

ORAL STATEMENT
SECRETARY OF TRANSPORTATION FEDERICO PEÑA
BEFORE THE
U.S. SENATE ENVIRONMENT & PUBLIC WORKS COMMITTEE
HEARING ON THE NATIONAL HIGHWAY SYSTEM
BOZEMAN, MONTANA
JUNE 6, 1994

I'm delighted to again testify in Montana, especially with such a distinguished group of Western officials. Also, I am pleased that we are focusing on the National Highway System (NHS) which I consider one of the most significant transportation developments in this century. I commend Senator Baucus for holding this hearing and for including witnesses representing many diverse interests in the NHS.

I am accompanied today by Federal Highway Administrator Rodney E. Slater. Later Mr. Slater will illustrate the NHS components for you, using a unique new computer system, the Geographic Information System (GIS).

The NHS is a crucial element in the Nation's infrastructure. Today, I want to talk about our transportation infrastructure, the U.S. economy and the positive benefits from investing strategically in infrastructure -- and I want to make two points.

First and foremost, the Clinton Administration is committed to investing in infrastructure, and the National Highway System we proposed last December is the largest component of our transportation infrastructure. We believe in infrastructure investment as a means of improving our quality of life, making it easier for people to move more freely, strengthening America's economy, and creating jobs for American workers.

Secondly, I want to talk about the critical role of both the National Highway System and the National Transportation System initiative which we recently undertook as they relate to our transportation future. Simply put, we cannot have a strong National Transportation System without first laying its foundation -- the National Highway System. The NHS may be even more vital to those of us here who hail from the wide open spaces of the West than elsewhere. Let me take this opportunity to assure you that the outreach process that we intend to employ to shape the NTS will take

into account the special needs and interests of the West.

***THE CLINTON ADMINISTRATION'S COMMITMENT TO
TRANSPORTATION INFRASTRUCTURE***

President Clinton views investment in transportation infrastructure as a central element of his strategy for long-term economic growth and increased American competitiveness in world markets.

Clearly, the state of our infrastructure has an impact on our whole economy -- and American competitiveness in world markets -- by enabling cheap, efficient movement of people and goods. It is also an important generator of jobs.

In fact, DOT's 1995 budget contains the largest transportation infrastructure investment in our nation's history -- over \$28 billion -- in a year when the budgets of many other departments were sharply cut. And it includes full funding of the "core" capital projects under the Intermodal Surface Transportation Efficiency Act (ISTEA).

Since 1991, the DOT's infrastructure investment budget has grown by 24 percent, and that increase is now bringing needed transportation improvements and efficiencies, putting construction machinery in motion and creating jobs.

In addition to rising federal investment, we are also seeking ways to involve the private sector in innovative financing.

Senator Baucus and I both believe that in order to begin to address the conflicting pressures to reduce public spending and improve our transportation infrastructure we must attract additional capital from the public and private sector. Senator Baucus' bill addresses this need by allowing the States the flexibility to use a portion of their Federal-aid highway funds to create a State transportation revolving fund which could be used to make direct loans, refinance debt, purchase bond insurance, provide loan guarantees, and as a source of security to issue bonds to provide additional capital. I commend Senator Baucus for his leadership in the innovative financing area.

The Department and the Federal Highway Administration are looking at ways to provide innovation in financing to attract private capital and increase investment in transportation infrastructure. We want to work with Senator Baucus and the Senate Environment and Public Works Committee to bring to fruition innovative financing tools that the States could have the flexibility to employ to increase transportation investment.

NHS, THE NTS AND THE ECONOMY

The National Highway System is above all else a guide to wise "strategic investment" with links to major airports, seaports, rail stations, transit systems, intermodal terminals and maritime facilities. By providing these connections, the National Highway System will greatly increase the efficiency of our whole transportation network. This makes each mode, including highways themselves, that much stronger.

The NHS, as it is currently proposed, contains just 4 percent of America's four million miles of public roads. But it carries over 40 percent of the nation's highway traffic, 70 percent of the truck freight traffic, and 80 percent of the tourist traffic.

Once adopted by Congress, the NHS would allow every level of government to better target its transportation investments in coming years. Much ISTEA funding, as much as \$21 billion, will be directed towards the NHS and State governments will have strong incentives to match or surpass those efforts.

The NHS will increase economic opportunities to communities not served directly by the Interstate System. And it will link up with roads in Canada and Mexico, uniting the North American Free Trade Zone with a high-performance continental road network. I want to commend Senator Baucus for his work on international trade activities. As Chairman of the Senate Finance Committee's Subcommittee on International Trade, he is well aware of the trade implications of the North American Free Trade Agreement (NAFTA).

In April, I convened a North American Transportation Summit in

Washington with the ministers of transportation of Canada and Mexico. I wanted to ensure that as NAFTA spurs trade among the three countries, our transportation systems will be able to support that trade in a safe, efficient, and equitable manner.

The NHS will make these connections between our neighbors to the North and South much easier.

In the long term, the National Highway System will also form the backbone of the National Transportation System -- enhancing all other modes of transportation by serving as the glue that binds all of them together. We need such a seamless intermodal transportation system to meet the challenges of competing in the 21st century global economy.

WHERE DO WE GO FROM HERE

The next step for the National Highway System is to win Congressional approval. The House on May 25th passed H.R. 4385, a bill which approves the NHS and provides for the establishment of a NTS. We look forward to working with Chairman Baucus to do everything we can to reach agreement this year on a bill to approve a National Highway System.

We are glad the House acted quickly to approve the NHS we submitted but we do have some concerns about the bill as passed. Our major concerns are that the bill contains a number of demonstration projects. Specifically, the bill -- as passed by the House -- could divert scarce budget resources from programs department-wide in order to fund projects that have not been evaluated through normal State processes. Also, we are concerned that the bill requires any future modification to the NHS to be approved by Congress. We believe that the Department should be allowed to approve modifications at the request of a State after a cooperative effort with local officials.

I would like to see early enactment of the NHS bill so we can move forward with developing a National Transportation System.

Under ISTEA, Congress has until September 30, 1995, to approve the legislation designating the National Highway System. If Congress misses

that deadline we cannot apportion NHS funds -- \$3.6 billion -- to the States for fiscal year 1996. We also will not be able to apportion Interstate Maintenance Program funds -- \$2.9 billion. Everyone has a vital stake in seeing that the NHS legislation is enacted on time.

The House has resolved two contentious issues in a manner that I think upholds important safety and environmental objectives set by Congress in past highway legislation -- I urge the Senate to adopt them. First, the House bill proposes to change the way in which recycled rubber is used in transportation projects by allowing states significantly more flexibility in determining this use, while also challenging states to use crumb rubber technology to increase their tire abatement efforts. We support this flexibility to advance recycling and paving technology and I am hopeful that the compromise strikes a reasonable balance that responds to environmental concerns while providing a greater degree of flexibility to the States. Second, the House Public Works Committee rejected an amendment that would remove the penalties in ISTEA against states that fail to enact and enforce motorcycle helmet and safety belt use laws. These mandates save lives and millions of dollars in annual health care costs, and they are reasonable conditions for the use of public roads.

We face two challenges:

First, we must redouble our efforts to get the National Highway System enacted this year so we can get on with the business of creating a more efficient and competitive transportation system and building for our future. Our mobility and our economy cannot afford to wait another year to begin building our future.

Second, we must have the support of everyone in this room in drafting a proposal for a National Transportation System. We have no preconceived notions.

We hope to have received all public comment by the end of 1994. We conducted an ISTEA outreach in this region last December with over 200 participants from six States. Participants supported full funding of ISTEA and the President has made that a budget priority. Also, they expressed a need for more local input into the State planning process and I believe

progress is being made in that area. DOT will continue to assist in this process. Western participants called for recognition of the distinct needs of rural and urbanized areas. As a former Western Mayor I am well aware of those differing needs. I pledge to balance those interests and needs in the NTS process.

Another concern that we found in our Western outreach was the special needs of the Native American tribes and their reservations. The Clinton Administration is vigorously pursuing a number of Indian initiatives. The House NHS bill included a floor amendment which would establish a pilot program to permit Indian tribal governments to work directly with the Department of Transportation relative to the Indian reservation road program. The pilot would allow tribal governments to be treated in a similar manner as a State is treated in the administration of the Federal-Aid program. We intend to work with Senator Baucus in evaluating the House amendment as well as other programs which would benefit the needs of Native Americans.

The NHS is also a vital part of the overall road transportation system serving Federal lands. The Department of Transportation is working with Federal land managing agencies in the coordination of the NHS with Federally owned roads and various land use and resource management plans. I believe the NHS will be a boon to the West and all of the scenic Federal lands out here. I'm sure tourists will be aided by the improved access provided by the NHS. In many of the western States the NHS is the backbone of the National Scenic Byways Program, that is, they are one and the same.

If we are successful in getting a National Highway System this year I promise you this:

What the Interstate Highway System was for our predecessors, the National Highway System will be for us, providing the backbone of a comprehensive intermodal transportation system that will enable America's children and our grandchildren -- and beyond -- to enjoy the fruits of our vision.

I applaud Senator Baucus and his fellow committee members for holding

this hearing in the heart of the West. Our problems and challenges in the West are unique. As I flew here today from the urbanized East and looked down at the vast, undeveloped areas below, it made me even more mindful of the distances that must be covered by any ground transportation system in order to link the populous East with the resources found here, resources that must travel East to meet many needs there. The East and West were first linked by the railroads and finally by the Interstate Highway System - but you know, and I know, that those two systems alone cannot serve all of the areas of the Western States, cannot link us with our new NAFTA trading partners to the North and the South and connect us to our international markets through our ports. The National Highway System is the next vital link in the evolving ground transportation system that this country needs. And with the establishment of this important linkage, the final stage, the National Transportation System, can become a reality.

Mr. Chairman, with your permission I would now like to ask Federal Highway Administrator Rodney Slater to illustrate the NHS for you with the Geographic Information System. Thank you.