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The Weekly Newspaper of the Public Transportation Industry

PEOPLE ON THE MOVE

■ WOODBRIDGE, VA—Francis C. Jones, mayor of the city of Manassas Park, will serve as board chairman of the Potomac and Rappahannock Transportation Commission for 2008.

Other members of the PRTC Executive Committee this year are Vice Chairman Douglas S. Waldron, mayor of Manassas; Secretary Marvin Dixon, who represents Ward 1 on the Fredericksburg City Council; Treasurer Michael May, who represents Occoquan on the Prince William Board of County Supervisors; and Immediate Past Chairman Paul Milde, who represents Aquia on the Stafford County Board of Supervisors.

May is also one of three new PRTC board appointees in 2008. The other new board members are Frank Principi, who represents Woodbridge on the Prince William Board of County Supervisors, and Jackson H. Miller, a member of the Virginia House of Delegates.



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FTA Releases Charter Bus Final Rule; Becomes Effective on April 30

The Federal Transit Administration has released a final rule on public agencies providing bus charter service. This rule will become effective April 30.

Throughout its history, the FTA has placed limitations on public agencies providing some level of bus charter service. FTA has changed these limitations over the years as it tried to reach a balance, but

the basic limitation remained static: FTA imposed conditions on public bus agencies providing charter service with federally funded assets.

The basic situation has been that public operators want to be responsive to the agencies that fund them and to their communities, while service providers in the private sector do not want to compete with the public sector's federal financial support.

Over the years, FTA has worked to reach an accommodation between the two sectors, leading to the issuance of a new rulemaking in February 2007 to bring

together the various interests. Before that, the agency created a Federal Advisory Committee comprised of representatives from public agencies, private businesses, and labor and trade organizations, and held 12 days of public hearings during 2006.

FTA's intent was that, if public and private operators could reach consensus on the bulk of the rulemaking, it would leave little for the Notice of Proposed Rulemaking to do, and it would also provide an opportunity for both sides to speak.

In the opinion of the private operators, public agencies were providing services in direct competition with them. The public agencies said they were not being allowed to fill unmet community needs that private enterprise would not fill.

Public transportation operators throughout the industry expressed concern because, under the existing regulations, they could not take care of the local governments that paid them, or local social services agencies that could not necessarily afford private charter services.

At the same time, public and private agencies alike expressed unhappiness with the complaint process, and both sides noted inconsistent application of the rule across the various regions.

James LaRusch, APTA chief counsel and vice president for corporate affairs, reported cautious optimism regarding implementation of the final rule, which was issued Jan. 14. Added Dale Marsico, executive director of the Community Transportation Association of America: "It's very important to understand that federal regulations are an ongoing process. Like many other issues in our government,

no rule or decision is ever final."

Richard Ruddell, president/executive director of the Fort Worth Transportation Authority, said: "I think that the regulations strike a reasonable compromise between what the public agencies wanted and what the private agencies wanted." He explained that both sides have received some of what they wanted, but that both

sides also have found elements they dislike.

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Key Provisions

For example, private businesses wanted public operators to use Fully Allocated Costs: in other words, to request, in their view, a more accurate fee for service. FTA said no to this request, stating that such a requirement has "the potential to interfere with our efforts to support public transit agencies as mobility managers within their

communities. In addition, we are very concerned that a fully allocated cost requirement would hinder our attempts to negotiate with other federal agencies to develop cost allocation principles to share fairly the cost of human service transportation."

Another question raised was whether a potential customer could require a particular kind of equipment: for example, if an environmental group could request a hybrid-fueled bus. FTA also said no to this issue, declaring, in effect, said LaRusch, "a bus is a bus." As published in the *Federal Register*, "the statute . . . addresses charter without regard to equipment type," he said.

In the past, public agencies would place an ad that asked private companies to register as service providers in the public agency's operating area. Under the new rule, private agencies will now register on the FTA web site and public agencies will look at the site to find out who has registered.

The new rule also looked at 64 federal



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programs that fund transportation and found that some social services agencies do not receive federal monies, such as faith-based and scouting programs. Such agencies can also register on the FTA web site to be eligible for services from public agencies.

"The posting on the FTA web site is a much improved process than the old way of just advertising and sending out notices—a big improvement. It opens up the whole process to what is going on," Ruddlell noted.

Definition of 'Charter'

The FTA has redefined the term "charter." For example, when a transit agency is doing "transit business"—such as bringing city council members to view a new station—it is not considered to be doing charter service. Other non-charter exemptions include emergency preparedness; the first 45 days of emergency response; rural agencies transporting employees to training; demand-response service; and service to the elderly and persons with disabilities (Section 5310 of the federal transit laws), rural populations (Section 5311), job access (Section 5316), and participants in federal New Freedom programs (Section 5317).

The basic definition of charter service refers to "transportation provided by a recipient at the request of a third party for the exclusive use of a bus or van for a negotiated price."

The FTA clarification also includes what it terms "characteristics" of charter, such as fares collected by a third party, offered for a limited time, and not part of regularly scheduled service.

CTAA Communications Director Scott Bogren noted that the organization is accepting comments before issuing a response. "We're pleased that rural systems were given a partial exemption," he said,

"and we look forward to working with our colleagues at APTA and with folks from the private sector side to make sure it works as best as possible."

Petitions, Complaints, and Remedies

The rulemaking provides for agencies to petition the FTA administrator to provide some kind of charter services for events of regional or national significance; in cases of hardships such as deadhead time exceeding trip time for rural and small urban areas; and for unique, time-sensitive events, such as a presidential funeral.

Complaints may be leveled against public or private providers in a highly formalized process, with the potential for the appointment of an FTA investigating "presiding official" who would hold quasi-judicial standing.

If the FTA determines that a public agency has established a "pattern of violations," it could take away federal monetary support. Moreover, this rulemaking does not require any kind of notice or warning system. The FTA believes it has the authority to withhold monies for a single violation; APTA disagrees.

'Significant Change'

"This is the first significant change to the charter bus

regulations in 20 years," said Daniel R. Duff, currently with Thompson Coburn LLP and a member of the federal advisory committee that worked on the rule. "So it is very important that public transit providers understand the new regulation and all of its many new requirements and procedures. . . . The FTA web site is a good place to start."

In sum, this new rulemaking does clarify certain elements of charter bus regulation, but it also leaves a number of issues unclear or undefined.

The FTA clarification includes what it terms "characteristics" of charter, such as fares collected by a third party, offered for a limited time, and not part of regularly scheduled service.

Obstacles To CSX Deal No Easy Fix

By LINDSAY PETERSON The Tampa Tribune

Published: Feb 23, 2008

Only one piece of the state's multimillion-dollar deal with CSX Transportation remains to be settled, but obstacles to the plan are mounting, because of questions from state lawmakers and moves by federal officials.

The state plans to spend \$491 million to buy 61 miles of CSX tracks in the Orlando area and help the company shift train traffic into a proposed Polk County hub.

At the center of the deal is the state's plan to build a commuter system on the tracks purchased from CSX, between DeLand and Poinciana. Local governments would split the \$600 million in construction costs with the federal government.

This month, the agency responsible for approving the federal expenditure, the Federal Transit Administration, excluded Florida from the list of projects it planned to recommend.

Last week, the agency also informed the state DOT it was requiring a new study of the effects of running extra trains on the CSX line into Polk County.

This comes in addition to mounting questions from state lawmakers, who are preparing for next month's legislative session.

"I have great concerns," said state Sen. Mike Fasano, R-New Port Richey and chairman of the Senate Transportation and Economic Development Appropriations Committee.

He said he's leery of the liability package that CSX wants the state to sign as the final piece of the deal. The state would be held responsible for any accidents on the commuter line, even those caused by CSX.

"I don't think the state should take on that liability," he said.

In a tight budget year like this one, he also dislikes the idea of giving millions to an investor-owned company for improvements to private property the public will never use.

The state plans to delay more than \$500 million worth of transportation projects from the DOT's five-year work plan, including more than \$129 million in the Tampa area. Fasano said \$491 million could go a long way toward keeping the work program intact.

Cost Effectiveness A Concern

His concerns rose this month when the transit agency released the federal project list that excluded Florida. Fifteen commuter projects from California to Virginia were recommended for a total of \$1.1 billion in funding.

"Before we put up \$491 million," Fasano said, "let's see the federal government put up their money."

State officials say the commuter rail projects will be considered for funding in the next federal budget cycle. Fasano said he's not sure the money will ever be approved.

The project faltered on the key issue of cost effectiveness, a measurement based on the project's cost and projected ridership.

Florida's costs were more than \$29 a commuter-hour, \$5 above the federal limit. The state also received low marks for making a case for the project.

A November 2007 federal report said the state described Interstate 4 as congested and getting worse. "But the 'case' for the project provides no justification that it will effectively serve I-4 travel markets."

A major proponent of the project, U.S. Rep. John Mica, R-Winter Garden, dismissed the agency's exclusion, saying its recommendation is "not necessary."

Last year, Mica inserted a provision into a House bill to exempt the Central Florida project from having to meet the federal rules on cost effectiveness. The bill passed in the House and is awaiting a Senate vote.

Mica predicted the money eventually will become available, but he couldn't say if it would come in time to finish the first segment of the route by 2010, as originally projected. Asked when that leg between DeLand and Orlando would be finished, he said, "I have no idea."

Mica also downplayed the significance of the agency's requirement for a new study of the effects of shifting CSX freight traffic to the rail line running into Polk County.

"It's great news," he said. "It will allay many concerns folks might have."

Polk resident Sue Nelson isn't so sure it will ease her concerns, but she was thrilled with the news that a study will be done.

She began e-mailing agency officials in September to ask whether they had looked at the impact of shifting freight traffic from the Orlando area to the rail line into Polk. That line runs into Winter Haven, where CSX plans to build a major rail yard.

After four months she still had no answer. "You have asked me time and again to be patient," she wrote Jan. 4.

"I'm not against the Central Florida Commuter Rail Project. … All I would like to see is an [analysis] done for Polk County just like what was done for Orange, Seminole, Volusia and Osceola counties," she wrote. "Without the proposed relocation of the freight trains to Polk County, the commuter rail project would never come to fruition."

Noise, Vibrations Will Be Studied

The agency began talking to the state about doing such a study, but state officials argued it was not necessary. They said the commuter system and the state-funded improvements on the CSX rail line into Polk were two separate projects.

However, Mica linked the two in a December 2006 letter to then-state DOT Secretary Denver Stutler. He said that state officials needed to emphasize the \$491 million CSX package in discussions with the agency over commuter rail funding.

For months, Florida DOT and federal officials had been wrangling over whether enough people would use the Orlando area commuter system to justify the federal expense. The state's plans had several "unique" features, Mica wrote, including the effort to shift more freight trains to the line into Polk County.

It would "greatly alleviate surface street traffic congestion" in the Orlando area, he wrote.

Despite Mica's letter, state officials always considered the commuter and freight projects to be separate, said DOT spokesman Dick Kane. The agency agreed but still called for the study, which will focus on the effects of noise and vibrations from the additional trains. It could take up to 60 days, Kane said.

Nelson said the study probably won't take long. "The CSX corridor has been studied over and over again. Now, whether the state does the right thing with all that information remains to be seen," she said.

Reporter Lindsay Peterson can be reached at (813) 259-7834 or lpeterson@tampatrib.com

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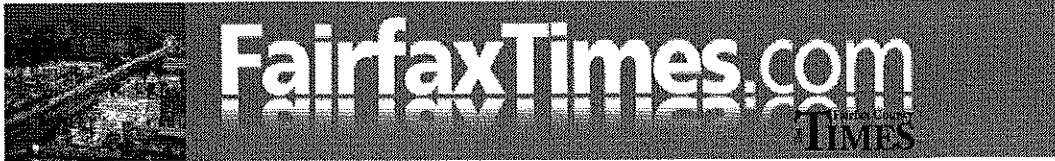
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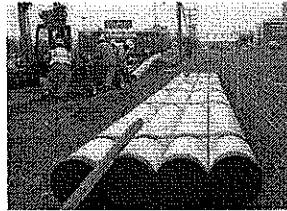
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This Week's Polls

Should the Fairfax County Board of Supervisors increase the real estate tax rate to avoid cutting schools funding and other county programs?

- Maybe. It depends which programs will be affected and how much taxes would go up.
- No. The county will be better off if we make some cuts now.
- Yes. I am more concerned about quality of life than a tax increase.

Home > Fairfax County > Dulles rail could be running out of time



Utility relocation in Tysons Corner continues despite the FTA's decision not to fund the current plan. Times Staff Photo Tin Nguyen

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Dulles rail could be running out of time

Fairfax County
By Monty Tayloe
Source: Fairfax County Times
TUESDAY, FEBRUARY 26 2008

With the end of the month looming, officials for the Dulles Rail Project are busy working with the Federal Transit Authority to get the project approved before the current construction contract expires.

That situation could seem familiar because at the end of January all of those players were in the exact same position, until they agreed to a one-month extension in the contract. [Obama Campaign Website](#) Register now for invitations to attend Barack Obama campaign events

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to the process say that the upcoming contract deadline has motivated a more intense effort to get a resolution for the foundering rail project.

The FTA could issue some sort of decision by Friday, but uncertainty over the dispensation of the \$900 million in federal dollars needed for the project's current design has made life difficult for those working on the project. Those involved have to consider all the possibilities, said Howard Menneker, vice president of Dulles Transit Partners, the project's contractor.

"DTP, [the Metropolitan Washington Airports Authority] and the Commonwealth are all hard at work discussing how to keep the project going under any of the eventualities," Menneker said.

Those "eventualities" range from a continuation of the current state of limbo, to an outright refusal by the FTA to federally fund the project, to partial funding or some kind of conditional approval.

With so many possibilities and little concrete information about what might actually happen, officials are refusing to predict the future of one of the most expensive transportation projects in state history, even with the contract set to expire in just a few days.

"I'm not able to speculate about that," Menneker said.

"We'll cross that bridge when we come to it," said Virginia Transportation Secretary Pierce Homer.

While all sides wait to see what, if anything, happens at

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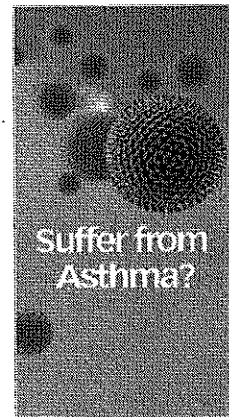
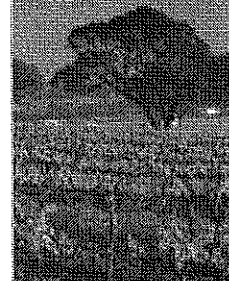
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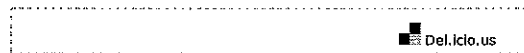
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the end of the month, the preliminary phase of the project continues in Tysons Corner. Every day, construction crews work to relocate utility lines along Route 7, a process that was supposed to occur concurrently with the beginning of the new rail line's construction.

"We're working with all the project parts and the contractor in discussions this week. ... We're looking for ways to move the contract forward," airports authority spokeswoman Tara Hamilton said.

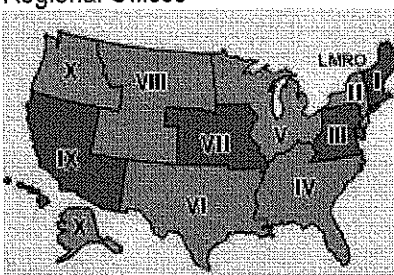
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Mapping the Future of Transit in America: Opportunities and Challenges For Federal and Private Stakeholders

02-13-08

REMARKS FOR
JAMES S. SIMPSON
ADMINISTRATOR
FEDERAL TRANSIT ADMINISTRATION
U.S. DEPARTMENT OF TRANSPORTATION

MAPPING THE FUTURE OF TRANSIT IN AMERICA:
OPPORTUNITIES AND CHALLENGES FOR FEDERAL
AND PRIVATE STAKEHOLDERS

NATIONAL TRANSIT FORUM
OTTOWA, ONTARIO
FEBRUARY 13, 2008

On behalf of President Bush and U.S. Transportation Secretary Mary Peters, I'm pleased to be here today with Canada's transportation leaders and policymakers to discuss the state of transit in the United States. . . describe our challenges. . . and share lessons we've learned about helping transit succeed.

To begin, I want to point out that while our two countries are different in many ways, we also face similar hurdles. In a nutshell:

How do we finance, design, build, and maintain the best transit systems in the world . . . take more vehicles off the road. . . reduce our dependence on oil. . . and help people enjoy the benefits and convenience of public transportation? . . . How do we do this, when competition for a slice of the federal pie -- in the U.S. and Canada -- is more intense than ever . . . Our infrastructure needs are enormous . . . Construction and labor costs are soaring. . . And taxpayers may be reluctant to help foot the bill?

Perhaps you've heard the ancient Chinese curse:

"May you live in interesting times."

We certainly do.

I commend the Canadian Government, Transport Minister Cannon, and the Canadian Urban Transit Association for taking a bold and visionary step to begin addressing these challenges. Putting a plan to work requires skillful negotiations between federal and provincial leaders. . . and a commitment to building consensus on priorities.

Bringing transit to this banquet table is obviously a key challenge. According to CUTA's own estimates, the country needs more than 40 billion dollars in transit funding over the next 4 years to keep up with growing ridership, maintenance, and expansion.

I understand you're wrestling right now with the funding question. No matter how you decide to meet this challenge, I expect you'll be exploring some very creative long-term financing, partnership, and incentive options.

So, you'd like to know, 'How do transit deals get done in the United States?'

I'm very proud of the Bush Administration's record on funding major capital transit projects that benefit millions of Americans every day. And I think that on the whole, we have a successful federal framework in place.

But like Canada, we face enormous funding challenges, structural challenges, and political challenges.

And I won't stand here and pretend that we have all the answers. . . .

But I will share with you some thoughts on where we've been, where we're going -- and how our thinking has begun to change on the best ways to plan, build, and maintain transit systems for the future.

First, a little history is in order.

The Federal Aid Highway Act of 1956, signed into law by President Dwight Eisenhower, had nothing to do with public transit. But it lay the groundwork for hundreds of transit systems built in the United States over the last half-century.

The Highway Act envisioned a 40,000 mile interstate highway system across America. To pay for it, Congress created the Highway Trust Fund. The fund's revenues came from a 3-cent gas tax (it's now 18.4 cents) -- plus tax increases on automobiles, trucks, and tires.

(Incidentally: President Eisenhower wanted to use self-financing toll highways to get the Interstate built -- but he lost that battle. We're having this debate again now.)

A key feature of the Interstate project was that the federal government agreed to pay for 90 percent of the total enterprise. The states financed the other 10 percent through bonds, tolls, and other means. And they oversaw construction and maintenance.

The highway model has been a template for many major transportation and infrastructure projects over the years. . . .

But what about transit?

By 1973, many states and cities wanted to use their share of federal highway funds for other purposes -- such as transit. . . .

The highways were largely built by that point, the automobile was king, and not surprisingly, transit investments had languished. So the feds agreed to use the highway program to fund transit projects.

But that was just the beginning. As the years passed, our highways lost some of their luster. Traffic congestion grew worse. Our oldest and biggest urban transit systems, like the New York and Chicago subway systems, were aging fast -- and paying for their upkeep became more difficult. A fairly deep recession in the late 1970s accelerated these problems.

And so, in 1981, Congress agreed to dedicate -- to transit -- nearly 10 percent of the gas tax revenues collected in the Highway Trust Fund.

This marked the beginning of a dedicated source of federal funding for transit projects in the United States.

In effect, we got highway users to begin paying for transit. . . . Ironically, America's love affair with the automobile has paid dividends for bus and rail riders. . . . Over the last 10 years, the Highway Trust Fund has covered roughly 80 percent of federal transit investments.

The FTA, guided by Congress, uses these trust fund revenues -- plus additional general funds -- to award annual formula grants to states, and build new transit capital infrastructure. The states, in turn, decide how to spend the money.

In addition, FTA makes grants from discretionary funds. States and localities must compete for this money.

The split between FTA's formula and discretionary grants is about 75/25. The FTA administers both types of programs.

Now, who pays for what?

By law, FTA's contribution is up to 80 percent. But we encourage our grantees to contribute at least 50 percent on their own. This leaves more money for us to invest elsewhere.

I'm enormously proud of the record the FTA has compiled over the years.

Let me share some of our accomplishments:

- Over the last 25 years, the FTA has approved more than 80 billion dollars for transit projects all over the country.
- Over the last 7 years alone, the Bush Administration has approved 62 billion dollars for capital transportation projects, including heavy and light rail, rapid bus transit, and other surface modes.
- Our fiscal 2009 budget included more than 10 billion dollars for public transportation -- an all-time high -- with increases provided for most transit programs.
- The number of grants awarded, and their dollar value, has steadily increased since 2001.
- And transit ridership has risen nearly 25 percent over the last 10 years, with more than 45 billion transit passenger miles traveled. . .

A growing portion of the riders we've assisted are low-income individuals who must rely on transit to reach jobs. . . along with older adults and people with disabilities in rural and urban areas.

FTA has accomplished all this, and more, without morphing into a bloated bureaucracy.

It was Laurence Peter -- a Canadian who invented the Peter Principle -- who said, "Bureaucracy defends the status quo long past the time when the 'quo' has lost its 'status.'"

I'm a big believer in making government as entrepreneurial and un-bureaucratic as possible -- efficient, responsive, and results-driven.

I'm proud to report that our agency manages more dollars per employee than any other agency in the U.S. Department of Transportation -- even though the number of programs we manage has doubled over the last 15 years or so. Our administrative expenses are less than 1 percent of our total budget. And our

flagship capital investment program for discretionary transit projects, called New Starts, manages costs to within 5 percent of baseline grant levels. I think that's quite an achievement.

To give you an idea of the impact our investments have on the nation's transportation landscape, I'll describe a couple of long-term projects we're involved in -- some of the largest in our history.

The New York metropolitan area is the most densely populated region in the country -- and depends heavily on transit. The FTA has made a historic, strategic commitment to enhance rail systems in Manhattan and surrounding areas for years to come.

First, we have committed roughly 1.3 billion dollars to the first phase of a 20-year, 7.5 billion project to extend subway service on the East side of Manhattan by more than 8 miles. Our contribution funds about a third of the first phase. This is the first major new subway construction in New York in many decades.

Second, we're contributing 2.8 billion dollars toward a 7.3 billion dollar expansion of commuter rail service between Long Island -- just east of Manhattan -- and Grand Central Station, in Manhattan's mid-town business district.

And third, we're investing in a nearly 8 billion dollar project called Access to the Region's Core. This major project will improve commuter rail service between New York and New Jersey. It involves constructing the first rail tunnel under the Hudson River. It's a massive and historic project.

These projects are partially funded through our competitive New Starts program. They will benefit hundreds of thousands of commuters, relieve traffic congestion, and stimulate economic development in key neighborhoods.

We're also helping to transform the transit landscape in Seattle, Washington—in the Pacific Northwest. We're investing 500 million dollars in the first leg of Seattle's new 2.4 billion dollar, 14-mile light rail system, which will ultimately connect downtown Seattle with SeaTac Airport.

Separately, we're investing in a 1.6 billion dollar project to extend light rail in the Seattle area's most densely developed residential and employment area. This is an all-tunnel extension project, and it's enormously challenging.

Adding transit capacity to the Seattle region is enormously important -- not just for daily commuters, but also for the large number of visitors coming to watch the Olympics in 2010.

Now I've shared some of the good news. So let me be frank about some of our challenges.

In my view, the United States is at a critical crossroads, in planning for the future of transit. On the one hand, there is widespread recognition across the country -- and the political spectrum -- that traffic congestion on many of our federal and state highways has grown intolerable -- or soon will.

On the other hand, there's a healthy debate right now over the best ways to finance new and existing transit systems. One big question:

What is the proper role of the federal government, relative to the states and the private sector?

We've done all right, up to now. But conditions are changing. For one thing, our cash cow -- the Highway Trust Fund -- is drying up. The fund's balance is shrinking. By the end of 2009, the fund's deficit will be more than 3 billion dollars.

The mass transit portion of the fund is expected to have a negative balance by 2012.

There are many reasons for this – including legislative intent. But also, gas tax revenues will decline in the coming decades as people drive more fuel efficient cars . . . and as driving growth levels off.

The truth is, we're victims of our success. We've built so much, over such a long period, that we're hard-pressed to maintain it all -- let alone afford anything new.

In fact, we're not keeping up with what we've got.

For example, the Department of Transportation calculates that we need roughly 22 billion dollars a year, on average, to improve the condition and operation of our nation's transit systems through 2024. That level is 70 percent higher than all transit capital spending in 2004—the last year we have figures for. So we have quite a shortfall to make up for, somehow.

Now let's put that in context with other infrastructure needs.

The American Society of Civil Engineers estimates that over the next 5 years, the U.S. will need to spend 1.6 trillion dollars – that's "trillion" with a "t" -- to restore the nation's massive infrastructure -- highways, railways, waterways, airports, power plants, etc. -- to a state of good repair. . . .

I'm reminded of something that Joseph Giglio, a transportation guru and my friend, wrote in his book, *Driving Questions*:

"Government transportation agencies tend to regard the nation's standardized, publicly owned system of roads, bridges, and tunnels as a God-given oil field to be pumped dry with little concern for the future."

You can add public transit to the list, when you factor in maintenance and modernization.

There are other serious cost pressures as well.

The price of oil is through the roof. And we're facing critical shortages -- and rising prices -- for commodities like copper, iron, and zinc, as China, India, and other countries drive up global demand.

So . . . it's going to take a tremendous amount of capital, over many years, to keep our transit systems and other critical infrastructure safe, effective, and efficient -- while also expanding transit options to keep people mobile wherever they live and work.

It's also going to take a fair amount of political will for this to happen. In the U.S., opinion polls show that people are generally in favor of building more transit. They're tired of sitting in traffic and spending a fortune on gas. And they want a cleaner, greener environment.

But who's going to pay for it?

We simply can't continue to borrow from the future. The FTA has finite resources to invest in transit – and we must live within our means. . .

So if we want to help preserve our legacy systems -- and help build new transit -- we've got to ensure that we invest in the projects most likely to succeed.

This means we've really got to be careful when we weigh the costs and benefits of projects seeking federal investment.

We're working hard to do just that, and I think we're making excellent progress.

I'll talk first about managing risk. If you can't do this well, everything else flies out the window.

On big public works projects -- we call them "mega-projects" -- planners routinely over-estimate the benefits and under-estimate the costs.

Look at the Chunnel -- the Eurotunnel connecting England and France. It ran into massive cost overruns almost as soon as it began.

And this is a private-sector venture! Revenues have not covered costs. . . The long-term fiscal viability of the whole project is in question. And investors have no idea if they'll ever see a Euro.

You have to wonder, what happened to the risk assessment on this mega-project? Look at Boston, Massachusetts. . . where the legendary Big Dig depressed and expanded the city's interstate highway.

The project suffered from very high expectations that were not offset by a realistic or comprehensive risk analysis beforehand. It took more than a decade, cost nearly 15 billion dollars, and was plagued by serious engineering, financial, and political problems.

There's an old saying: "Good judgment comes from experience. . . and experience, well, that comes from bad judgment."
Brent Flyvbjerg, a brilliant transportation analyst, wrote about this in his book, *Megaprojects and Risk*. He said:

"We must find ways of institutionally embedding risk and accountability in the decision making process for mega-projects."

We take this very seriously at FTA.

We scrutinize the risks on every major capital transit project that comes to us for funding.

First, we look to see whether the project sponsors have the right mix of management, technical, and financial capacity to handle a mega-project -- and see it through over the years. Have they done this type of project before? Do they know how to structure the best type of contract for the project? Is their local funding secure and stable?

Now, this may all seem rather subjective. After all, some of these issues relate to behavior; you can't necessarily monetize them. But our track record on hundreds of complex, major capital transit infrastructure projects gives us a robust business model. We've been there. . . done that. . . and we know what to look for. Our staff at FTA has gotten really good at detecting the risk factors that could lead to significant cost overruns.

We also have come up with new ways to quantify and mitigate risk. Our goal is to manage risk better -- not eliminate it. We sometimes misfired on projects. We over-estimated benefits, and under-estimated costs. This has real consequences for us. When costs rise unexpectedly, Congress comes to us for an explanation.

We recognized that risks should be assessed earlier in our projects, and re-assessed at key milestones.

The problem was that our cost forecasting models on transit mega-projects looked only at the short-term -- maybe 3 to 6 months ahead. Yet these projects take years to build.

Think of a chessboard: If your view of half the board is blocked, you can't possibly make good decisions about where to go. And if you don't have enough information to make good decisions, then your risk of failing goes up.

So we developed new cost forecasting models that help us make more accurate predictions about a project's actual costs versus the estimates.

Instead of looking at a 6-month horizon, our cost models analyze 10 years of options about building materials, contractors, conditions, and everything else.

Suppose you're digging a 150-foot tunnel for a rail line, and uncover a buried stream that must be drained and filled. Or you discover methane gas or a sinkhole -- as happened in Los Angeles. Unanticipated discoveries like these could delay the project and add enormously to the cost.

If your forecasting cost model is robust enough, you can factor in sufficient contingencies to take such things in stride.

This approach is especially important for our New Starts projects, which in some cases receive upwards of a billion dollars or more from FTA .

What's the bottom line here?

We've gotten much better at stripping away the hype and the guesswork, and looking ahead to the real costs of a project -- and comparing that with benefits.

And most important of all, this approach helps us to ensure that the projects we fund are completed on time, and on budget.

All in all, we think this makes us a pretty responsible steward of taxpayer dollars.

Look at it this way: If a transit agency, or other project sponsor, wants a billion dollars or more from the FTA for a lengthy, complex capital transit infrastructure project, we'd better be very sure about our ability to look into the crystal ball and see whether trouble -- like massive cost-overruns -- lies ahead on such a project.

So, we're getting a better handle on how to control costs on transit mega-projects. We very much want to avoid the possibility of a Boston Big Dig transit project.

But that's only the beginning.

Even the best cost-forecasting system in the world won't allow us to invest in every worthy transit project that comes along.

And forecasts don't ensure that projects will be managed efficiently.

So we're looking to states, our grantees, and the private sector to participate financially and creatively.

We're looking at ways to reward high-performing transit agencies that meet ridership and cost-saving goals.

We're encouraging local transit agencies to lease or sell federally financed land to private developers, as a way to spur economic development near transit hubs.

And we're supporting public-private partnerships that can finance transit needs for future generations.

This is all about putting new wine in an old bottle.

A century ago, it was typical for the public sector to finance and own a large public asset. . . while private industry built it, operated it, and kept any profits.

That's how the New York City subway got built, initially. . . through the use of so-called dual contracts, involving the public sector and two private contractors.

In recent years, this approach, in one form or another, has been very successful for highways. . . and we're committed to seeing it succeed for transit as well.

Public-private partnerships have the potential to combine the best of both worlds to effectively and efficiently lower costs. . . spread risk. . . and decrease build times for transit systems.

Since 2000, 11 of our New Starts projects have entailed public-private partnerships, worth more than 10 billion dollars altogether.

One success story is the Hudson-Bergen Light Rail Transit Line, in New Jersey. It's over 20 miles long, with 30 stations, and runs through densely populated neighborhoods. FTA invested more than a \$1 billion in this project. A private contractor designed it, built it, operates it, and maintains it. It's been a catalyst to redevelopment along New Jersey's Hudson River waterfront and economically depressed areas in the region.

Another way we invest in these projects is through our Public-Private Partnership Pilot Program, known as Penta-P. Penta-P allows us to select pilot projects, based on competitive criteria, and study them to learn what works.

In Denver, for example, we're looking at how private contractors can best participate in designing, building, and/or maintaining two separate rail corridors and related parking facilities — one of which will connect downtown Denver with the airport.

The accounting firm Ernst & Young has concluded that public-private partnerships are here to stay and may well be the only viable way for governments to reach their infrastructure development goals.

State and local leaders have an important role to play here. They understand that Uncle Sam is not going to solve all their problems. So they're finding creative ways to do their own financing deals — and get the projects they need, built faster.

For example, Governor Arnold Schwarzenegger of California has publicly advocated for more public-private partnerships to build, operate, and maintain public works -- including transit.

More and more states are also privatizing state roads — selling or leasing them to private operators, in exchange for revenues that can be used, in part, to underwrite transit.

We're also encouraging local governments to explore congestion pricing on their roadways, as a potential revenue source for transit. This is a controversial idea in the U.S. -- but it's gaining support in cities like New York.

We simply must ask citizens who use our roadways, bridges, and other transportation assets to begin paying their fair share. Our Urban Partnership pilot program looks for innovative ways to do that. We've invested nearly a billion dollars in five pilot projects in cities around the country. These cities are pursuing innovative plans to actually reduce congestion -- not simply to slow its growth -- by charging drivers a variable fee to use certain roadways, depending on the time of day and other factors. A portion of the user fees generated would help to fund transit projects. We hope to add cities to this program in FY09.

Look, if we can't afford to invest a lot more federal dollars in our transportation

infrastructure, then we've got to learn to invest smarter.

That's what all these initiatives are about.

There's no reason why local governments, transit agencies, and the federal government can't be innovative and entrepreneurial about this.

We need market-based solutions as well as government leadership.

We need to focus less on how much things cost, and more on our return on investment.

In his book, *The Transit Metropolis*, Robert Cervero writes that that the strongest transit regions in the world reflect "a calculated process of making change by investing, reinvesting, organizing, reorganizing, inventing, and reinventing."

That's what we've all got to do -- learn to change, adapt, reinvent, and think outside the box.

I've often said that transportation is the circulatory system of our nation's economy -- and the world's. We simply cannot function without it.

And so we've got to pledge to current and future generations, that we're going to find ways to make it better. . . make it sustainable. . . make it possible for our citizens to have the mobility and freedom they need to be happy and productive. . . and. . . to help the United States maintain its position as a fierce competitor in the global economy.

Thank you.

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Will Drivers Pay to Hurry Up and Wait?

Virginia HOT Lane Planners Scramble to Avoid Bottlenecks

By Eric M. Weiss
Washington Post Staff Writer
Monday, February 25, 2008; A01

How many drivers will be willing to pay \$20 for a faster commute only to end up stuck in a sea of brake lights? After all, that is an experience widely available for free throughout the traffic-jammed Washington region.

This is the challenge facing the consortium of private companies proposing a series of toll lanes on the Capital Beltway and Interstate 395/95. The proposal's Web site has a video that shows brightly colored computer-generated cars whizzing along in the so-called HOT lanes, past the regular folk creeping along in gray vehicles in the regular lanes.

What they don't show is that even though you might be flying past other drivers, each of the HOT (high-occupancy toll) lanes run smack into two of the region's biggest bottlenecks: at the 14th Street Bridge and Pentagon, and at the American Legion Bridge. The HOT lanes could also create a new bottleneck south of the Springfield Mixing Bowl, where Beltway HOT lane traffic from Tysons Corner would merge with toll lane traffic coming from the District and the Pentagon.

How the companies and the Virginia Department of Transportation handle the ends of the lanes could determine their success.

About 43,000 vehicles use the carpool lanes across the 14th Street Bridge daily, according to government estimates. With the conversion of two commuter lanes into three HOT lanes, the prospect of customers paying high tolls to sit in traffic is a nightmare scenario for project proponents.

"It has to work for the user who will want to pay those tolls," said Ronald F. Kirby, transportation planning director for the Metropolitan Washington Council of Governments. "If there are chokepoints and people are not going to be able to get on and off these lanes . . . they can't afford to let that happen."

Fluor and Transurban, the companies working with VDOT, point out that the HOT lanes would end just before the 14th Street and American Legion bridges. But they recognize that they need to find a way to get commuters across

the bridges and through the bottlenecks quickly in order to get return customers. And they are spending millions of dollars on engineering and traffic studies and brainpower to figure out how to do that.

"Physics is physics. Nobody's answering the question of what to do when these lanes hit the Potomac River," said Stewart Schwartz, executive director of the Coalition for Smarter Growth and a critic of the project. Schwartz said the project will discourage transit use and carpooling, worsening traffic woes in a region that has the nation's third-worst traffic.

HOT lanes in California and other states -- sometimes derided as "Lexus lanes" because of their high tolls -- have been relatively straightforward.

"I know of no other HOT lane that ends into a bottleneck approaching that of the 14th Street Bridge," said Michael Replogle, transportation director for Environmental Defense, an organization that has been a promoter of toll-based "congestion pricing" around the world. "Congestion pricing can help through-put during peak hours," he said. "But this would be the most dramatic example out there."

HOT lanes would provide an option for drivers willing to pay tolls that fluctuate based on traffic flow. Traffic would be monitored, and tolls would be raised or lowered to keep speeds at 65 mph outside the Beltway and 55 mph inside the Beltway, according to Fluor and Transurban. Buses and carpools of three or more could use the HOT lanes for free, which transit proponents said would allow for better bus access to Tysons Corner and other employment and residential centers. Tolls would be collected through E-ZPass transponders and would not involve toll booths. Strict enforcement would dramatically cut down on cheaters, planners said.

The consortium and VDOT have come to an agreement for 14 miles of HOT lanes on the Beltway and are negotiating a 36-mile conversion of existing carpool lanes from the Pentagon to Stafford County. A second phase would extend the HOT lanes to Massaponax.

Although project planners estimate rush-hour rates of about \$1 a mile, traffic planners with the council of governments estimate that tolls would have to be exponentially higher to keep traffic moving at the speeds Fluor and Transurban are promising.

The highest tolls presumably would be charged near the most heavily traveled sectors.

Fluor and Transurban representatives declined to provide traffic estimates, configuration details or alternatives they are considering to reduce backlogs at the 14th Street Bridge and elsewhere. They directed all questions about the proposal to VDOT.

Project planners said they are working especially hard on solving the morning backlog on the 14th Street Bridge. The HOT lanes would end at Eads Street in Arlington County, but the two carpool lanes back up long before the Eads Street exit, often to Washington Boulevard.

Options mentioned by planners familiar with the project include restriping one of the spans on the 14th Street Bridge to create three lanes instead of two. Another would involve closing a ramp that allows traffic from the regular lanes to use the carpool lanes. And then there is the possibility of widening the bridge.

Another option would ease HOT lane traffic by adding a third lane or a dedicated bus lane to the Eads Street ramp that serves the Pentagon and Arlington.

The federal government also is studying the 14th Street Bridge to figure out solutions.

Chris Zimmerman (D), a member of the Arlington County Board, said the answer is fewer cars and more buses. He has suggested devoting one of the three HOT lanes to buses and allowing the buses to flow in a dedicated lane into the District.

On the American Legion Bridge, which carries the Beltway across the Potomac, project planners have changed their plans and are stopping the HOT lanes before the Georgetown Pike, the original end point.

But HOT lane drivers who continue onto the Georgetown Pike or across the often-congested American Legion Bridge will have to merge into the regular lanes and fight bridge traffic with regular people.

"The HOT lanes will taper from two to one lane, and that will merge into the general purpose lanes," said Ronaldo T. "Nick" Nicholson, a VDOT project manager who is responsible for making sure Northern Virginia's mega projects are coordinated.

But that won't solve the problem. "Eventually, we're going to have to widen the American Legion Bridge," Nicholson said.

Maryland is in the early stages of studying its own toll lane proposal that would eventually connect to the Virginia HOT lanes at the American Legion Bridge.

Kirby said Fluor and Transurban already have improved the original plans for HOT lane access to Tysons Corner, creating three entrances and exits instead of dumping all the traffic onto crowded Route 123. And the new HOT lane proposal would relieve a nightly traffic jam in Dumfries, where carpool lanes dump into the regular lanes.

"To their credit, after a lot of time and effort, they have three entry points into Tysons," Kirby said.

Some problems will not be solved by engineering but by market forces, such as a proposed HOT lane merge south of the Springfield interchange, where traffic from Tysons Corner, the District and the Pentagon will meet. That will probably mean high tolls.

"Traffic coming from the inner loop during the peak hour can't be such that it degrades the southbound traffic," Nicholson said. "It's going to be metered with tolls. They are variable, and there are no caps on them. The market is going to be used to manage congestion. That is the premise of HOT lanes."

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