

**Statement of Federico Peña
Secretary of Transportation
Before the
House Transportation and Infrastructure Committee
Subcommittee on Surface Transportation
March 2, 1995**

The National Highway System

Mr. Chairman, I welcome this opportunity to meet with you as you consider one of the Department of Transportation's highest priorities--designation of the National Highway System (NHS). The NHS reflects the Department's continued emphasis on the prudent investment of public tax dollars in our Nation's infrastructure system. It will be an important part of our integrated intermodal transportation network, comprised largely of routes chosen by the States and localities, as envisioned by the Congress when it enacted the landmark surface transportation legislation, the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA).

I was pleased to see that in your letter of invitation, you asked us to focus our testimony on the core economic benefits of the National Highway System. I look forward to outlining today, in specific detail, why we believe the NHS represents one of the most strategic investments we can make in the Nation's economic future.

Before I do so, however, I wanted to acknowledge that we are not unmindful of the controversy that has been raised by the Department's FY 96 Budget and initial Restructuring Program design proposals. We look forward to working with you to develop closer agreement on the scope and timing of the matters departmental restructuring should address. In this era of increasing fiscal constraint, the challenge I believe both the Administration and the Congress face together is to determine what changes must be made so that our

organization and programs can meet the Nation's 21st century transportation needs.

The direction I gave the departmental task forces working on restructuring was to put forward ideas for streamlining our programs and agencies that were as bold as possible, and to test those ideas with our customers and the Congress. What we are hearing is general support for moving ahead expeditiously with organization consolidation to reduce overhead and create a modern, lean, integrated, and efficient structure. We have also heard strong support for taking immediate steps to simplify process and procedure so our grantees get the most value possible for the dollars we are able to provide. Finally, we are hearing some spirited commentary on our program design and budgetary proposals. As I have said, we look forward to working with this Committee to determine how best to advance the streamlining and restructuring needed.

DESIGNATION OF THE NHS

Designation of the NHS will usher in a new era in our Nation's rich transportation history. The 1950s witnessed the creation of the Interstate Highway System, and the varied parts of our country were brought together as never before. Needed highway construction continued across the Nation, and in the early 1970s we recognized the need to maintain our investment and established highway maintenance requirements. In recent years, construction of the Interstate System has neared completion, and we are now working to strategically direct our limited resources to places where they are needed most, guided by the principles of the ISTEA.

On December 9, 1993, we submitted our proposed NHS map and a report describing the system to the Congress for review. This map was the culmination of several years' work

by the States, local governments, metropolitan planning organizations, and the Department to identify highways of national significance--highways that will safely support our Nation's economic, national defense, and mobility needs. While ISTEA provided that certain key routes like the Interstate System be included in the NHS, the majority of the NHS was formulated from the ground up as we developed our proposal. This process was truly a grass roots effort. We looked to State and local officials to identify these major roads, for they know first-hand which routes best serve their communities and connect them to others. The Department's role was to integrate these routes into a unified system that will serve the many diverse transportation needs of the Nation.

This Committee played a key leadership role in developing the truly visionary ISTEA legislation. I encourage you to move swiftly and take the next step in this process-- designate the NHS--to guide us into the next generation in surface transportation.

THE ECONOMIC BENEFITS OF THE NHS

Many of you may be familiar with the impressive figures which reveal that the impact of the NHS extends to nearly every corner of our Nation. As currently proposed, the 160,000-mile NHS comprises just 4 percent of America's nearly 4 million miles of public roads, but it carries over 40 percent of the Nation's highway traffic and about 70 percent of heavy truck traffic. We recognize that for rural communities, highways serve as economic lifelines, so 74 percent of the proposed NHS is rural mileage. Also, 98 percent of all roads on the proposed NHS have already been built and are serving the Nation's transportation needs, so the NHS is not a highway construction project. Through the NHS, we can channel needed improvements to key highways, improving the efficiency and reliability of our

transportation system, and directly benefiting the many businesses that rely on it for moving their products. Therefore, in many respects, the NHS is an economic tool.

These numbers translate into real economic benefits throughout the country--linking workers to expanded job opportunities, manufacturers to new markets, and consumers to more products and services--fueling our economic competitiveness in the world market.

The benefits of the NHS also accrue to individuals and businesses located beyond the immediate reach of the roadways of the NHS because of another key feature of the system: its role as an intermodal connector. Routes on the proposed NHS tie America together by providing access to major ports, airports, rail stations, public transportation facilities, and international border crossings, greatly increasing the efficiency of our entire transportation network.

The NHS will help provide the tools to confront the problems of traffic congestion by targeting current and projected bottlenecks. Whether you're a shipper who lives by the principle that time is money, or a commuter trying to get to and from work with a minimum of hassles, congestion is an economic drain--estimated at about \$40 billion a year in our major urban areas--and is harmful to air quality.

As our proposed NHS map makes clear, transportation infrastructure should no longer be viewed as a collection of individual modes competing with each other. It should instead be seen as a system, with each mode complementing the others. This is evidenced by the marked increase in the number of intermodal transportation carriers who rely on several modes to deliver goods to consumers in the most efficient manner possible. But even with the increase in intermodal transport, close to 85 percent of the Nation's freight tonnage

travels at least part of its journey over a highway. Therefore, focused investment on the NHS is critical for handling the rapid growth in all modes of commercial traffic.

Fostering intermodal connectivity is one of the core functions of the NHS, so we have been working closely with States and metropolitan planning organizations, examining intermodal connections to ensure that all transportation modes work well together. The statewide and metropolitan planning processes of ISTEA are critical to defining where connections are needed to create this synergy; we are relying heavily on information gained from these planning processes to validate the connections to major transportation terminals that were identified on the proposed system submitted in December 1993. This will enhance the ability of all transportation modes to meet expanding economic demands and help our Nation thrive in the increasingly competitive global marketplace.

THE NHS AND INTERNATIONAL TRADE

The economic benefits of the National Highway System would not end at our Nation's borders. Most of the freight moving between the United States and Canada, our number one trading partner, and the United States and Mexico, recently our second largest trading partner, moves by truck. Now that the North American Free Trade Agreement (NAFTA) has been adopted and the largest free trade zone in the world created, trade is accelerating. The NHS will serve all major international border crossings and connect U.S. routes with the principal highways of Canada and Mexico, creating a high-performance system spanning most of North America. Future improvements to this integrated network will fuel trade expansion and benefit not only businesses in States along our northern and southern borders, but will aid those businesses across the Nation that are linked to the border regions by the

NHS corridors running across the United States.

Trade between the U.S. and Canada, already the world's biggest bilateral trading relationship with over \$243 billion in goods and services crossing our northern border in 1994, continues to grow. With nearly 90 percent of this trade crossing by land, the economic importance of ensuring adequate access to the 32 major U.S./Canada border crossings served by the NHS can hardly be overstated.

NAFTA opens the Mexican trucking market to U.S. carriers for the first time. Currently, 85 percent of U.S. trade with Mexico is transported over land, with a large percentage of that figure carried by truck; in fact, total trucking revenues from U.S.-Mexican trade are estimated at \$3 to \$4.5 billion annually. With the NHS supplying vitally needed north-south connectors, American businesses, from farmers to manufacturers to truckers, will benefit as never before. Liberalized access for charter and tour buses from Mexico to U.S. destinations nationwide will tap a new market of tourists. An efficient intermodal transportation system, with the NHS as its cornerstone, can guarantee we make the most of these international trade and tourism opportunities.

We have also been working with the Mexican government to ensure that Mexican motor carriers are aware of their responsibilities while operating in the United States. For example, we are developing procedures to monitor Mexican carriers' compliance with U.S. motor carrier safety regulations when they are operating in the United States. We are proposing to increase the Motor Carrier Safety Assistance Program (MCSAP) funding, which will increase funding for truck inspection activities in all States, including the border States. While the NAFTA presents us with the opportunity to develop safety standards which are

compatible across all three countries, I'd like to emphasize that foreign motor carriers operating in the U.S. must fully comply with our motor carrier safety regulations, including our truck size and weight limits.

In a few minutes, Administrator Slater, using the Geographic Information System (GIS), will demonstrate in greater detail the potential of the NHS to better link people to jobs, companies to markets, and our Nation to the world.

The benefits of strategic investment in the NHS are clear. I look forward to working with you on moving an NHS bill forward and I hope that bill will be as straightforward as possible. We oppose the addition of any controversial provisions that would derail NHS legislation and effectively freeze over \$6 billion in Federal funds. We look forward to working with you to streamline our transportation programs and to devolve decisionmaking authority to the States and localities.

At the time we presented our proposed NHS map in December 1993, we also unveiled a related initiative, the National Transportation System (NTS). The Department has conducted an extensive outreach effort in the past year to engage our State and local government partners, interest groups, and the public in a dialogue on the Federal role in achieving a National Intermodal Transportation System as endorsed in ISTEA. As a result of the customer comments in that outreach, the Department has focused the NTS initiative on finding ways to upgrade the efficiency, convenience, and reliability of the Nation's entire transportation network.

These NTS activities are entirely consistent with and support the program restructuring the Department has proposed. And, as with the NHS, we will be consulting

closely throughout the process with State and local transportation officials, other groups concerned with transportation, and the Congress.

ISTEA IMPLEMENTATION

I'd also like to update you briefly on the Department's progress in implementing several other key elements of ISTEA.

Flexible Funding: The flexible funding provisions of ISTEA are a powerful example of the benefits of enabling States and local officials, through the metropolitan planning organizations, to make their own decisions on how to allocate transportation funds to address ever-increasing infrastructure needs. To date, over \$1.4 billion dollars have been transferred from highway to transit projects under ISTEA, with transfers growing each year as States and localities understand and embrace these new opportunities. But this figure only tells part of the story; a key aim of ISTEA's flexible funding provisions is to ensure that decisionmakers at the regional, State, and local levels make the best possible transportation decisions for their communities, free from many of the single-mode funding limitations of the past.

Innovative Financing: As part of our efforts to reinvent government and make Federal dollars go even further, I have recently announced 35 new transportation projects in 21 States, made possible by a new DOT initiative: the Partnership for Transportation Investment. This plan uses new and innovative finance methods to fund nearly \$2 billion in critical transportation projects across the Nation without additional Federal resources, by cutting red tape and giving States more flexibility to secure investment for highway, rail, transit, and other transportation construction. These innovative financing methods will also

attract more private resources--leveraging them to get the maximum benefit for every taxpayer dollar--and freeing scarce public resources for other transportation investments.

In New York, we formed a partnership with State and local governments and public authorities in the Niagara Falls area. We supplied this partnership, called MINITECH, with \$5 million in Federal "seed money" and authorized it to use revenues from a cross-border bridge to create a revolving loan fund that can finance on-going transportation improvements in the whole Niagara corridor. The new revolving fund will initially support the installation of automated toll collection equipment and enhanced computers to speed the \$47 billion in U.S.-Canada trade that passes through the Niagara corridor every year.

In Kansas City, Missouri, the Federal Highway Administration is allowing phased funding over three years on a highway project--Bruce R. Watkins Drive--that will enable the State to start work right away and speed the revitalization of the urban area served by the road.

And in Romulus, Michigan, local authorities had long wanted to add a \$12 million interchange to I-94 to connect it to the regional airport and to open up a major site for economic development, but they lacked the State matching funds. So we provided additional flexibility and permitted a private developer to contribute the matching share, and the project is already underway.

Transportation Planning: The Department is actively encouraging improvements to the Statewide and metropolitan transportation planning processes called for in the ISTEA and is committed to making these processes work, thus empowering States and localities to decide for themselves how to allocate their resources to best address their transportation

needs. The Federal Highway Administration and the Federal Transit Administration are working together to ensure that the certification process for all transportation management areas is completed by October 1, 1996. They are also providing training and technical assistance to States and metropolitan planning organizations to assist in upgrading their existing planning efforts. A major initiative is also underway to improve existing travel models and design new ones to better respond to the requirements of ISTEA and the Clean Air Act.

CONCLUSION

DOT is dedicated to serving the transportation needs of the new economic reality: the truly global economy of the 21st century. We recognize the strong link between transportation investment and economic productivity, and the need to preserve decades of investment in our transportation system to maintain our preeminent position in the world economy. With spending on transportation constituting about 17 percent of our Nation's total outlays, approval of the NHS is central to our continued economic vitality. But failure to enact NHS legislation by September 30 would result in the withholding of billions of Federal dollars from the States and the postponement of critically needed transportation improvements. Therefore, I thank you for the opportunity to voice my strong commitment to the NHS as the cornerstone of our national transportation system, and I urge the Congress to pass simple, straightforward legislation designating the NHS without delay. After Administrator Slater's GIS presentation, we will be happy to answer any questions you may have.

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