPON SYSTEM MONITORING, INVESTMENT IN MAINTENANCE AND PRESERVATION, SMART LAND USE AND

VALUE PRICING, INTELLIGENT TRANSPORTATION SYSTEMS, TRAVELER INFORMATION AND TRAFFIC CONTROL INCIDENT MANAGEMENT, OPERATIONAL IMPROVEMENTS, AND SYSTEM EXPANSION AND COMPLETION.

FIFTH SLIDE: SGP PIE CHART

THE SGP CALLS FOR INVESTING 107 BILLION DOLLARS IN TRANSPORTATION INFRASTRUCTURE DURING THE NEXT DECADE. THIS TOTAL INCLUDES 47 BILLION DOLLARS IN EXISTING TRANSPORTATION FUNDING SOURCES COMING FROM THE MULTIPLE REVENUE STREAMS GENERATED IN THE STATE SUCH AS THE STATE GAS TAX, PROPOSITION 42, AND THE PREVIOUSLY MENTIONED LOCAL TRANSPORTATION MEASURES. A TOTAL OF 40.1 BILLION DOLLARS IN NEW FUNDING IS PROPOSED FROM OTHER SOURCES AND LEVERAGING EXISTING FUNDS TO ATTRACT INCREASED FEDERAL, PRIVATE, AND LOCAL FUNDING. THE REMAINING $19.9 BILLION COMES FROM THE TRANSPORTATION BONDS CALIFORNIA VOTERS APPROVED IN NOVEMBER 2006.

EVEN WITH THE STRATEGIC GROWTH PLAN, THE STATE WILL NOT BE ABLE TO BUILD ITS TRANSPORTATION SYSTEM TO A LEVEL THAT WILL MEET THE NEEDS OF THE NATIONAL

ECONOMY. CALIFORNIA NEEDS THE FEDERAL GOVERNMENT TO RECOGNIZE THE VALUE OF OUR SYSTEM AND TO SUPPORT IT THROUGH FUNDING AND POLICY.

SIXTH SLIDE: INTERCITY RAIL

EARLIER, GENE SKOROWPOSKI DESCRIBED CALIFORNIA'S GREAT SUCCESS WITH ITS INTERCITY RAIL PROGRAM. WE ARE HOME TO THE SECOND-, THIRD-, AND FIFTH- BUSIEST CORRIDORS IN THE AMTRAK SYSTEM. WE ESTIMATE THAT OUR SYSTEM IS DIRECTLY RESPONSIBLE FOR REDUCING ALMOST A HALF BILLION PASSENGER MILES FROM OUR HIGHWAYS ANNUALLY -- WITH A CONCURRENT REDUCTION IN CONGESTION AND IMPROVEMENT IN AIR QUALITY. THIS SUCCESS IS DIRECTLY ATTRIBUTABLE TO THE STATE'S 1.8 BILLION DOLLAR INVESTMENT OVER THE LAST 30 YEARS.

SEVENTH SLIDE: RECOMMENDATIONS (TITLE ONLY)

AS I SAID EARLIER, CALIFORNIANS HAVE STEPPED UP TO THE PLATE TO PARTIALLY FILL THE GAP CREATED BY UNDERINVESTMENT IN OUR SYSTEM. HOWEVER, AS A STATE, WE CANNOT DO IT ALONE. WE NEED A STABLE, ROBUST, AND SUPPORTIVE FEDERAL PROGRAM TO ENSURE THAT THE NATION REMAINS A LEADER IN THE GLOBAL

ECONOMY. THE FOLLOWING ARE MY RECOMMENDATIONS FOR THE FEDERAL PROGRAM TO ACHIEVE THAT GOAL:

SEVENTH SLIDE: RECOMMENDATION 1

- FIRST, ENSURE HIGHWAY TRUST FUND STABILITY AND GROWTH. AASHTO, THROUGH ITS STANDING COMMITTEE ON FINANCE AND ADMINISTRATION IS DEVELOPING A SERIES OF OPTIONS THAT CAN HELP TO ACHIEVE THIS OBJECTIVE AND I, AS CHAIR OF THE COMMITTEE, HAVE INCLUDED A SEPARATE AASHTO TECHNICAL PAPER IN YOUR BINDER THAT DISCUSSES HIGHWAY TRUST FUND AND OTHER TRANSPORTATION ISSUES.

SEVENTH SLIDE: RECOMMENDATION 2

- SECOND, PROVIDE STATES WITH MORE LATITUDE IN SELECTING TOLL PROJECTS AND PUBLIC PRIVATE PARTNERSHIPS. SAFETEA LU LIMITS THE NUMBER OF OPPORTUNITIES FOR PUBLIC PRIVATE PARTNERSHIPS. THE PEOPLE OF EACH STATE SHOULD BE ABLE TO CHOOSE FOR THEMSELVES WHEN AND WHERE TO ACCESS PRIVATE SECTOR CAPITAL FOR SYSTEM DEVELOPMENT.

SEVENTH SLIDE: RECOMMENDATION 3

- THIRD, DEVELOP A NATIONAL FREIGHT POLICY AND COORDINATED, INTERMODAL GOODS MOVEMENT PROGRAM. WE HAVE INCLUDED A TECHNICAL PAPER THAT MAKES MORE SPECIFIC RECOMMENDATIONS ON THE COMPONENTS OF SUCH A PROGRAM.

EIGHTH SLIDE: RECOMMENDATION 4

- FOURTH, CONTINUE AND EXTEND THE EXISTING NATIONAL ENVIRONMENTAL POLICY ACT DELEGATION PROGRAM AND INCREASE ITS SCOPE TO INCLUDE PLAN AND PROJECT AIR QUALITY CONFORMITY DETERMINATIONS AS WELL AS RISK-DESIGN AND RIGHT-OF-WAY ACQUISITION.

NINTH SLIDE: RECOMMENDATION 5

- FIFTH, MODIFY PLANNING AND PROGRAMMING FINANCIAL CONSTRAINT AND CONFORMITY REQUIREMENTS TO ALLOW MORE FLEXIBILITY IN PROGRAMMING PROJECTS. THE FEDERAL PROCESS HAS BECOME SO ONEROUS THAT IT IS DIFFICULT TO AMEND OUR PLANS AND PROGRAMS IN A TIMELY MANNER.

TENTH SLIDE: RECOMMENDATION 6

- FINALLY, ENCOURAGE "BLUE PRINT" PLANNING APPROACHES AND PERFORMANCE-BASED, CORRIDOR LEVEL SYSTEM MANAGEMENT. THIS IS A COMPREHENSIVE APPROACH THAT LEADS TO PROJECTS THAT ARE COST-EFFECTIVE AND HAVE MINIMAL SOCIAL AND ENVIRONMENTAL IMPACTS.

ELEVENTH SLIDE: LOGOS

I HAVE INCLUDED THESE AND OTHER RECOMMENDATIONS WITH MORE EXPLANATION IN THE FOUR TECHNICAL PAPERS PROVIDED BY THE DEPARTMENT, AS WELL AS THE AASHTO PAPER MENTIONED PREVIOUSLY.

ONCE AGAIN, THANK YOU FOR PROVIDING THE DEPARTMENT WITH THIS OPPORTUNITY.

NATIONAL SURFACE TRANSPORTATION
POLICY & REVENUE STUDY COMMISSION

Will Kempton

Director

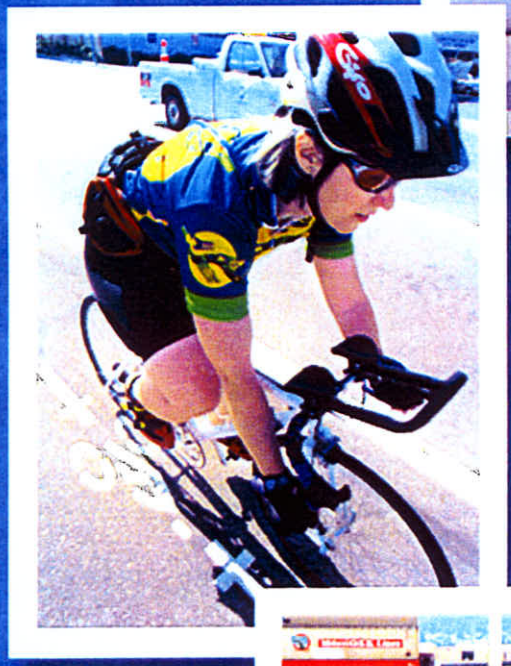
California Department of Transportation

February 21, 2007

Caltrans

Caltrans

Caltrans Improves Mobility Across California



Caltrans Improves Mobility Across California

Strategic Growth Plan Strategies

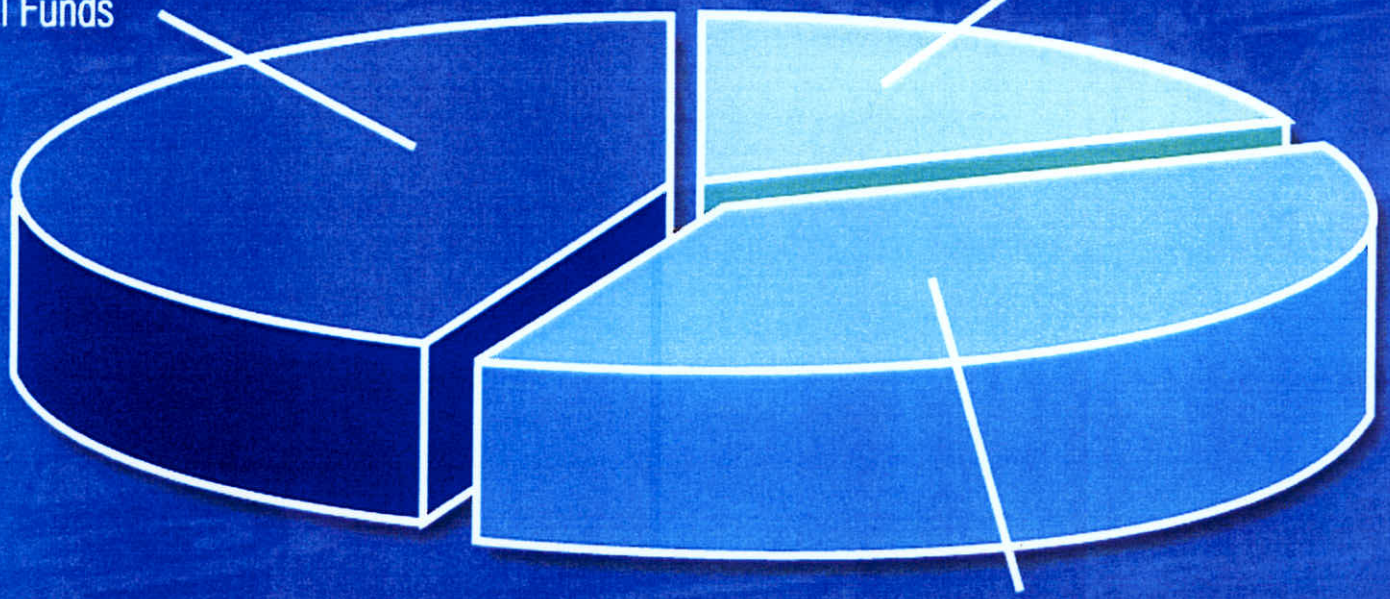
Caltrans

Caltrans Improves Mobility Across California

Strategic Growth Plan Funding

$47 billion
Existing Funding:
Gas Tax; Prop 42;
Federal Funds

$19.9 billion
GO Bonds



$40.1 billion
Proposed Funding: Increased
Federal, Private and Local Funds

Caltrans

Caltrans Improves Mobility Across California

Caltrans

Caltrans Improves Mobility Across California

Recommendations

- Ensure highway trust fund stability and growth.
- Provide states with more latitude in selecting toll projects and public private partnerships.
- Develop a national freight policy and coordinated, intermodal goods movement program.

Recommendations

- Continue and extend the existing national environmental policy act delegation program and increase its scope to include plan and project air quality conformity determinations as well as risk design and right-of-way acquisition.

Recommendations

- Modify planning and programming financial constraint and conformity requirements to allow more flexibility in programming projects.

Recommendations

- Encourage "Blue Print" planning approaches and performance-based, corridor level system management.

California Department of Transportation

February 21, 2007

Caltrans

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GARY L. GALLEGOS

Biographical Sketch

GARY L. GALLEGOS
Executive Director

Gary Gallegos is the Executive Director of the San Diego Association of Governments (SANDAG). He is a nationally recognized expert in the areas of transportation, land use, regional public policymaking, and binational planning and diplomacy.

SANDAG is the research, planning, and transportation agency for the area's 18 cities and county government. SANDAG policymakers are mayors, councilmembers, and county supervisors from each of the region's 19 local governments. In its new and expanded role, SANDAG now plans, engineers, and builds public transit.

Mr. Gallegos leads a staff of nearly 200 professionals who collaborate to develop public policy initiatives for elected officials on numerous issues encompassing population growth, transportation, environmental management, economic development, municipal finance, binational coordination, and public safety.

Under his direction, the agency has crafted an innovative $42 billion Regional Transportation Plan, "Mobility 2030," to address the region's transportation needs. Mr. Gallegos also served as the catalyst for SANDAG to create and implement, through its member governments, the first-ever Regional Comprehensive Plan — the strategic planning blueprint — which balances population, housing, and employment growth with habitat preservation, agriculture, open space, and infrastructure needs.

In 2004, Mr. Gallegos led the charge to gain a 67 percent voter approval to extend the local half-cent transportation sales tax program known as *TransNet*. Administered by SANDAG, *TransNet* will generate $14 billion to help fund highway, transit, and local road improvements.

In addition, Mr. Gallegos is the Chief Executive Officer of SourcePoint, the nonprofit public benefit corporation chartered by SANDAG.

Prior to joining SANDAG in 2001, Mr. Gallegos held the position of District Director for Caltrans District 11, covering San Diego and Imperial Counties.

Mr. Gallegos holds a B.S. degree in Civil Engineering from the University of New Mexico, and is a registered civil engineer.

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ARTHUR LEAHY
Chief Executive Officer
Orange County Transportation Authority

Art Leahy is Chief Executive Officer of the Orange County Transportation Authority (OCTA), a countywide transportation agency with 1,945 employees and an annual budget of $845 million. Under the direction of a 17-voting member Board of Directors, he is responsible for planning, financing, and coordinating Orange County's freeway, street, and rail development; bus service; commuter rail service; paratransit van service for the disabled; and a host of other transportation related programs. He has served in the position since January 2001.

During Leahy's tenure with the OCTA, the agency has undertaken some of the biggest projects in it's history, such as the widening of the Garden Grove Freeway (SR-22) and the purchase and improvements to the 91 Express Toll Lanes. During this time, ridership on the bus system and commuter rail systems have increased.

Mr. Leahy's experience within the transportation industry is extensive. Prior to joining OCTA, he most recently served as the General Manager of Metro Transit in Minneapolis-St. Paul, Minnesota where he was credited with revitalizing their entire transit system. From 1971 to 1996 he served at the Los Angeles Metropolitan Transportation Authority (MTA). Starting as a bus operator, he worked his way up to Executive Officer of Operations, where he directed the efforts to start rail service with the opening of the Metro Blue, Red and Green lines and the operation of the MTA's bus sytem.

Throughout his transportation career, Art Leahy has been active with the American Public Transportation Association (APTA), currently serving as the Chair of the Bus Standards Policy and Planning Committee and also serving on numerous committees striving to reshape the transportation industry to meet future mobility demands.

In 2005, the OCTA was recognized at the "Outstanding Transportation System" of the year by the American Public Transportation Association. In 2004, the agency received "Urban Community Transportation System of the Year" from the Community Transit Association of America. In 1998, Mr. Leahy was named the "Transit Professional of the Year" by the Minnesota Public Transit Association.

Leahy has a bachelor's degree in Political Science from the California State University, Los Angeles and a Masters in Public Administration from the University of Southern California. He has two sons, Arthur and Tim, and presently resides in the City of Santa Ana with his wife, Leilia.

G. Kent Woodman

THOMPSON COBURN LLP

Transportation and International Commerce

Mr. Woodman is Vice Chair of the firm's Transportation and International Commerce group. Mr. Woodman practices in the surface transportation area, with emphasis on procurement, Federal regulatory requirements, and transit labor.

Mr. Woodman's experience in the procurement area includes providing legal counsel regarding compliance with Federal competitive procurement requirements, preparation of procurement solicitation documents, adjudication of bid protests, and development of design-build contracts, construction contracts, rolling stock purchase agreements, and operations and maintenance contracts.

In the regulatory area, Mr. Woodman advises clients on a wide range of Federal requirements, including Buy America, environmental regulations, and Disadvantaged Business Enterprise. He also represents public transit agencies in the development and negotiation of full funding grant agreements with the Department of Transportation for the financing of major capital projects and the negotiation of other documents associated with major transit projects.

Mr. Woodman has considerable experience negotiating Section 13(c) labor protection agreements with transit unions, representing transit agencies in mediation and impasse resolution at the Department of Labor, and in arbitrations before both private arbitrators and the Department of Labor.

Mr. Woodman also has considerable expertise in working with all aspects of the legislative process on Capitol Hill, including preparing position papers and briefing documents, drafting legislative proposals and amendments, and preparing testimony for hearings.

Education

- **Vanderbilt University School of Law**
  (J.D., 1974)
- **Oklahoma State University**
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Licensure

- District of Columbia
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Employment

- Thompson Coburn LLP
  Partner (2001-Present)
- Eckert Seamans Cherin & Mellott
  Partner (1985-2001)
- Federal Transit Administration
  Chief Counsel (1981-1984)
  Acting Administrator (1984)
- The National Law Center, George Washington University
  Adjunct Lecturer in Law (1977-1987)
- Office of the Legislative Counsel, United States House of Representatives
  Assistant Legislative Counsel (1974-1981)

John F. Barna, Jr.
Executive Director
California Transportation Commission
Biography

John Barna is executive director of the California Transportation Commission, an independent state commission that is responsible for programming and funding several billion dollars annually for transportation projects in California in partnership with regional transportation agencies and the California Department of Transportation. The Commission is also responsible for advising the California Secretary of Business, Transportation and Housing Agency and the California Legislature on key transportation policy matters.

Most recently, Barna was deputy secretary for transportation at the California Business, Transportation and Housing Agency. He was responsible for transportation policy development and implementation for Governor Arnold Schwarzenegger's Administration in Sacramento. He oversaw such areas as state and federal transportation funding and transportation project delivery. He was integrally involved in the *GoCalifornia* policy effort, the state's Goods Movement Action Plan, and the development of the transportation elements of the Governor's Strategic Growth Plan. This was his second tour of duty with the Agency.

Prior to re-joining the Business, Transportation and Housing Agency, Barna was president of his own transportation consulting firm, Anrab Associates. The firm assisted businesses, coalitions, associations, and governmental agencies to plan, program, fund, and implement major transportation infrastructure projects. Clients included Catellus Corporation, DMB Realty, City of El Segundo, Gateway Cities Council of Governments, Hearst Corporation, Lewis Operating Company, Long Beach City College, Los Angeles Dodgers, Los Angeles Metro, and the Walt Disney Company. Before starting his own firm, Barna was an associate with Planning Company Associates, where he provided multi-modal transportation planning and programming services for Planning Company Associates.

Prior to joining Planning Company, he was deputy director of the California High-Speed Rail Authority. At the California High-Speed Rail Authority, Barna managed the engineering design and environmental analyses of the Authority's proposed corridors between Bakersfield-Los Angeles and Los Angeles-Inland Empire-San Diego. In addition, he was responsible for system integration, financial modeling and public affairs.

Prior to joining the Authority, Barna was deputy secretary for transportation at the California Business, Transportation and Housing Agency, where he was responsible for the Agency's involvement in resolving the toll bridge funding stalemate, adopting and implementing transportation funding reform, and preparing the 1998 State Transportation Investment Plan (STIP).

He is a graduate of Northwestern University.

TESTIMONY OF GARY GALLEGOS

EXECUTIVE DIRECTOR
SAN DIEGO ASSOCIATION OF GOVERNMENTS

NST Policy & Revenue Study Commission
February 21 & 22, 2007 Hearing

Testimony
For
Gary L. Gallegos
Executive Director, SANDAG

Federal Partnering & Project Delivery

Mr. Chairman and Commissioners thank you for the opportunity to come before you today. Partnering and project delivery are both key to our transportation program in California. One only has to follow the money to understand both the challenges and changes we are seeing in today's transportation program. In the early 1980's all of the surface transportation funding came from the State and Federal Governments. By the late 1980's and early 1990's State and Federal funds were insufficient to keep up with demand and Counties throughout California were passing sales tax initiatives to augment their transportation revenues. San Diego is one of these so called "self help" Counties with a ½ cent sales tax for the express purpose of transportation investments. In our most recently adopted Regional Transportation Plan, 66% of the transportation revenues come from local sources, 22% from State sources, and 12% from Federal sources.

This dramatic change in transportation funding requires stronger partnerships and improved methods of project delivery. Our success in raising transportation funds locally has been tied to being able to leverage these local funds with State and Federal funds. Since there is no longer a single source of funding, projects are delivered with money of many different colors. The golden rule says that when you use others gold you must play by their rules. This means that all of these various sources of funds come with their own set of rules and requirements. We must work to streamline all the various rules and regulations to make funds more flexible and easier to leverage with our local dollars.

As we develop projects we must look beyond the project itself to the corridors and networks. We need a vision for a new transportation system that will be more flexible, provide more choices, and improve mobility for all Americans. We must stop pitting the various

transportation modes against one another and look for ways to marry the various modes. We must look beyond the need to move vehicles and look at moving people and goods.

In San Diego we are developing and constructing a system of "managed lanes". We are building a new freeway system within the existing freeway. This new freeway is being equipped with moveable barriers that will allow us to reconfigure the freeway to meet the changing demands of the day. We are using pricing as a way to manage the system and help fund a bus rapid transit system that will provide San Diegans with competitive choices. During the peak periods, the priority will be workers. During the non-peak period the priority of the system will be goods movement. As you can see we are excited about our "managed lanes" and are scheduled to open the first section early next year.

This new system has required us to re-tool our project delivery team. Managing a multi-billion dollar corridor requires a different skill set than managing the typical transportation project. SANDAG has partnered with Caltrans to put together a multidisciplinary team of engineers, planners, and consultants. Employees from various government agencies are part of this team. The team is managed by a Corridor Director, a Caltrans employee who reports to both Caltrans and SANDAG. By sharing responsibilities and consolidating the efforts under a Corridor Director we have been able to streamline our processes and deliver services in a cost effective manner. In the past each agency would have had their own manager and decisions would have been fragmented. So far this re-tooled project delivery team is producing positive results and may represent a new way of delivering corridor improvements.

One of our frustrations is dealing with all the various federal agencies and the many different rules and regulations. For example, even though FHWA and FTA are both part of the Department of Transportation they approach project delivery very differently. Add on to this the various Federal Regulatory Agencies and Border Enforcement Agencies and there are plenty of opportunities to partner at the Federal level.

In closing, I want to thank you for this opportunity.

TESTIMONY OF ARTHUR T. LEAHY

CHIEF EXECUTIVE OFFICER
ORANGE COUNTY TRANSPORTATION AUTHORITY

Testimony of Arthur T. Leahy
Chief Executive Officer
Orange County Transportation Authority

Thank you for the opportunity to address this Commission today and discuss our experience at the Orange County Transportation Authority (OCTA) in partnering with the private sector. While there have indeed been both opportunities and limitations in this experience, it has all been very instructive to us. I hope that by sharing some of the lessons we have learned, we can assist the Commissioners in making recommendations regarding the future direction of the federal transportation program.

Orange County is the fifth most populous county in the nation, with over three million residents. In 1991, the OCTA was formed by the consolidation of seven separate transportation agencies within the County, with the goal of increasing efficiency and eliminating duplication in the provision of transportation services. Today's OCTA is truly a multimodal agency like few others in the nation. We operate the nation's 12th largest bus system, providing in excess of 68 million rides in 2006. One third of our bus system is contracted out. We also fund and supervise Metrolink commuter rail service in Orange County and own the Los Angeles-San Diego rail right-of-way within the County. The three Metrolink lines operating in Orange County provide more than 3.2 million rides a year.

However, in addition to these core transit services, OCTA also assists with the planning and funding for all freeway improvements in the County, and has been directly responsible for managing the recently completed reconstruction of the State Route 22, California's largest design-build highway project. Through an unusual set of circumstances, which I will explain shortly, OCTA is also the owner and operator, by contract, of the State Route 91 Express Lanes. These toll lanes are located in the same corridor as two of our Metrolink lines, and provide the major east-west connection between Orange County and the Inland Empire of Riverside and San Bernardino counties.

Existing in a donor county located in a donor state, OCTA has been required to look for local revenues to help provide for its growing transportation needs. Our primary source of local funding is a one-half cent sales tax, called Measure M funding, which last November was extended for 30 years by nearly 70 percent of the County voters. The voters expect that, with this 30-year local commitment of $12 billion, they will be able to match an even larger federal transportation program to alleviate congestion and meet the growing transportation needs of the County. The voters also expect that both OCTA and the federal government will look at the private sector experience wherever possible in order to provide the most efficient delivery of transportation projects and services.

I am going to discuss three areas where OCTA either has worked with or needs to work more closely in partnership with the private sector. Growing out of these experiences

are the public private partnership principles we would like to see incorporated into the next federal reauthorization bill.

The first area is that of facilities construction. In 2000, the OCTA began the process of evaluating the reconstruction and expansion of the Garden Grove Freeway (SR-22). The SR-22 improvement project covers 12 miles of freeway within Orange County, with 35 bridges, and 14 interchanges. The majority of the funding for this project came from our local Measure M funds. Because we were adding HOV lanes to this freeway, California law permitted OCTA to use a one-time-only design-build construction process on the project.

As you know, the design-build process permits a single contract with a single firm for the final design and construction of a project. It is the process used most prevalently in private sector construction projects. In contrast, the public sector model for most construction projects still requires that the public entity first enter into an extended design phase for each project, then complete the design and go out to bid for a construction contract, based upon the plans and specifications developed in the final design phase.

This design-bid-build process is required for California highway projects undertaken by the California Department of Transportation (Caltrans), and still remains the public way of doing business throughout many other parts of the Country. The design-bid-build construction process is rigorously enforced in California by the Professional Engineers in California Government (PECG), as a way to protect the work done by their in-house professional design engineers at Caltrans. Although several attempts have been made to change California law requiring design-bid-build for highway projects, none has yet met with success in Sacramento.

With this opportunity to become the first design-build construction contract on an active freeway in California, OCTA performed the analysis to determine if the design-build process was appropriate for the SR-22. The schedule estimates indicated that a design-bid-build reconstruction and expansion of the SR-22 would not be completed until 2009 or 2011 at a minimum. In contrast, the design-build schedule provided for a substantial completion date in November 2006, three years earlier. This represented a substantial savings in project costs alone and even more savings when the inflationary costs of construction are taken into account. But most importantly, it meant that the users of the SR-22 would experience the benefits of the project without three years of additional delay and inconvenience.

So the OCTA Board made the decision to proceed with a design-build process for final design and construction on an 800-day schedule. Today, the project is open and serving the growing mobility needs of thousand of motorists daily. I want to make it clear that the project was not free of difficulties. Few projects are. A change in the seismic standards shortly after the project was bid required an expansion of the scope of the project. Large amounts of rain during the first winter provided construction challenges. Likewise, receipt of federal funds for a bridge expansion some 200 days

into the contract required added construction to certain parts of the project. But through it all, the construction activity proceeded at a pace unlike any experienced in a traditional design-bid-build project in California, and the driving public could see this progress. They were willing to put up with exit and lane closures of a few weeks, knowing that they would not be inconvenienced for several more years.

OCTA has learned much from our first ever design-build project. But the greatest lessons involve the value of the process to move construction projects more quickly, with lower costs and fewer disruptions. From the national perspective, there is another policy benefit to government and the engineering community alike. If we can build projects faster and cheaper, we will be able to do more of them and stretch our limited engineering resources to accomplish more. This increase in productivity is a win-win for everyone.

So far, the federal government has encouraged design-build where appropriate, but has stopped short of saying that it must be available to use at the discretion of the local funding entities for federally assisted construction projects. We would like to see the next reauthorization take on this change in policy when federal dollars are used, to keep state and local procurement requirements from prohibiting the design-build construction process.

Next, I would like to turn to the Orange County experience with the State Route 91 Express Lanes. These toll lanes were born out of the inability of the public sector to bring the necessary financial resources to meet extraordinary population and job growth in the 1970's and 80's. While Orange County's population grew 70 percent and employment grew 148 percent between 1970 and 1990, state transportation funding brought only 244 new freeway lane miles during this time. With demand outstripping capacity, the County was near gridlock.

In order to respond to this crisis, the state and local agencies looked to the private capital markets to invest in highway expansion projects. On December 31, 1990, a Development Franchise Agreement was entered into between Caltrans and the California Private Transportation Company (CPTC) to construct and operate toll Lanes in the median of existing SR-91 through Orange County and to the I-15 in Riverside County. A project for toll lanes in 10 miles of the SR-91 between the SR-55 and the Riverside County line was constructed for $139 million and opened in 1995. The franchise agreement was for 35 years from the date of opening, or 2030.

However, the SR-91 toll lanes soon generated substantial controversy. A clause in the lease agreement prohibited Caltrans from granting similar franchise rights to third parties or developing any public transportation facility within an "Absolute Protection Zone" comprised of the area one and one-half miles on either side of the centerline of the toll road. This restriction, commonly referred to as the "non-compete clause", was deemed necessary to protect the project's profitability and CPTC's investment. The non-compete clause was vigorously defended by the CPTC, even to the point of suing

Caltrans over proposed safety improvements to the SR-91 which the CPTC argued were designed to increase the capacity of the SR-91 free lanes.

Additionally, although usage of the toll lanes increased from 1995 to 1998, the toll lanes experienced only one profitable year, 1998. Meanwhile, congestion on the SR-91 continued to worsen and in 2002, a state statute (AB 1010) allowed the OCTA to purchase the franchise rights to the toll lanes from CPTC for $207.5 million, $72.5 million in cash and the assumption of debt service on $135 million of taxable bonds. This purchase effectively repealed the non-compete clause and facilitated the initiation of improvements along the corridor.

So what started out as a private project for lack of public capital became a public asset because of lack of effective private cooperation with the public sector to address congestion? Beginning in January 2003, OCTA took over the 91 Toll Lanes with the goal of operating them as a separate entity according to a sound private business model. Under that model, which is required by AB 1010, toll revenues can only be used for direct operating and capital costs, debt service, and SR-91 improvement projects between the SR-55 in Orange County and the I-15 in Riverside County.

Operation of the toll lanes is accomplished today by the same contractor formerly used by the CPTC. Toll rates are regularly adjusted in conformance with an OCTA Board congestion pricing policy, which looks back at traffic volume each hour over the past rolling period of 12 weeks in each direction. If traffic volumes reach 92 percent of capacity six or more times during the 12-week period, then that particular hour is eligible for adjustment and based on the average of those volumes could be adjusted by $.75 to $1.00. Rates currently range from $1.15 in the overnight hours to $9.25 during three "super peak" hours eastbound on Thursday and Friday afternoon.

This congestion pricing policy encourages commuters to travel when there is less traffic. It also encourages carpooling and the use of public transit. OCTA's "Three Ride Free" program allows vehicles of three or more passengers to use the toll lanes for free during most hours and at a 50 percent discount during high demand times. During fiscal year 2006, OCTA's HOV3+ trips on the toll lanes reached more than 2.876 million, a 13.8 percent increase over fiscal year 2005. Metrolink commuter rail usage on the Inland Empire Orange County line is essentially at capacity, with a 16 percent increase from last year. Ridership on the Los Angeles to San Bernardino line has also increased significantly. In addition, OCTA has recently instituted a successful Express Bus service between Riverside and Orange counties, which uses the SR-91 Toll Lanes and other HOV Lanes for 35 of its 39 mile route.

The SR-91 Toll Lanes have also been an ongoing financial success since coming under OCTA ownership in 2003. The policy of congestion pricing continues to demonstrate positive results. Vehicle volume increased in all categories during fiscal year 2006. Full toll trips increased by 10.7 percent and carpools of three or more rose 13.8 percent over the previous year. Total toll revenues reached $46 million in FY 2006, which is more than double the $21.2 million collected in 2000.

The next federal reauthorization could take many lessons from the SR-91 Toll Lane experience. One is that there may be times when private capital is needed in addition to federal financial assistance, particularly to initiate large construction projects. By allowing this to happen with minimal intrusion, the federal government leverages their constrained financial resources and allows a faster construction process. Another lesson is that private monopolistic practices, such as the SR-91 non-compete clause, may not be in the public interest of reducing congestion. The federal government should be prepared to assist state and local governments to eliminate such practices when they occur. A third lesson is that the business model approach to operations can work successfully, whether the public or the private sector uses it. It should be part of the federal government's procedures for operation and maintenance of transportation facilities. Finally, congestion pricing is a powerful tool to bring efficiencies and increased productivity to highway corridors. Largely due to congestion pricing, the SR-91 toll lanes are now carrying more traffic than ever and trains and buses in the same corridor are also experiencing large ridership gains. This multimodal benefit should be encouraged in the next reauthorization.

The third area in which I think would be of interest to the Commission is the need for improved and innovative relations between transportation agencies and their local governments on the one hand, and private railroads on the other.

In Southern California, we are investigating the issue of providing greater freight movement capacity between our ports of Los Angeles/Long Beach and points to the east. This need for expanding goods movement through Southern California is an outcome of increasing international trade and of U.S. trade policies and practices. The benefit of this growing trade is national. There is also great benefit to the ports and shippers who handle this trade. Although the benefits of this trade are national, there are severe negative impacts on local communities in Southern California because of the increased use of road and rail capacity. While the need to expand capacity is recognized, this expansion must be linked to mitigating the impacts to local communities and transit systems.

Because the national and state governments benefit from this trade, they have a duty to share both the costs of expansion and the cost of necessary mitigation of this expansion on local communities. Ports and shippers have an equal duty to share the costs of both expansion and local mitigation of this expansion.

This freight movement discussion will involve contentious issues, which the public and private sector must negotiate. Yet in the past, such negotiations have been difficult to conduct. It would clearly be in the federal interest to ensure that all parties have a fair and open agreement about the costs and responsibilities regarding mitigation as a condition to the receipt of any federal funding in the freight movement area. Moreover, transportation funding (whether federal, state or local) which is available to address local transportation programs and projects should not be used to address national and international transportation issues

And while there may be points of disagreement between the public and private sector in the freight movement area, local governments share with the railroads a desire to limit liability to third parties for train operations, in order to permit the increased shared use of rights-of-way. For example, railroads are unwilling to construct or operate within new Federal Railroad Administration permitted quiet zones unless local governments are willing to accept third party liability for incidents which might occur within these quiet zones. Most local governments do not have the financial resources to take on this potential liability. Moreover, railroads are requesting greater financial assurances from transit systems in order to permit new or increased services on their rights-of-way. In addition, with the expiration of the Terrorist Risk Insurance Act in December of 2007, the insurance industry will be left without the back up pooling protection that it needs in the event of another major terrorist event, which could easily be directed towards rail in America. The federal government should consider liability caps that would protect public and private entities in all of these areas. A group is being formed within the American Public Transportation Association to address this issue in detail and seek appropriate federal legislation if necessary.

In closing let me say that the next reauthorization will test our abilities to provide the most efficient and effective use of our scarce financial resources for transportation. There are many good experiences from the private sector to incorporate into this effort. However, as I have pointed out, there are also limitations on the private sector model, which can best be managed and mitigated at the local level. Whatever federal policies are put forward, they should provide for continued oversight by both the federal and local governments.

TESTIMONY OF G. KENT WOODMAN

PARTNER, AND VICE CHAIR, TRANSPORTATION & INTERNATIONAL COMMERCE GROUP
THOMPSON COBURN LLP

NATIONAL SURFACE TRANSPORTATION POLICY AND REVENUE STUDY COMMISSION

TESTIMONY

KENT WOODMAN

PARTNER, THOMPSON COBURN LLP

NATIONAL SURFACE TRANSPORTATION POLICY AND REVENUE STUDY COMMISSION

FIELD HEARING

TESTIMONY

of

Kent Woodman
Thompson Coburn LLP

NATIONAL TRANSIT POLICY AND IMPLEMENTATION IN CALIFORNIA

Good Morning, members of the Study Commission. My name is Kent Woodman. It is my pleasure to be here with you today. Well over 20 years ago I had the privilege of serving as Chief Counsel and Acting Administrator of the Federal Transit Administration (then UMTA). I have spent a good portion of the past 24 years in private practice providing legal counsel to agencies like the Los Angeles County MTA in their efforts to build new fixed guideway projects. The focus of my testimony will be the Federal Government's program for the funding of New Starts transit projects administered by the Federal Transit Administration.

INTRODUCTION

The FTA provides technical assistance and makes grants to state and local public entities to fund public transit capital and operating expenses, as well as planning, research, and development. The President's budget for fiscal year 2008 recommends approximately $9.4 billion for the FTA programs, $1.4 billion of which is for Capital Investment Grants for the construction of new fixed guideway systems. Sources of funding for the FTA programs are the General Fund of the U.S. Treasury and the Mass Transit Account of the Highway Trust Fund.

New fixed guideway systems funded by FTA include subways, light rail, commuter rail, and bus rapid transit (BRT) -- collectively referred to as "New Starts". Although it makes up

less than 15% of the annual FTA budget, the New Starts program is the most visible of all the FTA grant programs, and receives the greatest attention within the Administration, on Capitol Hill, and among public transit agencies across the U.S.

My testimony will provide a brief history of the New Starts program, a review of its current structure and requirements, an identification of some critical policy issues and problems, and some ideas for change.

PROGRAM HISTORY

Thirty years ago, in the early years of the FTA grant program, New Starts projects around the country were fairly limited in number, and the process for providing Federal funding for those projects was relatively uncomplicated. New projects were built by MARTA in Atlanta, BART in the Bay Area, and Washington Metro in D.C., and projects were being planned in cities like Miami, Portland, San Diego, and Los Angeles. Overall, however, public transit in the United States in the early days of the FTA program consisted primarily of extensive capital infrastructure in the "old rail cities" -- Boston, New York, Philadelphia, and Chicago -- while in most other areas in the United States, transit consisted primarily of bus systems, often serving primarily the transit dependent, with limited capital investment or transit infrastructure.

In the late 1970's and early 1980's that picture began to change, and since that time the interest in New Starts projects nationwide has basically exploded. Whatever may have contributed to this phenomena, the fact is that the landscape has shifted dramatically nationwide. The State of California is perhaps the most striking example -- in a State famous for its love of the automobile, New Starts projects have been constructed literally from one end of the State to another in the past 20-25 years -- San Diego, North County, Los Angeles MTA, Santa Clara, Sacramento, BART extensions, and Muni in San Francisco. The State of California has also greatly increased its public investment in mass transit. For example, in the past 20-25 years over $8.6 billion has been spent to build fixed guideway projects in Los Angeles County, and over 60% of that cost has been paid with State and local funds. Several LA projects (such as the Long Beach Blue Line and the Pasadena Gold Line) have been built without any Federal New Starts funding.

In terms of nationwide demand, by 2004 there were almost 80 proposed projects in the New Starts "pipeline". In the recent SAFETEA-LU legislation, over 250 New Starts projects were "authorized" for alternatives analysis and preliminary engineering. If even half the SAFETEA-LU authorized projects were built, it is likely that the cost would be more than twice the amount of Section 5309 New Starts funds available over the next 10 years.

THE CORE POLICY QUESTION

Given this nationwide demand and Federal funding picture, it should come as no surprise that even with a relatively healthy FTA New Starts budget (about 1.4 billion annually), there is not enough Federal assistance to build all of the potential New Starts projects being developed throughout the U.S. Simply stated, there are too many projects nationwide chasing too few public dollars. This has led to a critical policy question at the Federal level -- who gets the money, or perhaps better stated, how do you *decide* who gets the money?

EVOLUTION OF THE NEW STARTS PROGRAM

In the early 1980's, FTA saw the need for some criteria or standards to attempt to answer the question of which New Starts projects should be funded, with the goal (ideally) of selecting the "best" projects on the basis of merit and also of identifying the projects that did not warrant Federal investment. The primary focus in FTA's initial policy documents was on the *cost effectiveness* of various projects -- which was expressed in terms of the incremental cost per incremental transit rider.

Since FTA's initial Policy Statement in 1984, both the New Starts evaluation criteria and the Federal review process have become increasingly complex and detailed. Statutory criteria were introduced for the first time in 1987 in the Surface Transportation and Uniform Relocation Act. Since that time, the preferred transit drink has been "TEA". We had the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), followed by TEA-21 in 1998, and most recently by SAFETEA-LU in 2005. Each of these Congressional enactments supplemented and refined the New Starts evaluation and rating process. FTA also issued a Rule on Major Capital Investment Projects in 2000, setting forth specific New Starts evaluation and rating criteria and a project development process, and intends to promulgate a revised rule in the next few months pursuant to the direction in SAFETEA.

The goals of the Federal evaluation system, and the objectives of the congressional and administrative efforts to develop criteria and a rating system, are extremely well intentioned and even laudatory as a matter of public policy. In these days of focus on the problems of congressional earmarking, the New Starts program represents a unique effort to actually award Federal dollars on the basis of merit and to direct public investment to the best projects. The FTA staff who implement the New Starts program are dedicated and well intentioned. The fundamental problem, from my perspective, is one of "overkill". In its effort to exercise due diligence over Federal funds and the New Starts program, FTA has developed a system so complicated, so replete with reports and analyses, and so fraught with delays, that it now obstructs one of the agency's fundamental goals -- to assist communities in building critically needed public transit projects.

NEW STARTS PROGRAM TODAY

The New Starts Program has evolved today into a major industry that consumes the time of FTA staff, local agency grantee staff, engineering firms, planning firms, construction companies, financial consultants, project management oversight consultants, lobbyists, and even lawyers. Here are the primary outlines of the program –

1. ***Annual New Starts Submittal and Ratings*** -- Project sponsors must submit detailed materials to FTA on an annual basis in order for their proposed projects to be evaluated and rated. Projects are rated by FTA on the basis of the following statutory criteria:
   - ***Project Justification***, which evaluates mobility improvements, cost effectiveness, land use, environmental benefits, and operating efficiencies. The most critical and complicated element of the Project Justification evaluation is the current FTA method of rating cost effectiveness -- the Transportation System User Benefit (TSUB). The TSUB is intended to show the incremental transit "user benefits" per dollar of transit investment (including factors such as travel times savings for existing riders).
   - ***Local Financial Commitment***, which evaluates the grantee's local financial commitment in order to assess its stability, reliability, and availability during the Project term, as well as the extent of the local "overmatch (i.e., the grantee's

contribution in excess of the statutorily required 20% local share). FTA assesses overmatch on a project specific basis, rather than looking to the grantee's overall financial contribution to new fixed guideway projects in its service area.

2. ***Project Development "Gateways"*** -- New Starts projects undergo a multi-stage project development process -- that is, alternatives analysis, preliminary engineering, final design, and construction -- and must receive approval from FTA to advance through the various states of project development. Grantees must apply for permission to enter a particular stage and must support that request with specific documentation and actions required by FTA. A project cannot proceed until FTA gives the green light to proceed to the next stage.

3. ***NEPA Clearance*** -- Almost all New Starts projects must receive full clearance under the National Environmental Policy Act (NEPA) -- that is preparation of a Draft Environmental Impact Statement (EIS), preparation, and adoption by the local project sponsor of a Final EIS, and issuance of a Record of Decision (ROD) by FTA. While there are clear public policy justifications for an environmental review of a New Starts Project, the unfortunate fact is that the EIS process as administered by FTA is extremely time consuming, with frequent delays and schedule uncertainty.

4. ***FTA and Consultant "Due Diligence" Reviews*** -- FTA has established a detailed system for "due diligence" reviews of New Starts projects. A significant element of this due diligence is the extensive review and analysis by two FTA consultants, the project management oversight consultant (PMO) and the financial management oversight consultant (FMO). These two consultants must prepare detailed and lengthy reports (for the PMO, this is a cost-to-complete report and a risk assessment; for the FMOC, this is a financial capacity report) which take months to generate, review, refine, and finalize.

   In addition, there are numerous other grantee plans and reports (as noted below) that the New Starts grantee must prepare and submit to FTA for due diligence review during the project development process.

The combined effect of these due diligence reviews, the NEPA process, and the requirement for FTA approval to advance from one stage to the next has significantly increased the time it takes to advance a project from the start of alternatives analysis to the completion of final design. One analysis shows that this process, which took approximately five years in 1991, now takes twice as long.

5. ***FFGA Process -- Plan and Program Reviews*** -- A grantee seeking New Starts construction funding must develop and enter into a Full Funding Grant Agreement with FTA. This is the "Pot of Gold" at the end of the lengthy FTA project development process. It is coveted by grantees because it represents a multi-year Federal "contingent commitment" of funds for the design and construction of the New Starts project, and serves as a relatively good assurance that the annual funding amounts in the FFGA budget will actually be provided by the congressional appropriations committees.

   The current FTA process for development of a New Starts project includes at least 20 steps/actions that must be taken in order to obtain a Full Funding Grant Agreement. In addition to a detailed Project scope, budget and schedule, these submittals include a project management plan, a safety and security plan, a real estate acquisition plan, a bus fleet management plan, a rail fleet management plan, and a value engineering plan. The development of the FFGA "package" normally takes well over a year, and can last even longer.

6. ***Approval of FFGA*** -- After the FFGA package is complete as a substantive matter, there is then an extensive review process in Washington D.C. The first step consists of Administration review -- by FTA, the Office of the Secretary of Transportation, and OMB (in sequential order), which normally runs 60-75 days. The FFGA package is then submitted to the Congress for a statutorily mandated congressional review period of 60 days. In effect, this amounts to four months or more of final review in Washington. Because the grantee must complete all its plans and programs, as well as substantially advance final design, before the FFGA package can be finalized, this final 4 month period is essentially "dead time" for the grantee.

SPECIFIC RECOMMENDATIONS

In a nutshell, this elaborate "due diligence" structure creates enormous problems in terms of time and resources for grantees trying to build New Starts projects. New Starts Projects are multi-million dollar public works projects, and as such require development and adherence to a strict critical path schedule. As expressed by one transit general manager, in the implementation of a New Starts project, the biggest risk factor has become the Federal Government. In addition, New Starts grantees incur substantial "soft costs" in developing the multiple plans and reports required by FTA.

1. ***Streamline and Simplify the New Starts Evaluation and Rating Process*** -- One of the areas in greatest need of reform is FTA's New Starts review and evaluation process. FTA seems to be seeking a quantitative evaluation model, reflected in its heavy emphasis on the TSUB "number", that will permit highly refined differentiations in the comparison of projects. Not only is this enormously time-consuming at both the Federal and local level, and expensive to grantees, but also both the precision of the numbers generated and the public policy benefits of this highly quantitative analysis are questionable. As the Los Angeles County MTA has suggested, "analytical perfection should not be the goal". A more reasonable approach would seem to be to develop a more streamlined, easier to use system that would simply identify the best and worst projects, in terms of cost-effectiveness.

   Another suggestion would be for FTA to develop a simple rating method for *each* of the statutory criteria. Currently the extensive environmental benefits, operating efficiencies, and mobility benefits information submitted in the annual New Starts submittal is not actually scored by FTA in the overall Project Justification rating. The only factors scored are cost-effectiveness and land use (which each count 50%). Adoption of a simple scoring methodology for all criteria would not only be much more consistent with the Congressional intent reflected in the establishment of multiple statutory criteria, but it would also serve to de-emphasize the overly quantitative aspects of the TSUB number.

   Finally, in the local financial contribution evaluation and rating, it would be far more equitable for FTA to take into account all of the project sponsor's new fixed guideway

investments, not just its share of the particular project being rated. This would recognize the true level of local financial commitment to transit capital projects, and would also provide incentives for increase local funding.

2. ***Establish a Bilateral Commitment to Timeframes for Processing NEPA and Other Documents*** -- The Federal Government is the only participant in the New Starts Project development process that does not have to make any commitments regarding the schedule for its actions. The project sponsor, local funding partners, and engineering firms, design firms, construction companies, and other third party contractors all must agree to and comply with specific timetables for their actions.

   The overall project development process would greatly benefit if FTA were to adopt a more disciplined and time sensitive approach to each of the elements of the project development process. For example, FTA and the New Starts grantee could agree to a bilateral schedule for the processing of the NEPA documents. The same type of approach could be adopted for the other plans and reports described above (i.e., the PMO reports, the grantee's project management plan, etc.).

   Under the current system, the grantee essentially submits materials and waits for FTA or its consultants to respond -- with no timeframe, schedule, or response commitment on the part of FTA. This would be totally unacceptable in a normal critical path schedule for designing and building a project, and it is an area of the FTA New Starts process that cries out for change and improvement.

3. ***Implement an Alternative Approach to Due Diligence Reviews and Risk Allocation*** -- While the goals of FTA's extensive due diligence reviews of New Starts projects may be noteworthy, there is a serious question of whether the actual value of this oversight has become outweighed by the extensive and time consuming burden it places on local agency project sponsors, and also whether this oversight is consistent with the actual allocation of project risk.

   One of the significant deficiencies in the current structure FTA approach to oversight and risk assessment is that it does not seem to provide any framework for evaluating the type

or degree of risk based on the scope and complexity of the project involved (i.e. a BRT project as compared to a subway tunnel). More importantly, it fails to take into account the actual level of risk to the Federal Government, and the extent to which that risk has been transferred to the local grantee.

Specifically, FTA utilizes the FFGA to limit its financial exposure in New Starts projects, by placing an absolute limit or "cap" on the amount of Section 5309 New Starts funds that will be provided for the Project, and thereby shifting all of the risk for cost increases, overruns, scope changes, and schedule delays to the grantee. Since the grantee commits in the FFGA to paying all project cost increases, *all* of the financial risk is on the grantee. Accordingly, the most appropriate approach would be to place the primary burden for risk assessment and due diligence on the party actually bearing the financial risk. The current New Starts model is fundamentally counter-intuitive, in that it requires that the Federal Government retain an extensive and time-consuming due diligence and risk assessment role, but it places essentially no financial risk on the Federal Government.

In light of the actual allocation of risk, a more justifiable approach would be for FTA to limit the type and number of plans and programs that the grantee must develop (and FTA review) in the project development process. In exchange, FTA could require the grantee to be responsible for conducting its own risk assessment and preparing and validating its own financial plan for the project, and providing FTA with guarantees or self certifications in those areas and other project management matters.

4. ***Allow Key Project Activities After Issuance of the ROD*** -- FTA needs to take some specific actions to reduce the amount of "dead time" between issuance of the environmental Record of Decision and the start of final design and construction. Under the environmental regulations, a New Starts grantee would appear to be allowed to commence activities such as final design and construction after the issuance of the ROD. However, under the FTA New Starts process, there are additional and time consuming post-ROD steps and approvals that must occur before a grantee may actually commence design and construction of its project. For example, the requirement to obtain FTA's approval to enter final design involves a built-in structural delay, since FTA allows itself

120 days to consider a request to enter Final Design, and normally FTA does not begin serious evaluation of such a request until the ROD has been issued. Since at this point by definition preliminary engineering and the NEPA process have been completed, the time required for FTA's final design approval is essentially "dead time" in terms of advancing the project. Following final design approval, FTA and the grantee must then develop the FFGA package for the project, which includes the time consuming PMO and FMO reviews. The net result is that the time from issuance of the ROD until the execution of the FFGA is often well over a year, and can be as long as two years. Since execution of the FFGA normally authorizes the start of construction, this means that the actual construction for the project is normally not allowed to commence until well over a year after the issuance of the ROD.

FTA could greatly improve the New Starts process if it would allow the grantee to proceed with design and limited construction activities following the ROD. Even if the grantee had to proceed at its own risk, removing this artificial constraint would save time and money by allowing the project to advance as promptly as the design and procurement processes will allow.

CONCLUSION

That concludes my testimony. I would be happy to respond to any questions the Commissioners might have.

TESTIMONY OF JOHN F. BARNA, JR.

EXECUTIVE DIRECTOR
CALIFORNIA TRANSPORTATION COMMISSION

John F. Barna, Jr.
Executive Director
California Transportation Commission
Statement for Presentation to
The National Surface Transportation Policy and Revenue Study Commission
Los Angeles, California
February 22, 2006

"Streamlining, Integration and Delegation to Facilitate Partnership and Collaboration between Federal and California Transportation Players"

It is an honor and privilege to represent the California Transportation Commission before this Federal commission. You are tackling the most salient issues in transportation today and you have the Commission's support and best wishes, or perhaps condolences, for your efforts.

Over the next few minutes I would like to share the Commission's perspectives on how California's local, regional and State transportation agencies can work more efficiently with our Federal partners. At the outset, let me point out that overall California agencies have strong working relationships with the United States Department of Transportation (US DOT), the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA), the Federal Railroad Administration (FRA), the Surface Transportation Board (STB), and other Federal agencies involved in transportation project delivery. This includes the Environmental Protection Agency, and other agencies such as the Army Corps of Engineers, the U.S. Fish & Wild Life Service, the U.S. Forest Service, and the National Park Service, to name but a few.

Last November, California voters approved Proposition 1B, The Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006. Prop. 1B is a $19.9 billion general obligation bond that will fund strategic investments in the State's highway, transit and goods movement system while at the same time placing an increased emphasis on sustainable performance and environmental acceptability. In doing so, Prop. 1B is placing a premium on all transportation players in the State to coordinate their efforts to implement needed projects expeditiously and efficiently. Caltrans, regional transportation planning agencies, municipal planning organizations, councils of government, transit operators, city and county public works departments, ports, airports, private sector designers and builders, and environmental stakeholders are interacting with one another in ways they have not for at least a very long time—if ever.

If we are to meet the voters' expectations, the name of the game will be *partnerships*: not only public-private, but public-public and private-private. To be effective, these partnerships cannot depend on an idyllic notion of some newly discovered mutual love affair amongst the partners. Rather, they must be built on a realistic, some might say cynical, understanding of what competent parties bring to the table in any effective partnership: which is to say, *resources* that the other party needs but doesn't have, and a realistic expectation of *profit*, however measured, to be gained from the partnership. And by *profit*, I mean that each party expects to take away from the table more than it brings. That is the *sine qua non* of effective and useful partnerships: good intentions may pave the road to hell but are not likely to be much use to the traveling public.

With Proposition 1B, the State's voters and travelers are challenging the transportation community to change business as usual to provide real congestion relief, modal choice, and connectivity throughout the State. The Commission's view is that the funds and programs created through Proposition 1B create an opportunity to move beyond programming *projects* to programming *benefits* —real mobility, accessibility and reliability benefits for all elements of the traveling public. In its focus on benefits, the Commission is also looking at sustainability; i.e., what are the system preservation and operations strategies that will ensure that today's infrastructure investments will continue to yield mobility, congestion relief and safety benefits 5, 10 and 20 years into the future? Prop. 1B also places a premium on accountability for early project delivery and timely use of funds.

The Federal role in overseeing and approving projects on the Interstate system, as well as approving air quality conformity findings, is integral to our success in implementing Proposition 1B. Streamlining reviews and oversight will be important. Delegations, such as Caltrans now has through SAFETEA-LU for NEPA, can assist with streamlining project delivery while still meeting environmental objectives, and integrating Federal and State processes for funding and implementation can help save time and money. But neither result is a foregone conclusion: without a no-nonsense, eyes-open approach, press releases trumpeting a new era in transportation partnerships will not be matched by on the ground results.

To a large extent, the magnitude of this near-term transportation program in California realigns the Federal role in California to being one of *project facilitator* — which is particularly relevant as your commission looks at future funding options and how those options actually work at State and regional levels. The conditions placed on how Federal funds are used, the processes for complying with those conditions, and how those conditions and processes facilitate achieving real benefits need to be thought through carefully.

Large states such as California have mature transportation programs that tap into multiple revenue streams – Federal, State, regional, local and private. In many of our urban counties, the Federal dollar is as little as 20% of the overall program. In many respects, the dynamic California has with the Federal government is replicated between the State and regional agencies, many of whom are represented at this hearing. The size of the Los Angeles Metro transportation program or that in the Bay Area or that in San Diego rivals that of many states. The Commission, especially as a result of Proposition 1B, is increasingly responsible for developing guidelines for how the State and regional agencies interact with one another. The Federal government needs to be keenly aware – as we are – of the implications of placing conditions on funding and establishing processes for complying with those conditions. With annual increases in the Construction Cost Index regularly exceeding 20% in some states, one of the biggest funding contributions that our Federal partners can make is *avoidance of delay* in the project approval process.

For example, the guidelines the Commission developed for the $4.5 billion Corridor Mobility Improvement Account (CMIA) portion of the proposition needed to provide a roadmap for how Caltrans and regional agencies, separately and together, nominated

projects. We will be adopting accountability measures as part of the final program adoption next week that further define the appropriate roles and responsibilities of Caltrans and regional agencies. Our overarching objectives are investing in benefits and achieving early project delivery. We will need to be prudent, flexible, and focused in the implementation of this program—qualities the Commission would suggest should be part of the Federal-State dynamic as new revenue options are brought forward.

Perhaps *cooperative partnership* is a better expression to synthesize the concepts of streamlining, integration and delegation. At the State level, the Commission shares the intent of Caltrans and regional agencies to provide real congestion relief. We would recommend that the Federal government and California share a similar vision. If we are all on the same page, then the issues of streamlining, integration and delegation are not who gains or loses control, but rather how we work together to deliver on our responsibility to communities and businesses who depend on our Nation's transportation systems. This cooperative partnership needs to be developed with an eye toward ensuring that the level of government best suited for implementing a project can meet its mission successfully. The traveling public is unconcerned with who is responsible for the project; they are concerned with seeing improvements made and congestion reduced. For the public, coordination should be transparent—and they are right.

Moving forward, the Federal government will certainly have a role in delivering transportation improvements in California. That role does not necessarily need to be tied to Federal funding. Rather, it should be tied to shared outcomes for congestion relief, mobility, reliability, accessibility, and safety.

On behalf of the California Transportation Commission, thank you again for this opportunity to speak before you. We are ready, willing and able to assist you in anyway we can to ensure that your ideas work not only for California but for the nation as a whole.

Thank you.

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(www.mortons.com)

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(www.patinagroup.com)

CALIFORNIA PIZZA KITCHEN (626-2616)
California-style pizza, pasta, salads
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Irish-style pub – Casual
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www.checkershotel.com

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(www.engineco.com)

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838 S. Grand Ave (at Stillwell Hotel)
(www.gillsindiancuisine.com)

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Traditional French brasserie cuisine - $$
135 N. Grand Ave. – at Performing Arts Center
(www.patinagroup.com)

L.A. PRIME (624-1000)
Upscale seafood and steak – Dinner attire - $$
404 S. Figueroa St. – atop Westin Bonaventure (www.westin.com)

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NICK & STEF'S STEAKHOUSE (680-0330)
Premier steakhouse - $$
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Casual Chinese cuisine – CLOSED Weekends
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Upscale seafood - $$
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Taxi Fare ($15 or under):

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Eclectic cuisine – Dinner attire
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Open on opera performance evenings only (www.patinagroup.com)

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949 S. Figueroa St. – SOMETIMES CLOSED Sundays

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L.A. landmark diner – Open 24 hours daily
877 S. Figueroa St. (at 9th St.)

PACIFIC DINING CAR (483-6000)
24-hour steak/seafood - $$
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THE PALM (763-4600)
New York steakhouse / seafood - $$
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Traditional Mexican cuisine
1121 S. Western Ave. (between Olympic & Pico)
(www.elcholo.com)

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Traditional Mexican cuisine – mariachi shows
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R-23 (687-7178) CLOSED Sundays
Japanese cuisine (sushi) – very hip
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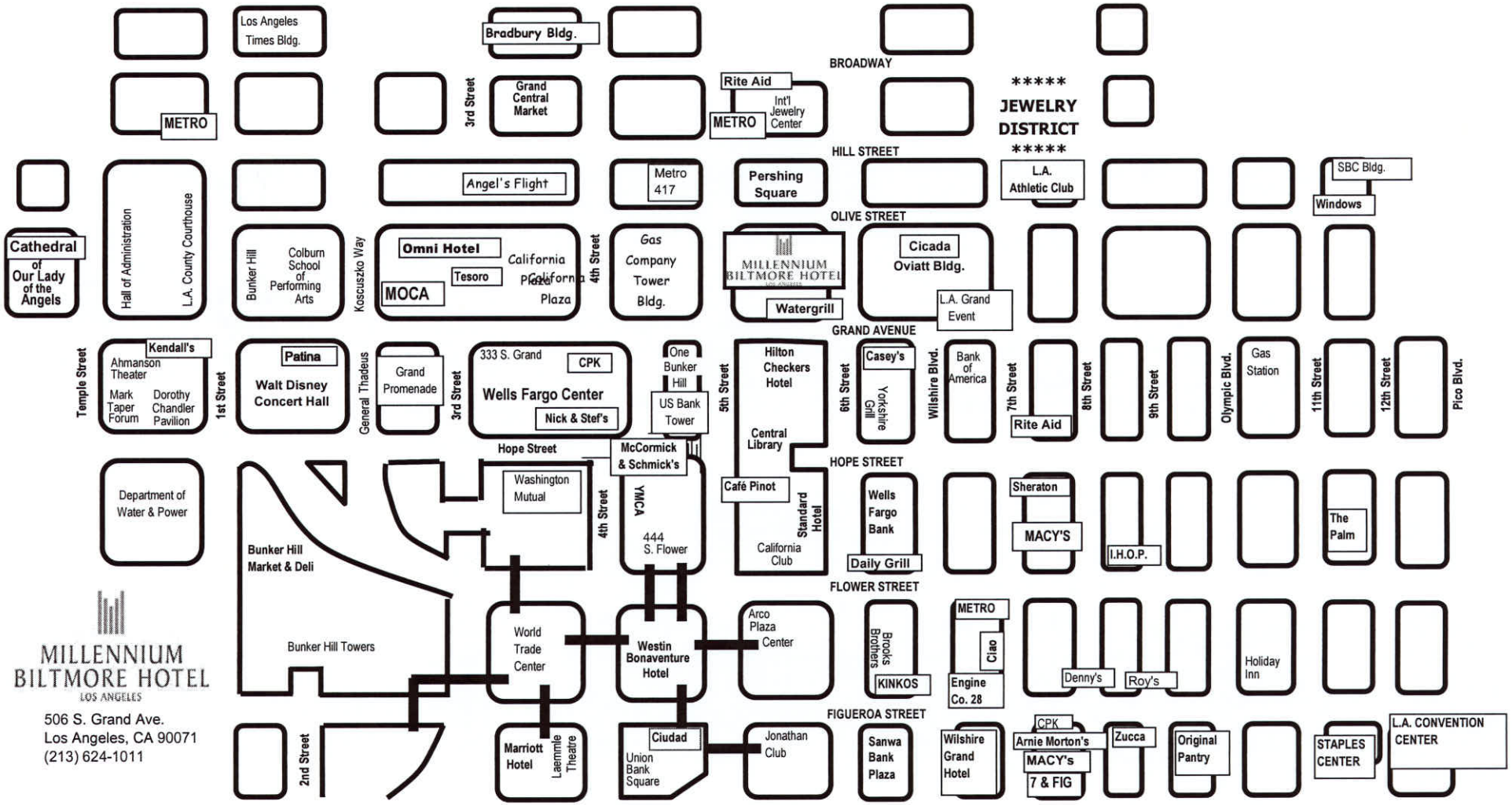

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Surface Transportation Policy and Revenue Study Commission
Los Angeles Field Hearing
Metropolitan Transportation Authority
Los Angeles, CA
February 21-22, 2007

Agenda

Day 1: California and the National Economy

1:30 -1:45 pm — Opening remarks by Secretary Mary Peters and Chair of the Commission

1:45 – 3:30 pm — **Panel 1: Trade and Commerce**

Barry Sedlik, Acting Secretary,
California Business, Transportation and Housing Agency
California's value as an international gateway

Gill Hicks, Gill V. Hicks & Associates
Chair, California Marine and Intermodal Transportation System Advisory Council (CALMITSAC)
National freight policy as a tool for economic growth

Jerry Tidwell, Senior Vice President, Supply Operations, Safeway Corporation
Fundamental principles for solutions

Ray Burgett, Director International Logistics and Transportation, Pier 1 Imports
Supply Chain logistical challenges and solutions

Tony Grasso, Executive Director,
San Bernardino Associated Governments
Chair, Regional Transportation CEO's
Funding options to sustain global competitiveness

3:30 – 3:45 pm — Break

NATIONAL SURFACE TRANSPORTATION
POLICY & REVENUE STUDY COMMISSION
February 21 & 22

3:45 – 5:15 pm	**Panel 2: Mobility, Congestion and Safety**
	Eugene Skoropowski, Managing Director Capitol Corridor Joint Powers Authority **Intercity rail policy and the California experience**
	Mehdi Morshed, Executive Director, California High Speed Rail Authority **Intercity rail policy and the California experience**
	Pete Speer, President, American Traffic Safety Services Association New technologies and options to enhance mobility **Safety options to achieve zero deaths**
	Dr. Genevieve Guiliano, Senior Associate Dean, Research and Technology, School of Policy Planning and Development, University of Southern California Director, Metrans Transportation Center **New technologies to enhance mobility**
	Will Kempton, Director, California Department of Transportation **California's Approach to Solutions for Mobility and Congestion**
5:15 - 5:30 pm	Public Comment Period
5:30 pm	Adjourn Field Hearing
5:30 – 5:45 pm	Media availability

Day 2: National Policy and Efficiency

8:30 a.m.	Opening remarks from Chair of day two
8:35 – 9:00 a.m.	Keynote & Questioning of the following each having 5 minutes oral testimony
	Senator Alan Lowenthal, Chair California Senate Transportation & Housing Committee
	Assembly member Pedro Nava, Chair California Assembly Transportation Committee
	Gloria Molina, Los Angeles County Supervisor Chair, Metropolitan Transportation Authority Board of Directors
9:00 -10:30 am	**Panel 3: Partnership and Collaboration**
	Gary Gallegos, Executive Director, San Diego Association of Governments **Federal partnering and project delivery**
	Art Leahy, CEO, Orange County Transportation Authority - **Private sector roles, opportunities and limitations - The Orange County Experience**
	Kent Woodman, Partner, Thompson Coburn LLP National transit policy and implementation in California
	John Barna, Executive Director California Transportation Commission **Streamlining, integration and delegation**

10:30 – 10:45 Break

10:45 – 12:15 pm Panel 4: Transitioning to the Next Generation Transportation System

Jim Waltze, President,
The Griffith Company
System capacity and growth

Roger Snoble, CEO,
Los Angeles County Metropolitan Transportation Authority
California's response

Sunne Wright-McPeak, CEO
California Emerging Technology Fund
Land use and regional collaboration, the California Regional
Blueprint process

Dr. Martin Wachs, Director,
Transportation, Space and Technology – RAND
Beyond the gas tax, alternatives for a greener world

12:15 p.m. Public Comment
12:30 p.m. Adjourn Field Hearing

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Panel 4 - Transitioning to the Next Generation Transportation System

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Panel 4 - Transitioning to the Next Generation Transportation System

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Panel 4 - Transitioning to the Next Generation Transportation System

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Panel 3 - Partnership and Collaboration

BARRY R. SEDLIK
ACTING SECRETARY
Business, Transportation and Housing Agency
State of California

Biography

Barry R. Sedlik was appointed by Governor Arnold Schwarzenegger as Acting Secretary of the Business, Transportation and Housing Agency on December 1, 2006.

As Acting Secretary, Barry has responsibility for 13 departments of State government and 42,000 employees including Caltrans, the Department of Motor Vehicles, California Highway Patrol, Department of Corporations, Department of Financial Institutions, Department of Real Estate, and other departments that regulate California businesses. The Agency also oversees the Department of Housing and Community Development, the California Infrastructure and Economic Development Bank, the California Film Commission, the California Travel and Tourism Commission, and International Trade and Investment.

Barry previously served as Undersecretary of the Business, Transportation and Housing Agency where he was appointed by the Governor in April 2004.

Prior to his appointment, Barry was Chief Operating Officer of the Los Angeles Economic Development Corporation and President and Chief Executive Officer of the World Trade Center Association of Los Angeles-Long Beach. He previously worked in a variety of positions at Southern California Edison including Economic and Business Development, a group that he started and managed for over ten years.

Barry has been active in California's Economic Development Community and has served on many boards and organizations including: the California Association for Local Economic Development, Team California, the California Fashion Association, the California Manufacturing Technology Center, and the California Council for International Trade. He was an advisor to the California Economic Strategy Panel and a member of the Economic Advisory Panel of the California Institute in Washington, D.C.

Barry has a Bachelor's Degree in Industrial Engineering and a Master's Degree in System Engineering, both earned at the University of Florida.

Barry and his wife, Cathy reside in Pasadena.

GVH Gill V. Hicks and Associates, Inc.

Biography: Gill V. Hicks

Mr. Hicks is President of **Gill V. Hicks and Associates, Inc.** Clients have included the Ports of Long Beach, Los Angeles, and Hueneme, Southern California Association of Governments (SCAG), Alameda Corridor Transportation Authority (ACTA), Los Angeles County Metropolitan Transportation Authority, and the City of Chicago. From 1990 to 2000, Mr. Hicks was the General Manager of ACTA. For eleven years he was a transportation planner for SCAG.

Mr. Hicks has a Master's Degree from the Massachusetts Institute of Technology and a Bachelor's Degree from the University of Pennsylvania. He is Chairman of the California Marine and Intermodal Transportation System Advisory Council (CALMITSAC). He is also an instructor for the Global Logistics Specialist program at Cal State Long Beach.

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Jerry N. Tidwell

Senior Vice President Supply Operations
Safeway Inc.

Jerry Tidwell serves as Senior Vice President of Supply Operations for Safeway Inc. where he supervises the support for all of Safeway's twelve retail operating areas served by seventeen warehouse and transportation logistics centers. Tidwell oversees Safeway's ocean freight, third party operators and the manufacturing operations for the company's thirty-one processing facilities for its private label merchandise. Tidwell also represents Safeway on the Board of the Milk Processor Education Program in Washington, D.C.

Tidwell joined Safeway in 1999 overseeing its Grocery Business Unit and later became Vice President for the Dairy and Beverage Business Unit. Previously he had spent 21 years working for Pepsi-Cola Company where he held several positions during his tenure, including Production and later Plant Manager for Pepsi-Cola Company in San Francisco and Group Operations Manager in Somers, New York. In 1997 Tidwell was awarded the Chairman's Award from PepsiCo Inc.

A Los Angeles, native Tidwell began his career in 1976 with the Royal Crown Cola Company after graduating from Long Beach State University with a degree in engineering. Tidwell lives in Danville, California with his wife and five children.

Ray Burgett
Pier 1 Imports

Ray Burgett currently serves as Director of International Transportation for Pier 1 Imports. Previously, Mr. Burgett served as Director of Distribution, and Director of Domestic Transportation, with Pier 1. Prior to joining Pier 1, Mr. Burgett was the Director of Distribution and Transportation for Zenith Electronics and held similar positions in the past with Sara Lee Corp. and Amway Corp. Began career with Ryder Logistics, and have been in the industry for over 30 years.

Tony Grasso

Tony is the Executive Director of the San Bernardino Associated Governments (SANBAG). SANBAG serves as the Transportation Commission, the Transportation Authority, the Congestion Management Agency and Service Authority for San Bernardino County. Prior to this position, Tony was the Vice President and Chief Operating Officer for the Associated General Contractors of California (AGC). In that capacity, he was the primary AGC liaison for the State of California transportation issues.

Tony will continue to participate on the States Design Sequencing Peer Review Committee and the Caltrans Project Delivery Advisory Council. He oversaw all of AGC's institutional involvement with Caltrans. He was point for issues including project labor relations, public bidding, contract management, design build, environmental compliance, long-term planning and construction education. He also oversaw AGC's involvement with statewide municipal utility and marine contractors. Tony has been a strong advocate for contractors and agencies working as respectful partners in infrastructure construction. In 2001, AGC created the California Construction Education and Research Foundation for which Tony served as the lead staff officer. This was a nice fit for Tony who began his career as an educator in Rancho Cucamonga.

SURFACE TRANSPORTATION
POLICY AND REVENUE STUDY COMMISSION
Los Angeles Field Hearing

CO-HOST COMMITTEE

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(CALMITSAC)

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National Surface Transportation Policy and Revenue Study Commission
February 21 & 22, 2007
Los Angeles, California
Field Hearing
Metropolitan Transportation Authority

Participants will be lodged at the Millennium Biltmore Hotel Los Angeles located at 506 S. Grand Avenue and the Westin Bonaventure Hotel 404 S. Figueroa.

Tuesday, February 20, 2007

1:00 p.m.-3:00 p.m.	Check-In at Biltmore Hotel, obtain Field Hearing Badge and Binders in Lobby
3:00 p.m.	Room Check-In at both hotels
5:15 p.m.	Meet in Biltmore Lobby to board METRO shuttle to City Hall. Those staying at the Westin Bonaventure Hotel will meet in the lobby where David Kim will provide transportation to City Hall.
5:30 -7:30 p.m.	The host committee and City of Los Angeles will host a reception for commissioners and staffs at the beautiful Tom Bradley Room atop the Los Angeles City Hall located at Main and Temple.
7:45 p.m.	Conclusion of reception, take the Metro Shuttle back to Biltmore Hotel and Bonaventure Hotel

Wednesday, February 21, 2007

6:40 a.m.	Meet in hotel lobby to walk to Metro Red Line at Pershing Square Station to Union Station and be escorted to METRO headquarters. Those staying at the Westin Bonaventure Hotel will meet in the lobby where David Kim will provide transportation to METRO headquarters.
7:00 a.m.	Breakfast at METRO headquarters (Windsor Conference Room, 15th Floor). During the breakfast the commission will be briefed on the technical tours.
7:45 a.m.	Commissioners taking the helicopter tour will depart Metro headquarters to walk with escorts across the street to Los Angeles PIPERTEC heliport.

Commission staff, DOT staff and Co-host committee taking the surface tour, will transported the Metro shuttle van from the Patsouras Plaza level of the MTA headquarters for a tour which will include the BNSF Hobart yard, the proposed BNSF Southern California Intermodal Gateway facility and a surface observation of the Alameda Corridor.

8:00 a.m. Commissioners will board two Los Angeles County Fire Department 8 passenger helicopter(s) (16 seats total) departing from the helipad at the Los Angeles PIPERTEC on Ramirez Street. Both helicopters communication systems will be linked.

Flying over, among other possible sites: the Alameda Corridor; the major L.A. freeways and the flow of trucks up and down the freeways participants will be able to see, first hand, weekday a.m. Southern California transportation. This technical tour will follow the UP line down to Ontario California, and then proceed over to and traveling back on the BNSF route.

9:15 a.m. Both helicopters and surface tour van will arrive at Berth 87 (North of Fire Station 112) for embarkation, and together with port officials, will walk to Berth 85 South of the Maritime Museum to board a chartered vessel for a waterside tour of Port of Los Angeles and Port of Long Beach. The boat will disembark passengers at Parker Lighthouse at Shoreline Village for an "on the ground" tour via Metro shuttle of the Hanjin terminal.

11:30 a.m. Participants will board a special and private BNSF rail car taking Alameda Corridor into Union Station. Lunch will be served.

1:15 p.m. Arrive at Track 13-Union Station and be escorted to Los Angeles County Metropolitan Transportation Authority Board Room located at One Gateway Plaza for the start of the field hearing

Agenda for Los Angeles Field Hearing

Day 1: California and the National Economy

1:30 -1:45 pm	Opening remarks by Secretary Mary Peters and Chair of the Commission
1:45 – 3:30 pm	Panel 1: Trade and Commerce
	Barry Sedlik, Acting Secretary, California Business, Transportation and Housing Agency California's value as an international gateway
	Gill Hicks, Gill V. Hicks & Associates Chair, California Marine and Intermodal Transportation System Advisory Council (CALMITSAC) National freight policy as a tool for economic growth
	Jerry Tidwell, Senior Vice President, Supply Operations, Safeway Corporation Fundamental principles for solutions
	Ray Burgett, Director International Logistics and Transportation, Pier 1 Imports Supply Chain logistical challenges and solutions
	Tony Grasso, Executive Director, San Bernardino Associated Governments Chair, Regional Transportation CEO's Funding options to sustain global competitiveness
3:30 – 3:45 pm	Break
3:45 – 5:15 pm	Panel 2: Mobility, Congestion and Safety
	Eugene Skoropowski, Managing Director Capitol Corridor Joint Powers Authority Intercity rail policy and the California experience
	Mehdi Morshed, Executive Director, California High Speed Rail Authority Intercity rail policy and the California experience

Pete Speer, President,
American Traffic Safety Services Association
New technologies and options to enhance mobility
Safety options to achieve zero deaths

Dr. Genevieve Guiliano, Senior Associate Dean,
Research and Technology, School of Policy Planning and
Development, University of Southern California
Director, Metrans Transportation Center
New technologies to enhance mobility

Will Kempton, Director, California Department of Transportation
California's Approach to Solutions for Mobility and Congestion

5:15 - 5:30 pm	Public Comment Period
5:30 pm	Adjourn Field Hearing
5:30 – 5:45 pm	Media availability
6:00 – 8:00 pm	Reception with hors d'oeuvres hosted by sponsors and co-host committee at Fred Harvey Union Station across the street from the MTA building
8:15 p.m.	Metro Shuttle returns to both hotels

Day 2: National Policy and Efficiency

7:00 a.m.	Check out of hotel with baggage
7:15 a.m.	Depart hotels for MTA headquarters via shuttle.
7:30 a.m.	Breakfast served at Metro headquarters (3rd floor Metro Board Conference Room).
8:30 a.m.	Opening remarks from Chair of day two
8:35 – 9:00 a.m.	Keynote & Questioning of the following each having 5 minutes oral testimony

Senator Alan Lowenthal, Chair
California Senate Transportation & Housing Committee

Assembly member Pedro Nava, Chair
California Assembly Transportation Committee

Gloria Molina, Los Angeles County Supervisor
Chair, Metropolitan Transportation Authority Board of Directors

9:00 -10:30 am **Panel 3: Partnership and Collaboration**

Gary Gallegos, Executive Director,
San Diego Association of Governments
Federal partnering and project delivery

Art Leahy, CEO,
Orange County Transportation Authority
Private sector roles, opportunities and limitations - The Orange County Experience

Kent Woodman, Partner,
Thompson Coburn LLP
National transit policy and implementation in California

John Barna, Executive Director
California Transportation Commission
Streamlining, integration and delegation

10:30 – 10:45 Break

NATIONAL SURFACE TRANSPORTATION
POLICY & REVENUE STUDY COMMISSION
February 21 & 22

10:45 – 12:15 pm	**Panel 4: Transitioning to the Next Generation Transportation System**
	Jim Waltze, President, The Griffith Company System capacity and growth
	Roger Snoble, CEO, Los Angeles County Metropolitan Transportation Authority California's response
	Sunne Wright-McPeak, CEO California Emerging Technology Fund Land use and regional collaboration, the California Regional Blueprint process
	Dr. Martin Wachs, Director, Transportation, Space and Technology – RAND Beyond the gas tax, alternatives for a greener world
12:15 p.m.	Public Comment
12:30 p.m.	Adjourn Field Hearing
12:30 – 1:25 pm	Lunch at Metro headquarters in Malibu Conference Room (25th floor)
1:30 pm	Board Bus and depart for Las Vegas, NV