

**STATEMENT OF  
THE HONORABLE MARY E. PETERS  
SECRETARY OF TRANSPORTATION  
BEFORE THE  
COMMITTEE ON APPROPRIATIONS  
SUBCOMMITTEE ON TRANSPORTATION, HOUSING AND URBAN  
DEVELOPMENT, AND RELATED AGENCIES  
UNITED STATES SENATE**

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Chairman Murray and Members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the Administration's Fiscal Year (FY) 2009 budget request for the U.S. Department of Transportation.

President Bush is requesting \$68.2 billion for America's transportation network in the next fiscal year, including funding for the Department's mandatory programs. We are working with the President to hold the line on spending, while giving travelers and taxpayers the best possible value for their transportation dollars by transforming the way our transportation system works and is funded. At the Department of Transportation, our focus is on finding real transportation solutions that make travel safer, improve the performance of our transportation systems so that they operate more efficiently and serve us better, and apply advanced technologies and contemporary approaches to today's transportation challenges.

Consistent with these priorities, nearly 31 percent of the funds requested for FY 2009 support safety programs and activities. The budget allows us to build on our successes in delivering safer transportation systems by focusing on problem areas like runway incursions, as well as motorcycle crashes and pedestrian injuries on the road. It is important that we continue a data-driven safety focus that allows us to target resources more effectively.

Just as the budget supports continued strong progress on the safety front, it also builds on our comprehensive efforts to identify new partners, new financing, and new approaches to reduce congestion. One example is the New York region where the Bush Administration has moved aggressively to alleviate congestion in the air and on the ground. The Administration recently announced short-term measures to bring passengers relief from chronic flight delays and we have been supporting Mayor Bloomberg's efforts to reduce the crippling congestion on the streets of Manhattan. If last year's record traffic jams and flight delays taught us anything, it is that traditional financial approaches are not capable of producing the results we need to keep America's economy growing and America's families connected.

FY 2009 is the final year of the current surface transportation authorization – the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). The President's budget fulfills the President's commitment to provide the six-year, \$286.4 billion investment authorized by SAFETEA-LU. For 2009, the Budget provides \$51.7 billion in 2009 for highways, highway safety, and public transportation.

To honor that commitment, even with an anticipated shortfall in the Highway Account balance of the Highway Trust Fund, the President is requesting temporary authority to allow “repayable advances” between the Highway Account and the Mass Transit Account in the Highway Trust Fund. This flexibility will get us through the current authorization without any impact on transit funding in 2009; however, unreliable Trust Fund revenues are another sign that we need to more aggressively begin moving away from our reliance on fuel taxes by partnering with State and local governments willing to develop more effective means to finance our surface transportation infrastructure.

It is increasingly clear that America’s transportation systems are at a crossroads. Even as we continue to make substantial investments in our Nation’s transportation systems, we realize that a business-as-usual approach to funding transportation programs is no longer effective. We need serious reform of our approaches to both financing and managing our transportation networks.

For the first time since the creation of the Interstate Highway System, we have an amazing opportunity to come together and completely re-assess our approach to financing and managing surface transportation systems. For too long, we have tolerated exploding highway congestion, unsustainable revenue mechanisms and spending decisions based on political influence as opposed to merit.

Now, thanks to technological breakthroughs, changing public opinion and highly successful real-world demonstrations around the world, it is clear that a new path is imminently achievable if we have the political will to forge it. That path must start with an honest assessment of how we pay for transportation. In fact, our continued transportation financing challenges are in many ways a symptom of these underlying policy failures, not the cause.

Because gas and diesel taxes are levied regardless of when, where or how someone drives, a misperception has been created that highways are “free.” As with any scarce resource that is perceived to be free, demand will chronically exceed supply. In the case of highways, this peak demand problem is serious and growing worse in every medium or large city in the U.S. While highway spending at all levels of government has increased 100 percent in real dollar terms since 1980, the hours of delay during peak travel periods has increased almost 200 percent over the same time period.

Traffic congestion affects people in nearly every aspect of their daily lives – where they live, where they work, where they shop, and how much they pay for goods and services. According to 2005 figures, in certain metropolitan areas the average rush hour driver loses as many as 60 hours per year to travel delay – the equivalent of one and a half full work weeks, amounting annually to a “congestion tax” of approximately \$1,200 per rush hour traveler in wasted time and fuel.

Nationwide, congestion imposes delay and wasted fuel costs on the economy of at least \$78 billion per year. The true costs of congestion are much higher, however, after

taking into account the significant cost of unreliability to drivers and businesses, the environmental impacts of idle-related auto emissions, increased gasoline prices and the immobility of labor markets that result from congestion, all of which substantially affect interstate commerce.

Traffic congestion also has an increasingly negative impact upon the quality of life of many American families. In a 2005 survey, for example, 52 percent of Northern Virginia commuters reported that their travel times to work had increased in the past year, leading 70 percent of working parents to report having insufficient time to spend with their children and 63 percent of respondents to report having insufficient time to spend with their spouses.

Nationally, in a 2005 survey conducted by the National League of Cities, 35 percent of U.S. citizens reported traffic congestion as the most deteriorated living condition in their cities over the past five years; 85 percent responded that traffic congestion was as bad as, or worse than, it was in the previous year. Similarly, in a 2001 survey conducted by the U.S. Conference of Mayors, 79 percent of Americans from ten metropolitan areas reported that congestion had worsened in the prior five years; 50 percent believe it has become 'much worse'.

Around the country, a growing number of public opinion polls reflect the unpopularity of gas and diesel taxes, particularly when compared to open road electronic tolling. Most recently, in a King County, Washington survey conducted in December 2007, respondents preferred financing the reconstruction of a major bridge with electronic tolling instead of gas taxes by a margin of 77 to 17 percent. In addition, the concept of variable tolling using new technologies in which prices vary regularly based on demand levels received support from 76 percent of respondents and opposition from only 22 percent.

A survey of public opinion surveys conducted in November 2007 for the Transportation Research Board by the research firm NuStats found that “in many parts of the U.S., a wide gap exists between elected officials’ perceptions of what the public thinks about tolling and road pricing and what public opinion actually is.” Summarizing their findings, the report said, “in the aggregate there is clear majority support for tolling and road pricing. Among all surveys, 56 percent showed support for tolling or road pricing concepts. Opposition was encountered in 31 percent of the surveys. Mixed results (i.e., no majority support or opposition) occurred in 13 percent of them.”

In the 2007 edition of their Annual Survey of U.S. Attitudes on Tax and Wealth, the Tax Foundation wrote, “the one surprise this year was at the state and local level, where gas taxes were viewed as the least fair tax. That's the first time any state-local tax has edged famously-disliked local property taxes out for the honor of most unfair tax.”

Virtually every economist who has studied transportation says that direct pricing of road use, similar to how people pay for other utilities, holds far more promise in addressing congestion and generating sustainable revenues for re-investment than do traditional gas taxes. And thanks to new technologies that have eliminated the need for toll booths, the

concept of road pricing is spreading rapidly around the world. The brilliance of road pricing is that it achieves three major policy objectives simultaneously.

First, it will immediately reduce congestion and deliver substantial economic benefits. Drivers have proven in a growing array of road pricing examples in the United States and around the world that prices can work to significantly increase highway speed and reliability, encourage efficient spreading of traffic across all periods of the day, encourage shifts to public transportation and encourage the combining of trips. In fact, the National Household Travel Survey shows on an average workday, 56 percent of trips during the morning peak travel period and 69 percent of trips during the evening peak travel period are non-work related, and 23 percent of peak travelers are retired.

Second, it will generate revenues for re-investment precisely in the locations that need investment the most. Recent estimates in a forthcoming paper, "Toward a Comprehensive Assessment of Road Pricing Accounting for Land Use" by economists Clifford Winston and Ashley Langer at the Brookings Institute conclude that utilizing congestion pricing in ONLY the largest 98 metropolitan areas would generate approximately \$120 billion a year in revenues while simultaneously solving the recurring congestion problem in those areas. Implementation of a broader road pricing strategy tied to wear and tear and reconstruction costs would obviously produce even higher revenue. In 2006, as a nation, we spent approximately \$150 billion on all of our highways. State and local officials would even gain additional flexibility to reduce the wide array of taxes currently going into transportation that have nothing to do with use of the system.

Third, direct pricing will reduce carbon emissions and the emissions of traditional pollutants. According to Environmental Defense, a nonprofit environmental organization, congestion pricing in the city of London reduced emissions of particulate matter and nitrogen oxides by 12 percent and fossil fuel consumption and CO<sub>2</sub> emissions by 20 percent; a comprehensive electronic road pricing system in Singapore has prevented the emission of an estimated 175,000 lb of CO<sub>2</sub>; and Stockholm's congestion pricing system has led to a 10-14 percent drop in CO<sub>2</sub> emissions.

Technology must play an important role in relieving traffic on our Nation's highways. Through programs like our *Urban Partnerships* and *Corridors of the Future* initiatives, we have been aggressively pursuing effective new strategies to reverse the growing traffic congestion crisis. The interest around the country has proven quite strong – over 30 major U.S. cities responded to our call for innovative plans to actually reduce congestion, not simply to slow its growth.

The FY 2009 budget would encourage new approaches in fighting gridlock by proposing to use \$175 million in inactive earmarks and 75 percent of certain discretionary highway and transit program funds to fight congestion, giving priority to projects that combine a mix of pricing, transit, and technology solutions. While State and local leaders across the country are aggressively moving forward, Congressional support and leadership is critical. These projects will help us find a new way forward as we approach reauthorization of our surface transportation programs.

Through the *Urban Partnership* initiative, communities submitted innovative transportation plans that would not just slow the growth of congestion, but would reduce it. The Department promised to allocate the federal contribution in a lump sum, not in bits and pieces over several years. This initiative is part of a national dialogue about how transportation should be funded in the future. Congestion pricing is being talked about in major newspapers and cutting-edge traffic-fighting packages are combining technology and tolling, using the revenues to expand highway and transit capacity.

In August 2007, the Department awarded \$850 million in Federal grants to five cities – Miami, Minneapolis, San Francisco, Seattle, and New York – to support their bold and innovative strategies to reduce gridlock and raise new funds for transportation. The Department's discretionary grant awards under the Congestion Initiative in FY 2007 were awarded in accordance with the statutory criteria of the applicable Federal-aid programs and federal appropriations law.

Local leaders in Minneapolis, for example, are tackling congestion there by converting HOV lanes to HOT lanes, congestion pricing new capacity on the shoulders of I-35 West, and deploying high-end bus rapid transit service and intelligent transportation technologies.

San Francisco, meanwhile, plans to charge variable tolls on its most congested roadway into the city, implement a comprehensive smart parking system and institute traffic signal coordination at 500 key intersections throughout the city.

And, New York City Mayor Bloomberg – together with key members of the New York State legislature, environmental leaders, and city business leaders – is advancing the most comprehensive congestion solution yet seen in the United States: "cordon pricing" of Manhattan south of 86th Street, supported by new bus rapid transit service to the city center.

Accessible and cost-effective transit projects also help fight congestion, and the President's budget includes over \$10 billion for transit programs. The President's budget includes \$6.2 billion to help meet the capital replacement, rehabilitation, and refurbishment needs of existing transit systems. Also included is \$1.4 billion for major New Starts projects, which will provide full funding for fifteen commuter rail projects that are currently under construction, as well as proposing new funding for two additional projects. Another \$200 million will be used to fund thirteen projects under the Small Starts program.

The President's budget includes \$14.6 billion for the Federal Aviation Administration (FAA). In addition to critical new technology, the budget includes sufficient resources to hire and train an additional 306 air traffic controllers - people who are key to keeping the system safe.

The budget request assumes Congressional passage of the President's reauthorization proposal for FAA programs and revenue streams. With a more efficient revenue structure, we will be able to build on our exemplary aviation safety record while expanding the number

of aircraft that the Nation's airspace can safely handle at any given time. Also, our proposal would modernize how we pay for airport infrastructure projects and allow us to overhaul the Nation's air traffic control system.

Key to achieving higher levels of safety and efficiency is the move to 21<sup>st</sup> Century technologies to guide air traffic. For the flying public, this investment is critical if we are to deploy the state-of-the-art technology that can safely handle dramatic increases in the number and type of aircraft using our skies, without being overwhelmed by congestion. The FY 2009 budget request would more than double investment in these *Next Generation Air Transportation System (NextGen)* technologies, providing \$688 million for key research and technologies including the transformation from radar-based to satellite-based navigation systems.

The FY 2009 budget once again provides the framework of the Next Generation Air Transportation System Financing Reform Act, a new proposal that will make flying more convenient for millions of travelers. As air traffic is expected to nearly triple by 2025, our aviation system requires a more reliable and responsive source of revenue to fund the modern technology required to manage this expanded capacity. The investment in NextGen will allow the FAA to not only handle more aircraft, but also to maintain high levels of safety, reduce flight delays, and reduce noise near airports.

From a finance perspective, our proposal replaces the decades-old system of collecting ticket taxes with a stable, cost-based funding program. Based on a combination of user-fees, taxes and general funds, it creates a stronger correlation between what users pay to what it costs the FAA to provide them with air traffic control and other services. The incentives our plan puts in place will make the system more efficient and more responsive to the needs of the aviation community.

Without reforms to help finance increased air traffic control capacity and modernization, we can all expect to spend more time waiting in airports or strapped in an airplane seat, sitting at the end of a runway. There has already been a vigorous debate about the structure of the system, and we ask Congress to support our substantial aviation reform.

We also urge action on making needed reforms to the Nation's Intercity Passenger Rail system. The President's FY 2009 budget provides a total funding level of \$900 million for intercity passenger rail. Included in this total is \$100 million for a matching grant program that will enable State and local governments to direct capital investment towards their top rail priorities.

Our "safety first" priority includes ensuring the safe and dependable transport of hazardous materials throughout the transportation network. The President's budget request would increase funding for pipeline safety programs to over \$93 million by funding eight new inspectors to increase oversight of poor performing pipeline operators and increasing state pipeline safety grants by \$11.3 million.

Last week, the Department announced a new national strategy that will bring new focus, including resources and new technology, to reducing deaths on the nation's rural roads. The Department's Rural Safety Initiative will help states and communities develop ways to eliminate the risks drivers face on America's rural roads and highlight available solutions and resources. The new endeavor addresses five key goals: safer drivers, better roads, smarter roads, better-trained emergency responders, and improved outreach and partnerships.

We are also requesting \$174 million to support a fleet of 60 vessels in the Maritime Security Program to assure the viability of a U.S.-flag merchant marine capable of maintaining a role in international commercial shipping and of meeting the sealift needs of the Department of Defense.

Finally, the President's budget includes \$17.6 million to support the first year of a \$165 million, 10-year asset renewal program for the Saint Lawrence Seaway Development Corporation. After 50 years of continuous U.S. Seaway operations, this Federally-owned and operated infrastructure is approaching the end of its original "design" life. Coordinated large scale capital reinvestment is now required to assure continuous, safe and efficient flow of maritime commerce.

The President's FY 2009 budget builds on the exciting things we are doing at the Department of Transportation to help America move forward on a new course – a course that delivers high levels of safety, takes advantage of modern technology and financing mechanisms, and mitigates congestion with efficient and reliable transportation systems.

Thank you for the opportunity to appear before you today. I look forward to working with the Congress and the transportation community to ensure that America continues to have the best transportation system in the world.

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