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NATIONAL GOVERNORS ASSOCIATION

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WINTER MEETING - OPENING PLENARY SESSION

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J.W. MARRIOTT HOTEL

Salon III

1331 Pennsylvania Avenue, N.W.

Washington, D.C.

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Saturday, February 21, 2009

11:40 a.m.

The above-entitled matter convened on
Saturday, February 21, 2009 at 11:40 a.m., NGA Chair Governor
Edward G. Rendell, presiding.

1 P R O C E E D I N G S

2 (11:40 p.m.)

3 GOVERNOR RENDELL: Good afternoon,
4 everyone. It's my pleasure to call to order, the
5 2009 Winter Meeting of the National Governors
6 Association. May I have a motion for the adoption of
7 the Rules of Procedure for this meeting?

8 VOICES: So moved.

9 GOVERNOR RENDELL: Second?

10 VOICES: Second.

11 GOVERNOR RENDELL: All in favor, say aye.

12 (Chorus of ayes.)

13 GOVERNOR RENDELL: The ayes have it. Part
14 of the new rules require that any governor who wants
15 to submit a new policy or resolution for adoption
16 at this meeting, will need a three-fourths vote to
17 suspend the Rules to do so.

18 If you want to do that, please submit a
19 proposal in writing to David Quam of the NGA staff,
20 by 5:00 p.m. Sunday, February 22nd. It's now my
21 pleasure to introduce our newest colleagues, five of
22 the six, I think, are here and present today.

23

1 From the First State, the state of
2 Delaware, Governor Jack Markell. Governor?

3 GOVERNOR MARKELL: Here.

4 (Appause.)

5 GOVERNOR RENDELL: From Illinois,
6 Governor Pat Quinn. Governor?

7 (Appause.)

8 GOVERNOR RENDELL: From Missouri,
9 Governor Jay Nixon.

10 (Appause.)

11 GOVERNOR RENDELL: From North Carolina,
12 Governor Beverly Perdue.

13 (Appause.)

14 GOVERNOR RENDELL: From the Commonwealth
15 of Puerto Rico, Governor Luis Fortuño.

16 (Appause.)

17 GOVERNOR RENDELL: And not with us today,
18 but a newly installed governor taking the place of
19 our former colleague Governor Napolitano, the
20 governor of Arizona, Jan Brewer. On her first day in
21 office, I placed a bet on the Super Bowl with
22 Governor Brewer, and as a result, two Pittsburghers

23

1 are flying to a resort weekend in Arizona.

2 (Laughter.)

3 GOVERNOR RENDELL: Well, thank you all
4 for attending what I think is going to be an
5 enormously important meeting.

6 I want to acknowledge a few guests that
7 we have with us from the White House today. I want
8 you to say hello to our director of
9 Intergovernmental Affairs, obviously a crucial
10 position for us as governors, Cecilia Muñoz.

11 (Applause.)

12 GOVERNOR RENDELL: And also with us, is
13 someone who, within that office, is going to be the
14 point-person for governors--so someone very
15 important for us to get to know--Sean McGrath.

16 Sean?

17 (Applause.)

18 GOVERNOR RENDELL: I'm also proud today --
19 although I haven't met them yet -- to have eight
20 Canadian parliamentarians with us. Are the Canadian
21 parliamentarians here? Over there.

22 (Applause.)

23

1 GOVERNOR RENDELL: I note that our
2 President and your Prime Minister had a wonderful
3 visit in Canada, and I think our relationship will
4 even become stronger in the years to come.

5 Next, I want to call on Governor Haley
6 Barbour. Governor Barbour is going to talk to us
7 about our annual summer meeting, which is in Biloxi,
8 Mississippi.

9 As you recall, it was supposed to be in
10 Biloxi at the time that Hurricane Katrina hit and
11 made that impossible. Biloxi has done a great job
12 preparing for this meeting. I know that traveling
13 these days is difficult, but our summer meeting is a
14 meeting where we get a lot of things done.

15 It's less structured, but sometimes we do
16 more in terms of shaping our policy than anywhere
17 else. We also have a great time and no one better
18 than Governor Barbour to have a great time with. Haley?

19 GOVERNOR BARBOUR: Thank you, Ed.
20 Governor, thank you very much. Let me just say that
21 we look forward to having y'all in Biloxi,
22 Mississippi.

23

1 (Laughter.)

2 GOVERNOR BARBOUR: It's spelled funny,
3 but pronounced Buh-LUCK-see.

4 It's going to be a very fun conference.
5 Biloxi is right on the beach, a beautiful beach,
6 beautiful gulf. Within about 20 minutes, is the
7 Pascagoula River, which is the largest unchanged
8 natural river in North America. It's never had a
9 levy, never had a dam, never had been -- the Corps
10 of Engineers never messed around with it.

11 (Laughter.)

12 GOVERNOR BARBOUR: And we're going to
13 have an outing for spouses and for kids, and the
14 Pascagoula River is a delight. In 15 minutes, you're
15 so far away from civilization, and the fauna and
16 flora is spectacular.

17 We are going to have a really good
18 program for your families. It's a family place.
19 There are 12 casinos for your staff.

20 (Laughter.)

21 GOVERNOR BARBOUR: And the lobbyists, of
22 course.

23

1 (Laughter.)

2 GOVERNOR BARBOUR: But we're going to
3 have a really good program; it's going to be fun.
4 Some of you all who are from the South, we had the
5 Southern Governors Conference at the Beau Rivage,
6 and I think, in all immodesty, it was the most fun
7 Southern Governors Conference that we had. We had
8 great music, evenings are great fun where we're
9 going.

10 You don't need to bring your overcoat in
11 July to Mississippi, but there will be a nice breeze
12 and the air conditioning will be turned up full
13 blast.

14 So, please come. It will be a serious
15 meeting in terms of our business, but it will be a
16 heck of a lot of fun in terms of your and your
17 family's life, I promise you.

18 There's a little desk out front there,
19 that's got more info. Marsha and I really, really
20 look forward to having you and your families. It's
21 a great place for children and for those of you who
22 are my age, grandchildren, to bring down, and we

23

1 hope you will bring your families. Thanks, Ed.

2 (Applause.)

3 GOVERNOR RENDELL: Before we get to
4 today's session, I want to say a word about the NGA
5 staff.

6 You know, at times, particularly in tough
7 budget times, people question whether states should
8 belong to an organization like this, are the dues too
9 high, things like this. Well, I was intimately
10 involved with the NGA staff from literally the time --
11 the day after the election, to our meeting in
12 Philadelphia with then President-Elect Obama and Vice
13 President-Elect Biden, and through the formation of
14 the stimulus plan, working with both Houses of
15 Congress and the Obama Administration.

16 And let me tell you, from an insider's
17 view -- and I was an insider, inherently, as
18 Chairman -- this staff performed brilliantly,
19 protected your interests as states and the interests
20 of the citizens of our states and the American
21 people in an incredible way.

22 They were on it from the beginning, they

23

1 were on top of every issue, on things that were so
2 important to us, like changing language. Many of
3 you, like Pennsylvania, were benefitted in the State
4 Stabilization section on education funding, where it
5 said that states could use the federal funds to
6 defray their own costs -- budget costs -- if they were
7 moving to an inadequacy formula.

8 If the states had taken that action by
9 July 1st of 2008, it's my understanding that would
10 have eliminated five states from using that money.
11 NGA staff, working with other staff of some of our
12 governors, got together and did a full court press
13 in the House and the Senate and with the
14 Administration, and got that language pushed back till
15 October 1st, which included an additional five
16 states.

17 We were one of them, and for
18 Pennsylvania, in two years, that's \$600 million that
19 helped allow us to continue to put \$300 million each
20 year, additional money into our education budget.

21 So that's just typical of the work staff
22 did. They were great on virtually every issue,

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1 worked nonstop.

2 Ray's leadership was terrific, so I'm
3 going to ask you to take a minute to thank the staff
4 for what I thought was just an incredible
5 performance.

6 (Applause.)

7 GOVERNOR RENDELL: Now, I have chosen for
8 my initiative this year, strengthening our
9 infrastructure and looking towards a sustainable
10 future. Obviously, the stimulus bill did, as
11 President-Elect Obama promised us in Philadelphia,
12 include significant infrastructure spending, over
13 \$100 billion in infrastructure spending.

14 But that is, at best, a down payment or a
15 good start. I know many of you are familiar with the
16 American Society of Civil Engineers report in 2004,
17 that this country had a \$1.6 trillion infrastructure
18 gap. That's just what would be required to put the
19 American infrastructure in good condition -- not to
20 build high-speed inner city rail or anything new.

21 Well, the American Society of Civil
22 Engineers did an update in 2009, and now the cap is

23

1 \$2.2 trillion, so, obviously, \$100 billion of
2 additional spending, is just a down payment.

3 My main job, with the aid of the
4 committee and the people that are going to work with
5 me -- and all of you -- is to convince the President, the
6 Congress, and the American people that the
7 infrastructure box hasn't been checked off, it hasn't
8 been checked off the Administration's to-do list;
9 that we have to -- as every one of the other G-7
10 nations have done -- we have to commit ourselves to a
11 long-term, significant infrastructure revitalization
12 program in this country.

13 It is and always will be the best creator
14 of jobs; it is a terrific creator of orders for
15 American factories -- steel factories, asphalt
16 factories, concrete factories, lumber factories, and
17 the like.

18 It is something that will give us a
19 credible benefit of economic competitiveness,
20 quality of life, and public safety. We've got to do
21 it and we've got to do it now. The price keeps
22 getting higher each year.

23

1 In Pennsylvania -- and I'm sure it's true
2 in all of your states -- road construction costs rose
3 38 percent in the last three years. If we don't do
4 it now, if we don't launch that soon, it's going to
5 get more expensive, to the point where it may be
6 eventually prohibitive.

7 I think the reauthorization of ICE-T,
8 which will probably take place sometime next year,
9 gives us the opportunity to convince the Congress
10 and the President that it has to be more than just
11 transportation, and it has to be more than just a
12 yearly program; that we have to find new and
13 creative ways to fund it; that we have to find new
14 ways to distribute the money.

15 The public wants accountability and they
16 want experts picking the projects that go forward,
17 not politicians. We've got to do an awful lot, and
18 I'm going to be calling on all of you to help me
19 with this agenda.

20 We have established a committee to do
21 just that, and five other governors are going to be
22 working with me, including Vice Chair Douglas, and

23

1 we are going to go forward.

2 Interestingly, we have three speakers
3 today, and one is Dr. Frank Luntz, a noted pollster
4 and Fox TV News commentator. Dr. Luntz is still
5 doing some polling, not for candidates, but for
6 issues, and he's a great wordsmith, and we asked
7 him -- the NGA and Building America's Future, the
8 infrastructure organization that I co-chair with
9 Mayor Blumberg of New York City and Governor
10 Schwarzenegger -- we asked him to do a poll on what
11 the American people's attitudes are on
12 infrastructure.

13 He'll be reporting to you about that poll
14 in a minute, but it stresses accountability, and has
15 also had one amazing finding; that the American
16 people are interested, first and foremost, in not
17 bridges, roads, and highways, although they are
18 interested in seeing those revitalized, but the
19 number one thing they want to see built out in our
20 infrastructure and modernized, is our energy
21 infrastructure.

22 And to that degree, where we saw those

23

1 findings, we decided we would want two energy
2 experts to be with us today, T. Boone Pickens and
3 John Rowe. I'll introduce them before they speak,
4 so this session is devoted to the energy
5 infrastructure.

6 I'm going to call on Dr. Luntz now to
7 give us a very, very brief report. He is available
8 for you for further followup discussions. We're
9 obviously welcome to share this poll and the poll
10 results with every governor that's here, and your
11 staffs, but it's an interesting poll, and I think
12 you'll be as surprised as I was by some of the
13 findings. Dr. Luntz?

14 (Slides.)

15 DR. LUNTZ: First, I have to say that
16 whenever a pollster now has to present to
17 politicians, with how anxious and angry the American
18 people are, I now understand how Dr. Kevorkian feels
19 at an AARP convention.

20 (Laughter.)

21 DR. LUNTZ: I will tell you, governor,
22 that the American people are virtually 100 percent

23

1 on your side. That it doesn't matter whether you are
2 a Republican or a Democrat, it doesn't matter
3 whether you're from the deepest South or the
4 farthest North. That the American people see a
5 value, a benefit, and they desperately want the
6 infrastructure in this country to work.

7 I love this slide for one reason: On the
8 left-hand side is the nightmare when it comes to
9 infrastructure, and on the right-hand side is what
10 the public is looking for.

11 The idea that on our roads, American
12 Roads -- the public does not understand how any
13 American infrastructure would get to be so bad that
14 that photograph would exist. And it wasn't staged.
15 And, for the right amount of money, I won't tell you
16 which governor's state has that pothole.

17 On the right-hand side, to them, is
18 transportation that works.

19 I'm going to walk through some of the
20 data very quickly, and then I think I'll take a
21 couple questions.

22 First off, the public absolutely agrees,

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1 whether you are 25 years old or 65 years old, that
2 infrastructure isn't a privilege; it is a right and
3 it's what differentiates us as Americans, versus
4 everybody else.

5 Number two, accountability is the most
6 important terminology. And even more important than
7 doing it fast, is doing it right, and the public
8 demands accountability -- not just from the federal
9 government, but from state governments as well.

10 Third, it isn't just about roads and
11 bridges and highways; it is about energy, waste
12 water, schools, trains. The broader the definition,
13 the more likely the public is to support it.

14 Fourth, energy comes in first among
15 almost every subgroup, and if you want to appeal to
16 the group that is most put upon, it's moms. In
17 America, for moms with kids at home, energy is that
18 much more important, because they've got to deal
19 with filling up the car, they've got to deal with
20 paying the bills for electricity. It really stands
21 out as the highest priority.

22 Five, this is the one time when process
23

1 does matter. Hell hath no fury like a voter
2 scorned, and they will be mad as hell if they think
3 that the money was wasted.

4 They support the expenditure, they
5 support the investment, but now they expect you to
6 deliver for them.

7 So, let's get to some of the data, if I
8 can make this move forward, which I cannot.

9 (Pause.)

10 How many issues do you find where you get
11 81 percent support? There aren't all that many.

12 And when you add to it that there's going
13 to be a 1 percent tax increase -- we didn't want to
14 just say, do you want to spend more money, because
15 the public will not support that for anything. We had to
16 let them know that there was a cost to this.

17 And with 81 percent, there isn't a single
18 demographic subgroup, no geographic subgroup where
19 less than 60 percent support this infrastructure and
20 are willing to pay for it, and that's what makes it
21 different.

22 In terms of the priorities, this is a
23

1 great list, and I'm happy to share this information
2 with any governor. We can take a look by region and
3 tell you what matters most to people, and, in
4 virtually every region, energy facilities came in
5 first.

6 If you take a look at the top response
7 and then the electricity grid, which was fourth, it
8 really is about gas; it really is about fuel; it
9 really is about electricity; it really is about that
10 aspect of the American economy, because the American
11 people do not want to depend on Middle Eastern oil
12 anymore.

13 I don't know how much more clear they can
14 be, and they see this as part of the infrastructure.

15 Clean water treatment facilities. We
16 believe that clean water is a right, not a
17 privilege. School buildings, which always come up
18 high. I was surprised that it only came in fifth
19 here, and that tells you how important these other
20 items are.

21 They're looking for quality, not
22 quantity, and they expect you to get it done

23

1 correctly.

2 Now, this is the bad news: In terms of
3 those in Washington -- and I realize that there's
4 been a change -- basically, the American people give
5 those in Washington an F, if they were to do a
6 grade.

7 But it's not so great for the governors,
8 either. You're split 50/50, in terms of your own
9 effectiveness.

10 It's going to require communication.
11 It's going to require you to explain what you're
12 doing, where you're doing it, how you're doing it.
13 And I would say to you that you may not want to do
14 press conferences frequently; you're going to have
15 to do them constantly, because the public wants to
16 know exactly what you're doing and exactly what the
17 measurement is.

18 When we asked them the priorities -- and
19 this is going to surprise a few of you -- as
20 important, they want to be safe, and, as important as
21 that, is that it is national in scope. And, as
22 important as the jobs are, the strongest argument,
23

1 the highest priority, is that they want
2 accountability and they want measurements of
3 success.

4 There is actually not just a policy, but
5 a lexicon for this, and I'm going to expand it
6 slightly. If you deliver on this over the next two
7 years, not only will you have great job approval
8 numbers, but you are singlehandedly able to restore
9 confidence in government, at least state government,
10 for being able to deliver.

11 That's what that accountability is,
12 that's what those measurements of success are,
13 that's what the public is looking for.

14 Now, we gave them six different
15 priorities, and the two that stand out more than
16 anything else, once again -- by the way, every time
17 we gave them the word "accountable" that's what
18 they chose, no matter what the measurement was.

19 It's not shovels in the ground; it's
20 accountability that they're looking for.

21 The second is transparency. Let the
22 public see what you are doing, let them see the

23

1 investment, open it up to them, communicate to them,
2 and then listen to them. They really want to be
3 involved.

4 One of the great things that the Obama
5 Administration has done, is that it's opened up the
6 democracy so that the American people want to
7 engage, they want to be involved, and on this issue,
8 they really want to be involved.

9 In terms of the infrastructure
10 priorities, you would assume safety would be first,
11 wouldn't you, that that would matter more than
12 anything else? It matters second.

13 Economically sound, this is the warning
14 sign for you. They want you to make the investment,
15 they want you to be broad, they want you to do it
16 now, but they want you to do it right, and they want
17 to make sure that it has an economic benefit to it
18 as well.

19 Now, governor, this is what I want you to
20 take a look at, because you allowed me to do this. I
21 took some of the governor's language and some other
22 language that I had tried, and I never need a slide,
23

1 but because I believe this is on CSPAN, this is a
2 message to every politician: Accountability,
3 responsibility, and genuine measurements of success
4 are essential as we rebuild America's highways,
5 waterways, schools, and walkways.

6 And then you describe the four
7 principles: Accountability, so that the right
8 projects are completed in the right way.

9 Responsibility with every dollar spent,
10 so that the projects are completed on time and
11 within budget.

12 Measurements of success, so that this
13 effort lasts for generations and contributes to a
14 cleaner, safer, healthier nation.

15 We're ready to deliver the right result
16 right now. You can't lose. I will give you the
17 guarantee that not only will the public appreciate
18 what you have done, it will restore faith and
19 confidence, if this is exactly what you do.

20 I believe in visuals, and visuals are
21 important. I showed you the top photograph.

22 We gave the American people 12 different
23

1 horror shows and 12 different success stories. What
2 scares them the most is a pothole that destroys
3 their car, it's a school that's boarded up with
4 graffiti, and a traffic line that never ends.

5 Those are the nightmares, and I'm saying
6 that it is important for you to take photographs of
7 everything that you are doing. Take the before and
8 the after.

9 I, by the way, I'm the before, the before
10 photograph. I apologize for that.

11 If you take the picture first and then
12 show people what you have done, that's how you build
13 credibility. And in terms of what they want it to
14 look like, on the upper left-hand side, you've got
15 those -- the highways that are clean; you've got a
16 railway.

17 By the way, passenger rail, freight rail --
18 we may not talk about it, because we think of
19 highways, but rail is one of the most supported
20 industries in terms of the public mindset because
21 they believe that it is clean, they believe that it
22 is safe, and they believe that it is economically

1 efficient, and so these are to show what is clean.

2 There are two different questions we
3 asked here: Do you realize that our infrastructure
4 is so bad that one-third of Americans would rather
5 drink from their toilet bowl than drink from the
6 nearest river?

7 How many of you -- I'm going to ask this
8 question of the audience right here: How many of
9 you guys, if I made you drink a glass of water right
10 now, would you rather drink it from your local river,
11 or would you rather drink it from your toilet bowl?

12 Who would drink from the river? Raise
13 your hands.

14 (Show of hands.)

15 DR. LUNTZ: And who would drink from the
16 toilet bowl?

17 (Show of hands.)

18 DR. LUNTZ: Okay, anyone with your hands
19 up, you're sick.

20 (Laughter.)

21 DR. LUNTZ: And the one that I
22 particularly like, we all know how bad -- oh,

23

1 actually, one more. Do you realize that people
2 would rather be audited by the IRS than get stuck in
3 a traffic jam?

4 (Laughter.)

5 DR. LUNTZ: Now, I won't ask you people
6 over here because I'm sure some of you have been
7 audited by the IRS.

8 (Laughter.)

9 DR. LUNTZ: And one more: As bad as
10 Britney Spears's career is, 95 percent think that
11 our infrastructure needs to be built, more than her.

12 (Laughter.)

13 DR. LUNTZ: That's with all due respect
14 to Britney Spears.

15 So, the public is saying quite clearly
16 that they want this change, and it is bipartisan.
17 Republicans and Democrats believe that it's
18 essential to the economy, want federal government
19 spending to be increased, support a larger effort.

20 Seventy-five percent of people who voted
21 for John McCain will spend more in taxes for
22 infrastructure investment; 87 percent of those who

23

1 voted for Barack Obama will spend more.

2 Communicate it, educate the population,
3 and they will stand behind you. I thank you very
4 much.

5 (Applause.)

6 GOVERNOR RENDELL: Thank you, Frank.

7 Frank's going to be available after our two other
8 speakers to answer some questions you might have.

9 Our next speaker is T. Boone Pickens.

10 Most people in America know T. Boone Pickens right
11 now, and he's a tough person to introduce, but he's
12 the founder and chairman of BP Capital Management,
13 with more than \$4 billion under management, that was
14 -- I don't know whether that's pre-recession or
15 post.

16 MR. PICKENS: It's pre.

17 GOVERNOR RENDELL: So it's pre, Mr.
18 Pickens says.

19 Making him one of the nation's most
20 successful energy investment funds. He is also,
21 through Mesa Water, the largest private owner of
22 permitted groundwater rights in the United States,
23

1 and is the founder and largest shareholder of Clean
2 Energy, a company that is advancing the use of
3 natural gas as a transportation fuel.

4 Many of us know Boone from his days as
5 the founder of Mesa Petroleum, which grew to be one
6 of the largest and most well-known independent
7 exploration and production companies in the United
8 States.

9 Boone has also been a noted philosopher --
10 philosopher, too, but philanthropist, giving away
11 almost one-half billion dollars through the T. Boone
12 Pickens Foundation.

13 He's here to discuss the Pickens Plan,
14 which is an effort to reduce oil imports over 10
15 years by increasing the nation's reliance on wind
16 for electricity generation and natural gas for
17 transportation fuels.

18 I want to say, every once in a while,
19 people say, can you influence the public debate and
20 discourse from the private sector, or do you have to
21 run for office, do you have to be in government?
22 Well, I think no one in America has done more to

23

1 advance the cause of renewable energy than T. Boone
2 Pickens. And he's done it using his own money, not
3 because he's interested in profit for his companies,
4 but because he's interested in America being, as
5 Frank Luntz said, energy independent -- not reliant on
6 fuel from anywhere else, but fuel produced in
7 America -- and because he's one of this nation's great
8 visionaries.

9 Mr. Pickens?

10 (Applause.)

11 MR. PICKENS: Governor, thank you very
12 much. I'm going to state the problem pretty
13 quickly, and I'm going to give you a solution.

14 I think your questions to me are
15 probably going to be more important on information
16 I'm going to pick up here today because you've
17 heard the Pickens Plan.

18 But let me just name off -- I've got 14
19 governors that have signed up on the Pickens Plan:
20 The governor of Idaho; Governor Sebelius from
21 Kansas; Governor Schweitzer from Montana; Richardson
22 from New Mexico; Strickland from Ohio; Brad Henry

23

1 from Oklahoma; the governor of Rhode Island; Mark
2 Sanford, South Carolina; Huntsman from Utah; the
3 governor of Washington; Rendell of Pennsylvania;
4 Pawlenty, Minnesota.

5 This is the way they signed up with me,
6 they came in that order. Here, Texas, can you
7 believe, is next to last, Rick Perry. And my dear,
8 dear friend who I've worked with for years and
9 years, Haley Barbour, was number 14.

10 But I'm hoping that I'll get more of you
11 to sign up with me after you hear what I have to
12 say. You know, America does so many good things
13 around the world, and it breaks my heart and I
14 know yours, too, that we don't get credit for a lot
15 of the things that we do do that are good.

16 We're a generous people and we're kind.
17 Do we make mistakes? A few, but we're good.

18 But our credibility is horrible, and I've
19 struggled with why it is we do so much and give so
20 much and get so little credit for it.

21 One big problem that we have on
22 credibility is the fact that we import almost 70

1 percent of all the oil we use every day in the
2 United States. How can that hurt our credibility?

3 I do think that around the world, as
4 they look at that, they cannot believe it, they
5 can't believe -- whether we're stupid, lazy, or what.
6 But if you look at the oil produced every day, it's
7 85 million barrels of oil that's produced globally,
8 and we're using 21 million of the 85 million.

9 And we're importing almost 70 percent of
10 our 21 million barrels every day. But 21 million of
11 85 is 25 percent; we're using 25 percent with 4
12 percent of the population.

13 Now, I promise you, this is going to
14 cause us a lot of problems in the future, and we are
15 going to be attacked for this use of the global oil
16 supply. I know we're more highly industrialized, but
17 they don't give a damn.

18 They don't care whether you're highly
19 industrialized. It's going to be viewed as we are
20 greedy, using more than we should, and somebody
21 says, well, but you produce a lot of oil. We
22 produce five million barrels a day. We peaked in
23

1 1970 at 10 million barrels a day. We are in steep
2 decline, never to recover.

3 An average oil well in the United States,
4 produces five barrels a day, and an average oil well
5 in Saudi Arabia is 5,000 barrels a day, and we're a
6 marginal producer, is what we are.

7 And we only have in the United States,
8 3 percent of all the oil reserves in the world --
9 only 3 percent. You know, you're not even
10 hardly a producer, is what it is. I mean, you're
11 just on the margin as far as production is
12 concerned.

13 Okay, they see that. You say, well, we
14 don't have any choice. If you look at what Exxon
15 said about it in an ad in the *Wall Street Journal* a
16 month ago, it said we can never be energy
17 independent.

18 Yeah, we can be energy independent, we
19 sure can. Look at the resources that we have
20 available to us.

21 Okay, there are renewables. The
22 Democrats love this. I've had a hard time -- you

23

1 know, I'm a Republican. I've had a horrible time
2 trying to convince Republicans that renewables make
3 sense.

4 They make sense. It's a resource in
5 America that has to be developed. We have never
6 been tasked, never been tasked to really solve our
7 energy problem. Why? Because you had cheap oil.

8 We said, send it to us, never mind the
9 price. Then, all at once, you're paying \$4 a gallon
10 for gasoline in July of 2008. Everybody said, wait a
11 minute, I had no idea I'd pay \$4 a gallon.

12 Well, a big mistake that we've made, we
13 should have taxed gasoline, just like the Europeans
14 did. If we'd taxed it, then we'd have smaller cars.

15 Well, I don't want a smaller car. Okay,
16 well, get a big one then, but you're going to pay
17 more for the fuel for the car, is the point. We're
18 moving around a lot of heavy equipment that doesn't
19 even make sense.

20 I looked out the window of my office.
21 I'm right by the King School in Dallas, and I was
22 standing looking out, and I said, look at that. I

23

1 said, there are 22 SUVs parked with one passenger
2 car in the group, so it's 21 to one.

3 And those moms were picking up one kid or
4 two kids. I watched and I said, look at that,
5 there's one kid, four times there; oh, there's two
6 kids getting in that car. You know, I mean, if you
7 think about it, we don't need this.

8 You say, well, it's America; it's America
9 and I want this. Okay, you'll have it then, but
10 energy is going to go up.

11 Now, you know, when I launched the
12 Pickens Plan on July the 8th of 08, the price of
13 gasoline here in Washington, was \$4.11, and I said --
14 of course everybody was saying -- yeah, you've got to
15 do something, you've got to do something, look at
16 that gasoline price.

17 The price goes down to \$1.40 five months
18 later, and they say, is it so important now? Yeah,
19 it's important, because the saddest part of our
20 problem is -- with the level of imports at 70 percent --
21 that your security for the country is at risk, absolutely
22 at risk.

23

1 If you look at what's happened for 40
2 years -- 40 years -- no energy plan for America,
3 none. You look at what Richard Nixon said in 1970,
4 we're importing 20 percent of our oil today, at the
5 end of this decade, we will not be importing any
6 oil.

7 We did, 28 percent. You go forward from
8 there, and everybody who ran for President -- Democrat
9 or Republican -- said, elect me and we'll be energy
10 independent. Never did the media ever hold them
11 accountable, with, do you remember what you said when
12 you were running? Now you're elected, how are you
13 coming on with reducing the dependency on foreign
14 oil?

15 I never heard that question one time from
16 the media to the President.

17 Now we've progressed. In '91, when the
18 Gulf War was on, we were importing over 50 percent;
19 now we're almost 70 percent. If we don't do
20 anything for the next 10 years, from the last 40 -
21 - okay, we haven't done anything for 40 years, so we
22 have a record.

23

1 If we allow it to continue, in 10 years,
2 we will be importing 75 percent of our oil, and I
3 promise you, you'll be paying \$200 to \$300 a barrel
4 for the oil.

5 Okay, now, look at the OPEC nations, and
6 five years ago, their revenues from all sources -- not
7 just from the United States -- were \$250 billion, five
8 years ago.

9 In 2008, the revenues were
10 \$1,250,000,000,000. Their revenue is going to be
11 three times that by the time you get out just ten
12 years. That's where you're going to be.

13 I mean, we cannot -- one thing it will
14 solve, if that case is the one that we deal with,
15 and you're out to 2019, there will be a couple of
16 things that are going to be solved. If you are
17 paying \$300 a barrel for oil at that point and
18 importing 75 percent, you won't have to worry about
19 health care or education because you won't have any
20 money. It will be solved because we don't have any
21 money.

22 That will be a sad solution, but here you
23

1 are, you see the problem, the wind you've got to use,
2 you've got to use the solar. There's no question
3 they can be used.

4 Okay, now, how does it go to the
5 solution? The solution is our resources. I
6 mentioned wind and solar.

7 Now we're going to be tasked. If this
8 thing works like I want it to, we'll be tasked as
9 Americans to solve our problem.

10 It will be very much like war without
11 guns. It will have nothing to do with politics; it
12 will be a totally nonpartisan issue. It's an
13 opportunity for the President of the United States
14 to stand up, monthly, and make a report to us, which
15 fits Frank's information we just saw up there on the
16 board. I saw it up there, because I couldn't see,
17 it's too small here.

18 But, anyway, there, you're going to get --
19 spend the money, you're going to have transparency,
20 great. We're seeing the same thing on our polls.
21 And you're going to be graded and you will have to
22 have results.

23

1 And if the President would come forth and
2 tell us that this is us, Americans, altogether,
3 we're going to march in the same direction, we're
4 not going to quibble, we're not going to argue,
5 we're going to use our resources, and we're going to
6 solve the problem.

7 I think the credibility of America would
8 rise dramatically with that kind of leadership. The
9 reason we're in the problem, we didn't have the
10 leadership in the past 40 years, but we have had
11 cheap oil. It's pretty easy to let things go when
12 you have cheap oil, not to try to identify who's
13 selling it to us.

14 In our case now, 57 percent of the 70
15 percent of our oil comes from the Mideast, Africa,
16 and Venezuela. I mean, this is the enemy. You're
17 paying for both sides of a war.

18 And, you know, you think, this isn't
19 really very smart for us to do this. Okay, what are
20 the solutions?

21 You've got the renewables I mentioned.
22 Go to the natural gas. Natural gas is cleaner, it's
23

1 cheaper, it's abundant, and it's ours.

2 Some say, well, if it's so good, why
3 hasn't it happened, Boone? It hasn't happened
4 because, one, the major oil companies didn't want
5 it, the car manufacturers didn't want it, and the
6 chemical companies didn't want it.

7 That's a pretty tough crowd to compete
8 against, but the American people -- and the way this
9 is going to pull together, I now have over 17
10 million who have come in on my Web site.

11 Now, I don't even know anything about
12 this, honestly; but I went out and hired some people
13 that said, we can do this, and if the people are
14 interested, you're going to hear from them, and if
15 they are really interested, they are going to sign up
16 with you.

17 I now have a million and a half people
18 signed up with me. We call it the Pickens Plan
19 Army.

20 These people will respond. I mean, the
21 other day, we got 60,000 e-mails out in a matter of
22 five hours, and so they will respond.

23

1 Now, I went to Washington for 30 years as
2 kind of a pseudo-rich guy to a big rich guy over that
3 30-year period. What did it get me?

4 Well, when I first went, I waited 30
5 minutes to see a Congressman, and then when I got to
6 big rich, they waited 30 minutes to see me.

7 (Laughter.)

8 MR. PICKENS: But what did I get? I got
9 a very respectful visit, they were nice to me and
10 wanted to help me any way they could. But what
11 happened? Nothing -- not one damn thing happened.

12 Boy, I can tell you now, with a million
13 and a half people signed up with me, I'm a lot more
14 powerful than I was as a big rich guy in Washington,
15 going in and shaking hands of everybody and everybody
16 being nice to me.

17 I mean, it's a million and a half people.
18 I think this has got to be solved from the ground up.

19 In our polls, we came off with this
20 result, which I suspected -- that the American people
21 thought the politicians in Washington were lying to
22 them about energy. That wasn't what happened.

23

1 When we looked at it -- and I know what
2 goes on in Washington -- they weren't lying to
3 anybody; they didn't know. They honestly did not
4 know anything about energy.

5 And I think this is the number one issue
6 in this country right now. Now, you say, no, no --
7 the financial condition. There's no question it
8 certainly has the spotlight, and I think it will be,
9 but I don't want to get off on that subject, but I
10 think it's going to be cleaned up.

11 But you're going to have energy and
12 you're going to have to get it fixed. That's the
13 way it's going to happen.

14 You're going to use natural gas for the
15 heavy duty transportation. When I met with Obama
16 and met with McCain, a week apart in September, in
17 talking to them, they both said they would like to
18 get to the battery as quick as they could.

19 And I said, well, you've got to
20 understand that batteries won't move an 18-wheeler.
21 Both of them had the same look on their faces and
22 said, it won't?

23

1 That's the same thing Al Gore said to me
2 when Al wanted to go to the battery next Monday, on
3 everything in America. You know, I said, Al, it's
4 too quick, and you know it won't move an 18-
5 wheeler. It won't? Hell no, it won't. You've only
6 got one resource in America.

7 When I talked to McCain and I told him
8 that, he said, you're trying to get me to pick
9 winners. I said, well, senator, the winner's been
10 picked. We only have one in America that's going to
11 move an 18-wheeler.

12 For the biggest users of fuel in America,
13 we have one resource that will do the job, and it's
14 better than the one we're using. It's cleaner, it's
15 cheaper, it's ours.

16 Who else is doing this? The Iranians
17 are. Russia is building natural gas fueling
18 stations all over Europe. The biggest bus fleet in
19 the United States is LAMTA, which has 2800 buses
20 that have been on it.

21 Where's the largest bus fleet in the
22 world? Beijing Transit, 4500 buses. There are 10

23

1 million vehicles in America that are on natural gas -
2 - 10 million. I said "in America;" I mean in the
3 world -- 10 million in the world.

4 We have 142,000. It's crazy. We have a
5 fuel that's in abundance, available to us. Why
6 don't we use it?

7 Okay, so our plan to the Transition Team,
8 was 380,000 18-wheelers. This is a test case.
9 Everything I tell you, I've got a model for, an
10 operating model for.

11 We told them and they said, what's the
12 model for this? It's Southern California. The
13 Southern California Air Quality Management District --
14 a powerful outfit, got plenty of money, can do
15 whatever they have to -- and they were working on air
16 quality eight years ago, with a smart guy, a guy
17 named Barry Wallerstein.

18 Wallerstein said, find me the biggest
19 polluter problem here in Southern California, and
20 tell me what are they, who are they? They said,
21 well, trash trucks. They work 24/7, and they idle --
22 emissions are bad and everything.

23

1 He said, okay, figure out how can we fix
2 it? They said, well, you can switch over to natural
3 gas; it's 80 percent cleaner. Okay, what's it going
4 to cost? \$50,000 a truck. It's more expensive for
5 the trucks, but we can switch over; we have money,
6 let's do it.

7 How do we do it seamlessly? He said,
8 when they replace them, they replace them with
9 natural gas; they cannot replace with diesel. You
10 take one diesel truck off the road in Southern
11 California, it's equivalent to 325 cars.

12 So here, he can see quantifiable results,
13 and just like the doctor said a few minutes ago,
14 you're going to have to look at things, see what your
15 results are, and be able to explain.

16 All right, here, they could see quickly
17 what they were doing, and did it fix it? Yeah, it
18 fixed it. Now, over half the trash trucks in
19 Southern California are on natural gas.

20 Did it cause any problems? Didn't cause
21 any problems.

22 You can do the same thing with 380,000

23

1 18-wheelers. Okay, let's say we do it. How's it
2 going to unfold? An 80,000 incentive for the
3 equipment, so that's going to cost us \$30 billion.

4 That's a direct gallon-for-gallon
5 reduction in foreign oil when you do that, so you're
6 going to be able to identify how much is it going to
7 do.

8 It's going to be probably somewhere
9 around a 4 percent reduction in imports if you use
10 natural gas on 380,000 18-wheelers -- 450,000 jobs,
11 directly, if you did this; 1,600,000 jobs
12 indirectly.

13 Now, the McKenzie people looked at this,
14 we gave it to the Transition Team, and they have run
15 the numbers and they agree with us those are
16 accurate.

17 Okay, what does this mean for the next
18 step? Now you have the model, and this is going to
19 happen to you in probably three to four years.

20 If you look, for instance, at Swift
21 Trucking, Jerry Moyer's outfit -- the biggest in the
22 country, 20,000 18-wheelers -- he rolls that fleet

23

1 over, if you can believe, being a business where you
2 receive 23 Kenworth trucks every day, seven days a
3 week, times 365 days, is 7,000 new Kenworth trucks
4 every year.

5 That's one hell of a lot of trucks, no
6 kidding, but he rolls that fleet out every three
7 years, is what happens. Well, that's the way I see
8 this moving seamlessly into our own fuel with our
9 own trucks, that create jobs for our people.

10 Okay, with that, I've got one other point
11 I wanted to make on -- oh, there are 6.5 million 18-
12 wheelers in America. We're talking about 380,000 on
13 the first cut, on the first cut, so it leaves us a
14 lot of vehicles there to do it.

15 Okay, now, where do all these other cars
16 go? When I talked with Senator Obama, he said, is
17 there anything I say that makes you uncomfortable
18 about energy? I said, yeah, you talk a lot about
19 one million plug-in hybrids.

20 And you know that when somebody
21 challenges you like that, you'll sit up straight in
22 your chair, you know. And he said, Mr. Pickens, I'm

1 going to have 1 million plug-in hybrids in 10
2 years; you can count on that.

3 And I said, well, you need to step back
4 and, first, I said, if we look out the window and
5 there were a million cars on that parking lot -- we
6 were in Reno, Nevada -- I said, it would look like
7 one hell of a lot of cars, wouldn't it? And he said,
8 it sure would.

9 And I said, now, step back and look at
10 America. You're President now, and look at the
11 magnitude of your problem. There are 250 million
12 vehicles and we're turning out about 13 or 14
13 million vehicles a year, and you're going to have
14 1 million in 10 years?

15 He was quiet for a second, and he looked
16 at me and smiled and he said, it's not very many, is
17 it?

18 (Laughter.)

19 MR. PICKENS: But you don't realize the
20 magnitude of the problem. I mean, it's hard to
21 fathom that we're sitting here importing this much.

22 Okay, now, I told him, I said, but don't

23

1 get rid of the 1 million, but you've got to add to
2 it, you've got to do more than that.

3 Okay, the way I see the passenger cars
4 that we're driving, you'll go to a battery at some
5 point, but the battery is not quite there. I was on
6 a deal in Ft. Lauderdale, Florida, two days ago with
7 Michael Jackson, who runs Auto Nations, and he said,
8 what they don't explain to people when they say go to
9 the battery, he said, the battery weighs a thousand
10 pounds, and the cost of the vehicle is \$15,000 more.

11 So you're going to have to deal with
12 that, too. Will natural gas work? Sure it will
13 work. I have the only passenger car -- I said this
14 one time and I was challenged. Why do you have the
15 only passenger car in America?

16 And I said, no, no, no, they make a bunch
17 of them, but of the only model they make, I have one
18 of them. He said, well, what you said was, you had
19 the only car, so that's right, I did, and that was
20 wrong. But it's a Honda GX Civic, and I fuel it in my
21 garage at home at night.

22 And the cost of the fuel is about a

23

1 dollar a gallon for me, and it's a commuter car.

2 It's not a car I'm going to get in and drive to
3 Chicago from Dallas, but it's a car that I can drive
4 and commute 100 miles, if I wanted to.

5 I don't do that. In fact, I told the
6 story in Austin the other day, and I said that
7 there's one weakness to my commuter car. I said, I
8 live less than a mile from my office.

9 (Laughter.)

10 MR. PICKENS: Some guy in the back of the
11 room said, hell, why don't you just walk?

12 (Laughter.)

13 MR. PICKENS: That's not a bad idea,
14 either.

15 (Laughter.)

16 MR. PICKENS: But this car -- I mean,
17 there's only one passenger car made in America, and
18 it's a Honda GX Civic.

19 Does General Motors know how to make
20 these cars? Sure, they make 19 of them, but not in
21 America. They make them for South America and
22 Europe.

23

1 If you were in Paris today, you could
2 probably look at 40 or 45 models that could use
3 natural gas. Why not here? We have an abundance of
4 it. It's cheap, it's ours. Why don't we use it?

5 There's never been anybody that has
6 promoted it, and we've had -- I told you was going
7 to lobby against it; it will be the major oil
8 companies, major chemical companies, and car
9 manufacturers.

10 So it's never had a champion, and so,
11 okay, I've taken us to this point, and I'm probably
12 over time. I haven't got a watch.

13 One time, I put my watch up on a deal
14 like this, so I could watch it. I was in Denver and
15 I was speaking to a convention of CPAs, and I got
16 through, and sat down and they asked me to come back
17 up, they had a nice gift for me.

18 (Laughter.)

19 MR. PICKENS: And they said some nice
20 things about my remarks and all and then gave me my
21 watch.

22 (Laughter.)

23

1 MR. PICKENS: Now, isn't that like a
2 bunch of CPAs?

3 (Laughter.)

4 MR. PICKENS: Okay, questions, let me
5 have your questions.

6 (Appause.)

7 GOVERNOR RENDELL: I said to Boone, if
8 it's all right, we're going to take John and then
9 have questions for all of our guests.

10 We didn't even talk about wind energy,
11 and wind energy is an important part of the Pickens
12 Plan, and maybe you'd like to ask him about that.
13 But he really is a visionary, and for many of the
14 states who are enjoying a little bit of an economic
15 gold rush in this hard time, with the drilling
16 that's taking place under the Marsala Shale, it is
17 amazing how much resource we have in natural gas.

18 John Rowe is the president and CEO and
19 chairman of the Board of Exelon. Exelon is one of
20 the nation's largest utilities. It serves 5.2
21 million customers, mostly in Pennsylvania, Illinois,
22 and Texas, some in New England. It has more than \$14
23

1 billion in revenue. It's been named by Forbes as one
2 of the best managed companies in America and one of
3 the 2,000 leading companies in America.

4 John's been in the utility business since
5 1984, mostly in New England, before he joined
6 Exelon. John -- like Mr. Pickens -- and Exelon are
7 very philanthropic, although as a governor who has
8 Exelon in his state, I will say that they fell a
9 little bit shy of that half-billion mark.

10 John does a great job with his company,
11 and as all of us know, the stimulus plan is
12 dedicated to building out the electricity grid in
13 this country.

14 Mr. Pickens didn't talk about wind
15 energy, but we can, in all of our states, produce as
16 many wind energy farms as we'd like, but unless we
17 can get the grid to take the energy produced in
18 those wind energy farms, into the population
19 centers, it won't matter.

20 John Rowe's going to tell us how America
21 should be doing that. John?

22 (Applause.)

23

1 MR. ROWE: Thank you, Governor Rendell.

2 Like Mr. Pickens, I've long been frustrated by the
3 difference in this nation between the way we talk
4 about energy policy and what we actually do.

5 It reminds one of Mark Twain's famous
6 comment that everybody talks about the weather, but
7 no one does anything about it.

8 Governor Rendell is doing something about
9 it in Pennsylvania; Mr. Pickens has announced his
10 proposal; President Obama has a three-part plan, the
11 investments in infrastructure through the stimulus
12 package, a renewable portfolio standard, and a cap
13 and trade bill to put a price on carbon.

14 My own views come from work that the
15 President's Science Advisor John Holbrun, former
16 EPA Administrator Bill Riley, and I did with a
17 group called the National Commission on Energy
18 Policy.

19 Fundamentally, our work suggested that
20 you've got to have more renewables, you've got to
21 have much more energy efficiency, you need to use
22 all the gas you can get, and, ultimately, you have

23

1 to make either new nuclear or carbon sequestration
2 work.

3 All of those are very big challenges. I
4 only wish to differ with Mr. Pickens in one
5 important respect: I want that gas to make
6 electricity, and the reason I make the point, is not
7 to quibble; it is that we estimate that price per
8 voided ton of carbon, by burning gas, is around \$10,
9 and the price by buying wind, is closer to \$70.

10 Now, they both have to be part of the
11 picture, but we need an economic system. The
12 National Commission said that a cap and trade system
13 is the best way to try to make a real market in more
14 efficient forms of energy.

15 I believe that is so, although a carbon
16 tax is just as good. The point I want to make is
17 that we cannot just deal with energy problems
18 piecemeal.

19 We can't do them by picking one favorite
20 technology this year and a different favorite
21 technology next year. We must have a system like
22 cap and trade or like a carbon tax that

23

1 rationalizes the economics between alternatives, so
2 that the entire engine of the economy is looking for
3 the cheapest solutions.

4 It makes a big difference. McKenzie has
5 estimated that maybe we could meet the President's
6 goals at a price of something like \$50 a ton.
7 That's about five cents a kilowatt hour,
8 incremental, for electricity.

9 I've heard estimates that the California
10 renewables standard may cost as much as \$150 a ton.
11 That's an incremental 15 cents a kilowatt hour.

12 My point is, we've got to deal with the
13 climate issue, we've got to deal with the energy
14 independence issue, and in this economy, we must do
15 it as efficiently as possible. Now, utilities are
16 stubborn beasties, as all of you know from your own
17 states, but we genuinely are infrastructure
18 companies.

19 We love infrastructures. We're the only
20 people you know who can get positively rhapsodic
21 over the site of a transmission line.

22 (Laughter.)

23

1 MR. ROWE: We like the stuff. We want to
2 build what Governor Rendell wants us to build. We
3 want a deeper, richer grid that allows more kinds of
4 energy to reach our states.

5 We want a smarter grid that allows
6 customers to make more decisions about how they use
7 that electricity. And yet with us, as with others,
8 the good news comes with some bad news.

9 The good news is, we can raise most of
10 the money ourselves through our rates. The bad news
11 is that we, and sometimes you, are accountable when
12 those rates go up.

13 So, we and you have to watch an
14 infrastructure and other ways, that we get our
15 money's worth from these new investments.

16 We are working very hard on this in both
17 Pennsylvania and Illinois. We have in Illinois,
18 programs to subsidize customer energy efficiency,
19 that will shortly reach \$200 billion a year.

20 In Philadelphia, while we're a somewhat
21 smaller company, we'll be proposing measures that
22 will reach \$100 billion a year in the near future.

23

1 Philadelphia is ahead of Illinois in the
2 installation of smarter meters, and we will be doing
3 that as part of a smarter grid.

4 Everyone talks, and you see it on
5 television, about smart grids. I don't quite know
6 anyone who knows exactly what a smart grid is, but
7 it's some combination of more and better
8 transmission, newer and better cables, and smart new
9 meters that give customers more control over what
10 they do and give utilities the capability to
11 respond more rapidly to storms and other system
12 problems.

13 We, as utilities, are all for these
14 things. The issue, of course, is, they all cost
15 money.

16 It has been estimated that over the next
17 several decades, our industry will have to spend
18 something like \$300 billion, just on its
19 transmission system.

20 And there's another number of that
21 magnitude for the distribution system, and another
22 number that's even larger, for a newer, low-carbon
23

1 generation fleet.

2 As Everett Dirksen used to say, more or
3 less, a trillion here, a trillion there, and pretty
4 soon, you've got money.

5 It's terribly important that we do these
6 things. It is terribly important that we do them
7 with constant feedback loops to make certain that
8 these very big investments are going in the right
9 direction and getting as close as we can get to
10 optimum supplies.

11 I think Governor Rendell has gone a long
12 way with his energy efficiency funds in
13 Pennsylvania. I believe the stimulus package gives
14 you, the states, very special opportunities to
15 invest in public facilities to help in low-income
16 facilities, with weatherization and things that have
17 a big payoff right away.

18 I want to use one particular example of
19 something that worked. We renovated our home office
20 building. We were able to economically cut our
21 energy use in our ten floors, by 50 percent.

22 Now, we can't do it that economically

23

1 everywhere, but I think we can get 25 percent in
2 almost all of our buildings, economically. And it's
3 simply the best thing we can be doing.

4 And it's so important for the low-income
5 customers that we have, the low-income constituents
6 that you have, to help them with energy efficiency.

7 So when I talk about infrastructure, I
8 think I mean what Governor Rendell means, or I mean
9 what I think Governor Rendell means, which is an
10 integrated system of generation, transmission,
11 distribution, and customer measures that will make a
12 cleaner supply, that make a more domestic supply,
13 that creates jobs here in the United States, and
14 that deals with the climate issue in a way that we
15 can afford.

16 It can be done, but the solution requires
17 attention to the whole infrastructure -- the
18 transmission, the distribution, the meters, the
19 generation -- we need that wind, we need to use gas
20 wherever we can, we're going to need either coal or
21 new nuclear, and if we throw all our bets on any one
22 of those things, we'll probably be wrong again.

23

1 So we have to go forward with a diverse
2 energy supply, directing it always toward cleaner
3 ends, and we need a cap and trade system, we need a
4 carbon tax, because the sum of a bunch of piecemeal
5 investments, will not give us an optimum result.

6 Thank you very much.

7 (Appause.)

8 GOVERNOR RENDELL: Okay, any questions
9 for Boone, John, or Frank? Haley?

10 GOVERNOR BARBOUR: I'd got some low-tech
11 over here. My questions for both Jim and Boone are
12 about costs. Both of them brought up some cost
13 figures.

14 Jim, in my state, a 15-cent increase in
15 the kilowatt hour electricity has almost tripled.
16 And Boone mentioned \$4 gasoline wasn't high enough
17 to make some of these alternatives competitive.

18 And I just am curious to explore, where
19 can we get data about costs? Where can we learn
20 more? Cost doesn't get talked about very much.

21 Where can we get the data from each one of y'all's
22 perspective, to learn what it's going to cost our

23

1 constituents to do this?

2 GOVERNOR RENDELL: Well, John, would you
3 take the first crack at that? Then, Boone, will you
4 answer it, and you could say something about wind, as
5 well.

6 MR. ROWE: Governor, we share your view
7 that 15 cents is too much, and that's why I do try
8 to talk about cost.

9 Our best information on cost is on our
10 Web site, exelon.com, and it's under a plan called
11 Exelon 2020, where we propose ways, with a mix of
12 efficiency, gas, some wind, and increments to our
13 nuclear fleet, to add -- to reduce our carbon
14 footprint over 10 years, at a much lower cost than
15 that.

16 But the cost is key, Governor Barbour, I
17 agree.

18 MR. PICKENS: Haley -- it was Haley,
19 wasn't it?

20 GOVERNOR RENDELL: Yes.

21 MR. PICKENS: I didn't -- I misled you
22 with my remark there that you had to tax gasoline to
23

1 make the renewables work. I just feel like that for
2 years in this country, that we have taken energy for
3 granted, and we haven't taxed when others have.

4 But if you look back at the Department of
5 Energy's April '07 study, they showed you clearly
6 that you could put a wind corridor -- a beautiful wind
7 corridor from Texas to Canada -- up through the Great
8 Plains.

9 And the people want it, the people want
10 it. It's not like Cape Cod; it's where --

11 (Laughter.)

12 MR. PICKENS: I mean, seriously, but if
13 you have a small piece of land, you really wouldn't
14 want a turbine sitting there next to you, but if
15 you're looking at landowners that own maybe, you
16 know, a thousand acres or more, they desperately
17 want these.

18 I was down in Sweetwater, Texas, where
19 that town is a model for showing what you could do
20 to rebuild America. And it's a huge opportunity to
21 rebuild rural America, which has, as we all know,
22 gone downhill.

23

1 And Sweetwater is a perfect location to
2 see what's happened there. They were a 12,000
3 population town and had gone below 10,000 and not
4 any opportunities for kids coming out of school
5 there, and so they move away.

6 I'm convinced that there are a lot of
7 kids that don't want to go to the city; they'd
8 rather stay in a rural environment. And here, when
9 you look at it, now, the town's above 12,000, they
10 have 3,000 megawatts of power there, and 25 percent
11 of their jobs are wind-related.

12 That's huge. What could happen, if we
13 took that study of the Department of Energy, that
14 you did 20 percent of your power in 10 years, from
15 Texas to Canada, which they say can be done, and
16 there's no question that it can be done?

17 I've done a lot of talking to Warren
18 Buffett about this subject because he's in the wind
19 business, he's in the transmission business, and he
20 said, we don't have to have the government pay for
21 this. He said, we can do it ourselves, which, as
22 John said the same thing -- that this isn't something

23

1 that has to be publicly paid for.

2 But look at the potential of this. If
3 you did 20 percent of your energy, your power
4 generation -- came from that Great Plains area, you
5 would -- your first year, you would create 138,000
6 jobs, but within 10 years, because manufacturing
7 and everything else would have to move into this
8 corridor to service the industry, you would be up to
9 3.5 million jobs.

10 Now, that's another set of numbers that
11 McKenzie looked at in the Transition Team, from what
12 we gave them. They came in and looked at all of
13 that.

14 There's plenty of wind, there's no
15 question about that. The solar is just a shade
16 behind, and you're going to have that, and that's a
17 corridor from Texas to California.

18 You can really -- we could absolutely
19 rejuvenate rural America with this, and what it
20 could do for your economy, would be unbelievable.

21 I think you could put the recovery of the
22 economy on the energy question, and if it was

23

1 properly designed and everybody was onboard on it, I
2 think you could get there, you could recover, the
3 economy could recover off of energy.

4 But natural gas, so that we don't leave
5 here with another misconception of what I've said,
6 natural gas is just a bridge. Natural gas is not
7 the -- somebody said, well, it's not forever, can
8 you do it forever? Well, of course, you can't do it
9 forever; it's a finite resource.

10 And they said, well, it's just like oil,
11 so we'd be back in the same spot. Well, no, you
12 won't be back in the same spot, because we're
13 importing oil and we're not importing -- we import
14 natural gas from Canada, but I feel like North
15 America kind of is all home, but how much do we
16 import? About 13 percent from Canada. How much do
17 we have as LNG coming into the United States?
18 Probably somewhere around one or two percent.

19 But we've got plenty of gas, but we only
20 have it for 20 or 30 years, so this is going to
21 solve the problem. It will be the bridge to the
22 battery or to the fuel cell, which is where we'll
23

1 go.

2 I mean, I'm not kidding you, we have got
3 to do this, and we have to use this resource. You
4 know, I never will forget wthat Bob Dole told me one
5 time in 1990, and I was telling Bob Dole and several
6 other senators over lunch, and I said -- you guys
7 have got to be crazy, I said, doing this ethanol.

8 I said, you're exhausting more energy
9 than you're creating, and I gave them -- I hoped it
10 wasn't a lecture, but the way Bob told me, he said,
11 it kind of came off that way.

12 And so he and I were walking down the
13 hall a few minutes later, and he said, well, Boone,
14 he said, you're coming up here telling us about
15 things we already know about, and that's wasting
16 your time and our time, too.

17 He said, you need to understand something
18 about politics. He said, there are 21 farm states,
19 and I said, I'm starting to see some right now, and
20 he said, and they have two senators and that's 42,
21 and I said, okay, okay, I get it.

22 And he said, we want ethanol and, by god,
23

1 we're going to have it. And I said, I understand. I
2 won't ever come back again and tell you anything
3 about ethanol being a fuel that we shouldn't be
4 fooling around with.

5 Okay, having said that, I now am a semi-
6 advocate for ethanol.

7 (Laughter.)

8 MR. PICKENS: Not because Bob said that,
9 but it's because it replaces foreign oil. I would
10 rather have anything in America than I would foreign
11 oil. I'll take anything.

12 I'm not opposed to anything, so when you
13 leave and say, well, Boone's for, you know, nuclear,
14 he's for biofuels, he's for geothermal, he's for OCS
15 drilling; I'm for anything that's ours.

16 And I've got to get off the foreign oil
17 because it's a security issue.

18 GOVERNOR RENDELL: Governor Manchin and
19 Governor Schweitzer.

20 GOVERNOR MANCHIN: I've got two
21 questions, and one to Mr. Rowe and one to Mr.
22 Pickens. Mr. Rowe, first of all, you know, coal is

23

1 about 50 percent of the energy base that we have,
2 baseload we have in the United States, and everyone
3 tells me that we're going to be using it for quite
4 some time.

5 In my little state, we produce quite a
6 bit of it, as you know. But with that being said, we
7 know we have to be part of the mix, and we're doing
8 wind, solar, biofuels, hydro, everything, and I agree
9 with both of you.

10 Let me ask on this, you talk about cap
11 and trade, you talk about a carbon tax, and I like
12 to think of a technology fee. Why is it so
13 disproportionate, when all the money is going to come
14 from the burning of carbon, that very little goes
15 back towards funding the research and technology, and
16 how do they realistically think they're going to find
17 a solution?

18 MR. ROWE: Well, sir, like you, I think
19 we have to invest in research on carbon
20 sequestration because if we don't put R&D money
21 into how we make coal a genuinely clean fuel, we're
22 just caught in a conundrum we can't handle.

23

1 So, I support your views that we ought to
2 be investing heavily in R&D on carbon dioxide
3 sequestration. As somebody who has power plants in
4 two states that made major investments in nuclear,
5 you know, we have a claim that we already gave at
6 the office, so to speak.

7 And I have to defend my own state on that
8 ground.

9 GOVERNOR MANCHIN: The only thing I'd say
10 on that, is, how much is the percentage and what's
11 correct, but if 50 percent of the power is coming
12 from one fuel source such as coal, shouldn't 50
13 percent of the resources go to finding the clean
14 energy or the technology that would clean that up?
15 We think that would be appropriate.

16 Mr. Pickens, if I may, you talk about
17 natural gas, and I have a lot of natural gas in my
18 state. But the pricing is so volatile. It goes
19 anywhere from \$2 an Mcf, to \$10, \$11, \$12, comes
20 right back down. It's not as stable.

21 How would you be able to do what you're
22 wanting to do, to fuel America, when the price is so
23

1 volatile?

2 MR. PICKENS: Well, let's make a
3 Comparison, and let's compare it to gasoline. So one
4 Mcf of natural gas equals eight gallons of gasoline.
5 So, if today, eight gallons of gasoline were \$16,
6 say, natural gas is \$4, so we're actually -- they are
7 comparable, one to eight, so on that basis, it's four
8 times cheaper to use natural gas than it is -- and
9 you mentioned \$10, \$11, or \$12, and if you're up to
10 \$12, you're 75 percent of the cost of gasoline.

11 And I can promise you, gasoline is going
12 to go up. You're going to be back at the end of the
13 year -- I say you'll be back to \$75 a barrel, and it
14 will move on up from there.

15 I think it's more of a point of
16 education because natural gas, I think, will always
17 be cheaper than foreign gasoline or diesel. So it's
18 volatile, yes, but it works very well in California.
19 I mean, you fuel a lot of stuff out there and there's
20 very little complaint about the volatility of it.

21 It honestly does not move that quickly.
22 I mean, you'll have -- you'll see natural gas, it
23

1 was \$13 a year ago, and it's now \$4. That's a big
2 move, no question, but, also, you've come from \$147
3 on oil, down to \$40.

4 GOVERNOR RENDELL: So volatility exists
5 in both. Brian?

6 GOVERNOR SCHWEITZER: Well, it was the
7 optimists who said the glass was half full; the
8 pessimists said half empty, and the engineer said,
9 the glass is the wrong size.

10 This is an engineering question for both
11 Boone and John. We're talking about a smart new
12 grid, which means meters, of course, but it also
13 means an investment in transmission systems.

14 The utilities tell me all over the
15 country, well, we don't need to build a brand new DC
16 override that goes east to west and north to south,
17 so we can bring in the wind and the solar and coal
18 gasification to the coasts and the big cities; we
19 just need to have these interconnects.

20 Then some of the engineers say, look, you
21 know, it was Eisenhower who said I'm going to build a
22 highway system that you can drive from New York to

23

1 Los Angeles on, the interstate highway system. And
2 they said, he's a damn fool or what? I mean, you
3 already can. The problem is, you have stop 140 times
4 along the way.

5 Should we invest in this new DC overlay
6 with just on and off ramps every 50 miles, or should
7 we continue to invest in the AC system that patches
8 this five or six grids together?

9 This is a big debate that's going on in
10 this country, and during the next 180 days, they're
11 going to decide, are we going to spend \$150 billion
12 one way or the other way. What say you?

13 MR. ROWE: Well, my bet would be on
14 strengthening and expanding the AC system, but I've
15 worked with both, and, as you say, this is a
16 question of engineering economics. You ought to be
17 able to get an answer we can both trust.

18 But, you know, with DC, you still have to
19 convert it to AC at those off ramps, to put it into
20 the existing system. I think the key thing is that
21 you make the system, you get it accessible to as many
22 kinds of energy as possible.

23

1 GOVERNOR RENDELL: We have time for one
2 last question. Anybody? Yes, go ahead, Chet.

3 GOVERNOR CULVER: I've got a question for
4 both Boone and John. What is missing? I mean,
5 we've talked about this for 40 years.

6 What has to happen next? We know that
7 diversification is critical. We need everything;
8 we need natural gas, wind, biofuels, hydro.

9 Who's going to put this American plan
10 together? Who's going to lead the effort, so that
11 we stop competing against each other, and how do we
12 get rid of that turf?

13 In Iowa, our biofuels industry has been
14 worth \$8 billion in the last ten years, 50,00 jobs;
15 our wind energy production is off the charts, we're
16 now second in the nation. We created 2,300 green-
17 collar jobs related to wind in the last 20 months.

18 But who's going to put this national plan
19 together? Very honestly, you know, what has to
20 happen next?

21 I'm not a part of the working group right
22 now, but where do we go from here?

23

1 MR. PICKENS: Could I try it first? What
2 we have, sitting around this table, -- I would
3 suppose we're about 90 percent in agreement that
4 we've got a problem, we understand the problem, and
5 now how do we fix it?

6 And I think we're 90 percent in agreement
7 that we do it with our own resources. Okay, how does
8 it unfold?

9 There's no question when you say "who is
10 it and how does it unfold" from this point forward,
11 you may have a person, a place on this one that will
12 cause something to happen, not say we're going to be
13 energy independent and walk off, never to mention it
14 again.

15 Obama has gotten pretty -- I think he's
16 brought it down to a fine focus, and when he says in
17 ten years, we will not be importing any oil from the
18 Mideast, he said that when he was nominated, and I've
19 heard him say it three other times; he doesn't
20 hesitate to say it.

21 And when you start to say we're not going
22 to import any oil in ten years from the Mideast, you
23

1 are saying something that people are going to
2 remember. I spent \$58 million bringing the energy
3 issue to the surface in this country, and with a
4 million and a half people, I can tell you that there
5 are a lot of people that understand a lot more about
6 energy today than they did six months ago.

7 And so the question is not going to go
8 away, and to answer your deal, who is it that's
9 going to lead, I think that the President is the
10 person that has to lead. I think that he has to
11 come --

12 A month ago or two months ago, we started
13 giving the import number that comes into the United
14 States every month and how much it costs. Last
15 month, January, cost us \$402 -- excuse me, we
16 imported 407 million barrels of oil a day -- let me
17 think, that's not right -- 407 barrels for the month,
18 at cost of \$19 billion.

19 And we'll do that every month, is what
20 we're going to do. I would like to see the
21 President tell us what the plan is, and then speak
22 to those numbers and show us how we're bringing that
23

1 dependency down.

2 And that goes back to Frank's remarks
3 about being accountable, transparent and all. It
4 all fits into a nice pattern. We are going to solve
5 the problem, we, the American people, are going to
6 solve it. Nobody else can do it for us.

7 And it's going to go back to where we're
8 going to use all of our resources to accomplish
9 this. And it can be done, but then you're back to
10 where I was for 40 years; what's missing?
11 Leadership.

12 You did not have the leadership in
13 Washington that ever took hold of it and said, this
14 is getting critical, we're now up to 50 percent,
15 which was 1991, on imports, and we're not going to
16 go any higher.

17 GOVERNOR RENDELL: And, you know, I think
18 Boone is right that there are two things that we
19 need, leadership, and I think the President is
20 dedicated to doing this, but you also need a sense
21 of understanding of the American people. And, as
22 Frank said and he found in his poll -- I urge all of
23

1 you to take a look at that poll -- the American
2 people want energy independence, even if they have
3 to pay a little more.

4 Interestingly, John's company, Exelon, in
5 southeastern Pennsylvania, put out on the bill, and
6 said, check off that all your electricity in your
7 home that comes from wind energy, but you pay a 10-
8 percent surcharge, because wind is a little bit
9 higher in the southeast right now.

10 How many families, John, checked that
11 off?

12 MR. ROWE: I don't have the number, but
13 it's pretty significant.

14 GOVERNOR RENDELL: It was in the first
15 four months, over 40,000 families checked off that
16 box. Frank told you about the American people, they
17 want to be energy independent, so don't be scared
18 that the price of gas has dropped for the moment,
19 Boone is right, it's going back and it will be back
20 by June, but it's not just price for the American
21 people anymore, it's energy independence.

22 Well, this has been a great session and
23

1 we could go on for another hour, but we have to get
2 to our luncheon. It's very important. We've got a
3 packed luncheon in terms of speakers, so please get
4 there directly. We're going to start in five or six
5 minutes, so if you can go directly to lunch, we'll
6 appreciate it.

7 Let's give Boone, John, and Frank, a big
8 hand.

9 (Applause.)

10 (Whereupon, at 1:00 p.m., the plenary
11 session was recessed, to be reconvened on Monday,
12 February 23, 2009 at 2:30 p.m.)

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NATIONAL GOVERNORS ASSOCIATION

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WINTER MEETING: CLOSING PLENARY SESSION

* * *

JW Marriott Hotel

1331 Pennsylvania Avenue, N.W.

Salon III

Washington, D.C.

* * *

Monday, February 23, 2009

2:45 p.m.

The meeting commenced, pursuant to notice,
at the JW Marriott Hotel on Monday, February 23, 2009,
in Washington, D.C., at 2:45 p.m. NGA Chair Governor Edward G.
Rendell, presiding.

1 P R O C E E D I N G S

2 GOVERNOR RENDELL: Good afternoon
3 everyone. This is our concluding session on
4 strengthening our infrastructure and our vision for
5 the future. We have two terrific speakers today who
6 are ready to comment about successes, mostly in foreign
7 nations.

8 Our first speaker is Dr. Robert Atkinson,
9 president of the Information Technology and
10 Innovation Foundation. He also served as chair of
11 the National Surface Transportation for
12 Infrastructure Financing Commission.

13 He brings a welcome balance on
14 transportation infrastructure, as well as
15 communications and technology. He is the author of
16 the *State New Economy Index* and the book, *The*
17 *Past and Future of America's Economy: Long Waves of*
18 *Innovation That Power Cycles of Growth.*

19 He has also served as project director at
20 the former Congressional Office of Technology
21 Assessment. Dr. Atkinson is with us today. He is
22 going to talk about his observations of other

1 nations' approaches to funding and financing
2 infrastructure, his perspectives from his work as
3 chair of the Infrastructure Finance Commission, and
4 his thoughts on communications and broadband and
5 smart grid and infrastructure development.

6 I think Dr. Atkinson's speech today is
7 particularly relevant because, doctor, we have been
8 wrestling with a question of how are we going to
9 finance our real national infrastructure
10 revitalization program.

11 We're not unmindful or ungrateful of the
12 money that was devoted to infrastructure in the
13 Recovery and Reinvestment Act, but it's approximately
14 \$150 billion, and the American Society of Civil
15 Engineers just released a report saying that our
16 nation's infrastructure gap is \$2.2 trillion -- and
17 that's just to repair the infrastructure that exists,
18 not to build new ones, like an intercity high-speed
19 rail line.

20 With that as a background, you're going to
21 tell us how we solve that problem and how we find
22 ways of funding and financing what we all believe

23

1 this country needs to do to get a first-class
2 infrastructure that will allow us to be competitive
3 economically in the world marketplace. Dr. Atkinson.

4 (Applause.)

5 DR. ATKINSON: Thank you so much, Governor
6 Rendell. It's a pleasure to be here and somewhat
7 timely as well, as Governor Rendell alluded to.

8 (Slide.)

9 I'm chair of the National Surface
10 Transportation Infrastructure Financing Commission,
11 established by Congress in the last two authorizations
12 of the Surface Transportation Act, and we will be
13 releasing our final report and recommendations to
14 Congress and the administration on Thursday at the
15 National Press Club.

16 So, I want to talk about -- this isn't
17 just about physical infrastructure of roads and
18 bridges, as critical as they are. For the last
19 decade, becoming just as important is what's been
20 called digital infrastructure, broadband, smart grid,
21 e-government, health IT -- all sorts of information
22 technology that will increase our prosperity and

23

1 quality of life.

2 (Slide.)

3 In the postwar period, the U.S. was
4 essentially the world's leader in infrastructure. We
5 are not anymore. We are actually far from being the
6 world's leader. Part of the problem is that when
7 you're the first mover, you've got a certain number
8 of limitations. We're locked into old technology.
9 Other countries have built more toll roads, for
10 example, because when they're building the roads,
11 they already have transponders in place so they just
12 go ahead and put in a toll road.

13 When we built the interstate highway
14 system, we couldn't really do tolling efficiently.
15 We had an aging system. Our infrastructure was older
16 than similar countries', and as a result, is more
17 costly to repair. Perhaps, most importantly, we have
18 an attitude that our infrastructure is good enough,
19 and therefore we really don't have a national crisis
20 and need to do something about it.

21 If you look at some other countries, I
22 think you'll see that they have a different attitude

23

1 about the critical nature of their infrastructure.

2 So I would argue, as Governor Rendell just said, that
3 our goal should not be to have good infrastructure,
4 it should be to have the world's leading
5 infrastructure.

6 To do that we're going to have to make
7 investments, we systematically underinvested in our
8 infrastructure, but we're going to have to do more
9 than that. We're going to have to build it smarter
10 and with new technology. Just to give you an example
11 of how far the underinvestment is.

12 (Slide.)

13 We estimate, according to our Commission,
14 that if we want to improve the system -- and by improve
15 I mean make modest, gradual improvements, not fix it
16 Overnight -- there is a gamble of \$138 billion
17 nationally. So this is all federal, state, and local
18 revenues.

19 This is transportation law, so in other
20 words, in surface transportation, transit, and highways
21 we invest state, local, federal about \$76 billion a
22 year. So to improve it, we have to invest \$138

23

1 billion more. Just to keep it from getting worse
2 we'd have to invest \$96 billion more.

3 Put that in the context of the stimulus.
4 The stimulus relies -- applaud the stimulus, and the
5 efforts in there and I think they all help. The
6 stimulus for roads and highways and transit and
7 bridges will essentially fill three months of this
8 gap. So it's a good thing, if anybody says to you,
9 we solved the problem because we've done stimulus,
10 they're just simply not looking at these numbers.

11 So what do other nations do? (1) They
12 invest more money; (2) they raise more money from
13 direct user fees; (3) they embrace innovation more in
14 terms of how they build and manage the
15 infrastructure; and (4) they use public-private
16 partnerships more than we do.

17 We seem to have an aversion to using them.
18 Either we think that it's totally private so we have
19 a broadband network where government isn't helping
20 very much or we have a rogue network where we don't
21 let the private sector do very much.

22 (Slide.)

23

1 So what do we learn from other nations?

2 (Slide.)

3 One thing we learned is, they simply have
4 higher fuel taxes. In Canada, the gas tax is 50 percent
5 higher than here in the U.S. In the U.K., the gas
6 taxes represent 7 to 8 percent of the purchase price.
7 Here in the U.S. it's 20 percent. So it's not only that.
8 I don't think we can simply say that gas taxes are the
9 answer, but they certainly play some role.

10 (Slide.)

11 There's another thing that other nations have
12 done more aggressively than we have, and that's the
13 direct user fee as a way to pay for a wide variety of
14 infrastructure -- in particular, tolling and congestion
15 pricing. Cities or countries like Singapore, London,
16 Milan, Oslo, Stockholm have used cordon pricing to
17 deal with congestion in cities and raise money.

18 Places like France and Japan use
19 congestion pricing. So if you want to drive on
20 Japanese freeways, you're going to pay a fair amount
21 more, about 50 percent more during rush hour and you're
22 going to pay an equivalent less on off-peak period,

23

1 and they want to do that because they want people to
2 use other forms or to use the roads more efficiently.

3 If you think about tolling right now, 46
4 nations operate toll facilities. Go to a country
5 like Mexico, Korea, or Indonesia, 100 percent of their
6 freeways are tolled, 95 percent in Argentina, 75 percent
7 in France, Spain, Portugal, Greece, etc. Other countries
8 have used that as a way to raise commuting funds.

9 China is building a 53,000-mile interstate
10 highway system. Ninety percent of it is going to be paid
11 for through tolls. One of the reasons I think that's
12 important is, if you want to build capacity,
13 particularly in your metropolitan areas, and you want
14 to rely on the gas tax, it's very, very difficult to
15 do that.

16 The gas tax can comprise 10 to 15 percent of
17 the costs of construction. So in other words, if you
18 took all the cars driving on the facility and added
19 up all the amount they're going to pay in gas taxes
20 driving on that facility, you'll get about 10 to 15
21 percent of the revenue you need.

22 You simply can't get there, or it will take
23

1 you a long time to get there. So one of the things
2 that other countries have done is they particularly
3 use tolls and PPPs to add new, expensive capacity.

4 You look at a place like Melbourne,
5 Australia. The state of Victoria needed to build a
6 Freeway; later on the city, a bypass which would cost
7 \$1.5 billion. It's simply beyond the budget to do
8 that. They used the PPP, the public-private
9 partnership, used it as a toll facility. It was very
10 successful. In fact, if you look at the state of
11 Victoria, PPPs account for 10 percent of all capital
12 expenditures on infrastructure -- so transport, water,
13 electricity, and other things. In Italy, 90 percent of
14 the networkers are PPP.

15 (Slide.)

16 In Santiago, Chile, this is an example of
17 a PPP project there. They have done 100 miles of
18 toll roads in Santiago since 2001 using 30-year
19 concession contracts as PPPs.

20 (Slide.)

21 Another thing nations are doing, is that
22 they're increasingly relying on new technology. The

23

1 slide on your lift is a slide from Germany where they
2 were the first country to put in place satellite-
3 based heavy vehicle tax. Heavy vehicles in Germany,
4 whether they are German or not, they pay a fee by the
5 mile that's also related to the number of axles but
6 also related to the environmental cleanliness or
7 emissions of the truck. That's on 7,500 miles of
8 motorways in Germany. And now they've done a number of
9 studies on it, and they found that the system not only
10 raised money, it led to environmental improvements,
11 and it also led to a 10 percent decline in the transit
12 of empty trucks.

13 So the trucking industry in Germany is
14 more efficient now because of this system. Other
15 countries have gone further than other ones. By
16 2014, just in five short years, we'll have
17 transitions to 100 percent of vehicles in the Netherlands
18 -- cars and heavy vehicles, trucks, will be paying by
19 the mile. So it's a satellite-based system and
20 they're doing that principally for environmental
21 reasons.

22 They want to charge people for what they
23

1 use, not fixed costs that are unrelated to the
2 environmental use of the system.

3 I just learned today that Denmark is
4 committed to doing that by 2016, and we all know a
5 number of states in the U.S. are considering that or
6 looking at it, Oregon being the leader with a pilot
7 program.

8 I want to make one quick point on that,
9 which has come up, I think, in some of the press
10 coverage in recent days, and that's the issue of
11 privacy. Certainly, I think given that it's brand
12 new technology, it's common for people not to know
13 very much about it.

14 In fact, when we started this, I didn't
15 really know exactly how these systems would work. As
16 our commission looked at this in detail, one of the
17 things that became clear to us is the signal where
18 the location of the vehicle is, is a one way signal.
19 It's not a two-way signal. So the government cannot
20 track you through the signal. It's essentially like
21 Onstar on your car, or it's a one-way signal that just
22 determines the location of the car.

23

1 Then there is a little computer in the car
2 itself. That can be designed as it was in Oregon to
3 transmit only payment information. So when the car
4 would go to the pump in Oregon it would say, it would
5 interrogate the OBU, the onboard unit on the car. It
6 doesn't say when did you drive, where did you drive,
7 or how much do you drive. It just says what do you
8 owe. That is the way the system should be built, not
9 as the way it can be built.

10 So I would just suggest that these systems
11 can be designed and should be designed to be
12 completely protective of Americans' privacy and civil
13 liberties.

14 (Slide.)

15 Just a few other things before I close on
16 some suggestions and recommendations. Other nations
17 are not just building better transit highway systems.
18 They are also building smart electric grids. In other
19 words, the electric grid, if you look at the electric
20 grid today, it looked like what Thomas Edison built
21 100 years ago. These are grids now that are smart.
22 They could have variable time pricing so that you

23

1 have an incentive to run your dishwasher at night
2 when you are off peak load.

3 You can have it two ways and build
4 electricity into the grid. Other countries are
5 moving ahead aggressively. Italy is installing 25
6 million smart meters. Malta -- the country is all
7 smart meters. Ontario recently added a \$4 monthly
8 charge to their customers to install smart grid, and
9 the customers will save much more than \$4.00 a month
10 at the end of the day.

11 (Slide.)

12 Other nations are funding broadband as
13 well. As you know, or probably heard, we rank
14 anywhere -- probably 12 is the best number of the
15 OECD numbers on broadband -- but there are other
16 countries that have done really enormous progress.
17 In Japan, about 80 percent of homes can get 100 megabit
18 fiber to the home.

19 In the U.S., you can pretty much only get
20 that if you live in Verizon territory where they've
21 installed FiOS. We're still better than Europe on
22 that, but we're still behind Asia.

23

1 Other countries have done a better job of
2 deploying broadband to more places. You go to a
3 country like Sweden, which is just as, if not more
4 rural in some of parts of the country as any
5 American state, they have 33 -- they're almost as
6 rural as Montana, they're colder than Montana -- and
7 they have only 33,000 homes in Sweden that do not
8 have wired broadband.

9 One of the reasons, by the way: They don't
10 think that's acceptable. They want to get that
11 number down. By the way, that's 8-10 times fewer
12 homes, on a percentage basis, than in the United
13 States. One of the ways they did that is they did a
14 PPP, public-private partnership, back in the last
15 Recession, and they invested -- either through tax
16 credits or grants or a combination -- the equivalent
17 of \$33 billion.

18 So while I applaud Congress for \$7.5
19 Billion -- it was a very important step -- we need to
20 also put that in perspective: \$33 billion in Sweden.
21 The Irish government just committed on a broadband
22 stimulus package -- or at least announced -- around \$23
23

1 billion. They have been on the same per capita
2 level.

3 A related component of that also is e-
4 government. Increasingly, I think that's an area
5 where other nations are exceeding us -- we used to be
6 number one in the world in e-government; we're not
7 anymore. If you look at progress in the U.S. in e-
8 government, we are frankly dead last among 40
9 countries in the report we're issuing out on
10 Wednesday. So we need to do more in all these areas.

11 (Slide.)

12 What are some lessons learned from other
13 countries? I think number one is develop priorities,
14 figure out what are the most important infrastructure
15 projects that that need to happen in your state, and
16 then determine the best ways to fund them.

17 There are going to be a wide variety of
18 ways to fund projects. I think -- I applaud you all
19 because I worked for a governor in Rhode Island for a
20 while. I was struck more by governors when I came to
21 Washington. Governors are essentially more pragmatic
22 actors, and so I applaud you for looking at all of

23

1 these various tools. We cannot solve this by
2 keeping some tools off the table; you have to look at
3 them all.

4 I think it's critical we rely more on
5 direct user fees as we move to a world where we are
6 concerned increasingly about global warming and
7 carbon emissions. We simply shouldn't be funding and
8 we shouldn't be subsidizing travel. Yet today, about
9 40 percent of overall transportation funding does not
10 come from user fees. It comes from general fund subsidies
11 and other kinds of things. I think we should make
12 users pay. I ride my bike so I don't have to pay
13 anything. But in general, the more users pay, the
14 more efficiently they use the system and certainly
15 there are environment benefits.

16 A number of these studies including the
17 last *Conditions and Performance Report* by the U.S.
18 DOT that show that if you impose user fees -- more user
19 fees, including congestion pricing -- you simply have
20 to build less infrastructure.

21 Think of it how the phone system was
22 designed. It was never designed -- it was designed

23

1 intentionally for higher prices during the day and
2 that was where the peak was so there would be less
3 peak road. They wouldn't have to build as big a
4 network. We need to be thinking like that in
5 infrastructure.

6 I talked earlier, utilize public-private
7 partnerships. That's what a lot of countries now are
8 doing, partly as a way to modernize projects, get
9 them in the pipeline quickly and then paid for
10 through user fees over time.

11 We need to ensure regulation supports the
12 investment. That is not just in the highway system.
13 We need to have the right DOT or state DOT rules, but
14 also it's smart grid. For example, if the state were
15 to use these allowed rate recovery for smart grid
16 investments, that can play a big role in driving us
17 forward. We need to think about that also with
18 broadband to make sure that the right regulatory
19 framework is in place to not restrict broadband
20 deployment.

21 And lastly, I think it's critical to
22 communicate to the public. It's striking to us -- we
23

1 did issue the interim report and the number of
2 comments we got back from people around the country
3 complaining about how they're taking the gas tax --
4 when it's going into the general fund of the federal
5 government, where 99-plus percent of the gas tax does
6 not go into the general fund, it goes into the
7 highway trust fund, which immediately goes out and
8 funds critical projects you all are funding. But I
9 think a lot of Americans simply aren't aware of that.
10 They don't understand how that funding system works
11 and how robust it is.

12 And the last point I'll make is that in a
13 lot of cases, certainly not all, but when states have
14 embraced, or other countries where people have
15 embraced, some of these PPPs and pricing projects,
16 what they find is initial public acceptance is not as
17 high as it might be, but then it grows.

18 One of the best cases is Stockholm, where
19 they just did a congested pricing program, a cordon
20 pricing program -- excuse me -- last year, and
21 initial approval was less than 50 percent. After they put
22 the system in place, acceptance rates were up around
23

1 somewhere in the low 60s because people saw it, they
2 liked it, they saw that it worked, they saw it was
3 effective. So sometimes it's simply just educating
4 people, the travelers, to say we need a better system
5 and we need help to do it. Thank you very much.

6 (Applause.)

7 GOVERNOR RENDELL: We're going to take
8 some questions for Dr. Atkinson. Let me ask the
9 first question. Dr. you talked about public-private
10 partnerships. If we were to do an infrastructure
11 bank, as you know, there is some support for that in
12 Congress, and the President supports it. If we were
13 to put federal seed money in to get private
14 investment into that bank, are there changes to the
15 tax code that will help steer private investments
16 into an infrastructure bank or any infrastructure
17 projects?

18 DR. ATKINSON: I don't want to go too far
19 ahead on our report on Thursday, but we do talk about
20 the national infrastructure bank idea. We think a
21 system like that can play an important role,
22 particularly if it's designed right.

23

1 We do have what's called private activity
2 bonds in the U.S., which are limited in terms of
3 their use. They're capped, I think at \$15 billion I
4 believe. I think, if you think about how private
5 activity bonds work, they're essentially bonds for
6 some private entity to build, essentially, public
7 infrastructure; yet we're treating them as if their
8 private activities don't deserve public support.

9 I think we could seriously be thinking
10 about expanding the cap, eliminating it, but
11 certainly expanding the cap so that it puts those
12 projects on a little bit more of a level playing
13 field.

14 GOVERNOR RENDELL: Other questions for Dr.
15 Atkinson? Yes. Governor Markell.

16 GOVERNOR MARKELL: When you talk about the
17 alternative funding schemes, including those
18 overseas, to the extent that the U.S., as a nation,
19 does not have a national strategy, how successful
20 can individual states be trying to do something on
21 their own?

22 DR. ATKINSON: I actually think it's

23

1 going to be quite difficult for states to do this on
2 their own. Let me back up by saying I think it's
3 difficult for individual states to do this on their
4 own. Collectively, if states wanted to try to do
5 this, that might be possible, but what you want to
6 have is scale economies. That's a critical thing.

7 If you read the Oregon report that came
8 out, it talked about how difficult it would be for
9 Oregon itself to do this. One of the main reasons
10 is, if a VMT system is going to work, you essentially
11 have to have a national mandate or rule for onboard
12 unit standardization. Onboard units need to be built
13 into the car as standard equipment and may need to be
14 standardized so my onboard unit will work in Delaware
15 as well as it will work in Montana.

16 Again, states could do some of that, but I
17 think ultimately federal leadership is going to be
18 needed.

19 GOVERNOR BEEBE: Actually, about 20 years
20 ago, Governor Markell, we had an issue with VMT
21 involving 80,000-pound trucks. It evolved into a
22 Commerce Clause issue. So individual states can,

1 under certain circumstances, run afoul of the Commerce
2 Clause and restrict interstate commerce to the point
3 that you've got a legal issue. So I think you've got
4 legal issues over and above the actual practical
5 issues that Dr. Atkinson is talking about.

6 GOVERNOR MARKELL: That really raises the
7 stakes. Based on the conversation we had earlier
8 today with the secretary of Transportation and some
9 of the conflicting views coming out of the
10 administration -- and I think the necessity in us really
11 trying to not only get a sense of where they are
12 coming from, but really trying to encourage them to
13 come up with a strategy.

14 GOVERNOR RENDELL: Any other questions?
15 Governor Daniels.

16 GOVERNOR DANIELS: First of all, that was
17 terrific. Thanks an awful lot. You talk about some
18 misunderstanding, lack of information about something
19 as basic as the gas tax proceeds.

20 Most of what you say here is strangely
21 unknown to a lot of our colleagues in other parts of
22 government who don't understand how conventional some

1 of these things have been for a long time elsewhere.
2 I hope you have another chance to give that slide
3 show frequently.

4 My question is, my impression is that the
5 cost of conventional mass transit in this country
6 keeps going up and up and up for a variety of reasons,
7 whereas the technology you were just describing does
8 improve the ROI on alternatives, congestion, pricing,
9 smart highways, and it's a little hard to keep up
10 with the pace of that. But in general, are not these
11 moving in opposite directions and are there out there
12 some exciting new alternatives to the extremely
13 expensive, time-consuming, and always subsidy-
14 devouring mass transit systems that we've built in
15 the past?

16 DR. ATKINSON: In our commission, they are
17 undecided. There were three things -- we call them
18 buckets. Bucket one was how much money we needed to
19 raise, bucket two was how do we raise it, and bucket
20 three was how do we spend it.

21 I would call that a bucket three question.
22 It's a very good question, but it's a little bit

23

1 beyond what we focused on. I don't really feel I can
2 answer it.

3 I will say two things, though. Number one, a
4 number of studies seem to find that if you move
5 toward congestion pricing you make the case -- the
6 economic case -- for transit to be more economical and
7 more efficient simply because people now are paying
8 their true cost of driving at rush hour congested
9 period, and therefore it makes more economic sense to
10 do transit.

11 The second piece of this, again, is just my
12 own personal view and not that of the commission.
13 There are some very interesting social Web
14 technologies, if you will, that allow -- for example,
15 there is one project that allows people to go on the
16 Web, have registered drivers sign up, registered
17 users, and then use the Internet to figure out trip
18 matching, which is in a way sort of like paratransit.
19 Everybody gets to use it.

20 There are some very creative things that
21 we'll probably end up seeing in a decade, which we
22 can't imagine right now.

23

1 GOVERNOR RENDELL: Governor Ritter.

2 GOVERNOR RITTER: On the vehicle mile
3 travel, with different countries that are using it,
4 they seem like they're fairly small relative to some
5 of the places that we live. We just had an omnibus
6 transportation bill run through our house, actually
7 it's still on the way through, but it had vehicle
8 mile travel as a pilot in it.

9 One of the problems, of course, is the
10 privacy issue which you discussed. The other problem
11 was that in rural areas, people in the agriculture
12 sector wind up driving so many more miles per day in
13 making these 60-mile, 100-mile round trips and
14 therefore would be disadvantaged by a system measured
15 according to miles traveled. Are there ways -- is
16 there an accounting for that, some kind of equity
17 built into VMT systems that takes into account what a
18 rural area would do?

19 DR. ATKINSON: We actually looked at this
20 a lot, and I have to tell you it was our perception
21 as we went through it, that what you said was
22 probably true and what we ended up concluding is that

23

1 it may not be. Partly we don't know enough. We are
2 actually going to be laying out a fairly detailed
3 roadmap on a lot of these different recommendations.

4
5 Part of that is we need to look at that
6 question of rural more, but I would just come back
7 and say someone who drives a lot in a rural area,
8 maybe 60 miles to get to work one day, they're
9 already paying a lot in the gas tax. They're paying
10 maybe 10 times more than someone who drives six miles
11 a day. So that's something I have not thought about.

12 It was quite obvious but I'd forgotten
13 about, so it's not clear if you charge per miles.
14 It's probably more accurate to say that people who
15 drive cars that don't get as good mileage may be
16 actually a little bit better off than people who
17 don't because they end up paying by the mile instead
18 of by gas.

19 So the question is, do rural people as a
20 group tend to drive less mileage-efficient cars? We
21 just don't know that yet, whether a part of this, and
22 I figure it would be helpful in Washington, DC, for

23

1 this to be part of the conversation because the
2 President has made clear he wants to put a
3 significant number of electric cars or hybrid on the
4 highway -- I think by 2015 -- but the gas tax is totally
5 inefficient. There is no way the gas tax measures
6 the impact at all.

7 As we as a country transition towards
8 greater use of electric cars or hybrids, we have to
9 have some other way, and that doesn't seem to apply to
10 the conversation right now, in terms of
11 transportation funding. I think the secretary of
12 Transportation does understand this.

13 DR. ATKINSON: If I can add one piece on
14 this, which is the environmental question. The
15 Oregon study actually found a very interesting
16 conclusion which was that even though the system was
17 designed in the pilot to be revenue neutral so that
18 users were paying approximately the same on average
19 in their VMT fees as their gas tax, they actually
20 drove less. They drove less because it was visible
21 to them.

22 So psychologically people use the pricing
23

1 signal to be more efficient and to become more
2 environmentally -- better environmental users, if you
3 will. So there are, I think, some interesting
4 environmental benefits that may come about from doing
5 something like that.

6 I think that's the case because the fuel
7 tax is not only small relative to other places in the
8 world, here in the United States it's also very much
9 hidden. Unless you're a governor, you may not have
10 any idea of what price you pay on the gallon either
11 in federal taxes or to the state Highway Use Trust
12 Fund. Until it's not so hidden, I don't think you
13 wind up impacting behavior.

14 GOVERNOR RENDELL: We have to go on to our
15 next speaker, but Rob before you go -- he is going to
16 wait around until the end of the session for any
17 additional questions. Is the report you're going to
18 have released on Thursday, is it on the Web site?

19 DR. ATKINSON: I certainly hope. It will
20 be posted on Thursday on
21 www.financecommission.dot.gov. It will definitely be
22 on our Web site, which is itif.org, www.itif.org.

23

1 We'll be sure you all get copies.

2 GOVERNOR RENDELL: Thanks very much. Our
3 next speaker is one whom I hope will be as
4 interesting as Dr. Atkinson is -- Connie Hedegaard,
5 Denmark's first minister for climate and energy. She
6 was appointed to this position in 2007, but served
7 previously as minister of environment and in a series
8 of other distinguished political positions during her
9 long and successful career.

10 Joining Connie today, although I don't think
11 he'll be addressing us, is the Danish ambassador
12 to the United States, Frees Petersen. Ambassador
13 Petersen, it's a pleasure to have you here.

14 Denmark will host the UN's Climate Change
15 Conference in Copenhagen in 2009. Minister Hedegaard
16 is actively working to forward both domestic and
17 international discussions on climate change.

18 Denmark boasts an extensive network of
19 highways and bridges but they also have very well
20 developed railroads and bicycle routes and a pioneer
21 in initiating the first electric car charging
22 networks in the world.

23

1 Denmark is also the leader in alternative
2 energy infrastructure prompted by the oil crisis of
3 the 1970s. Denmark transformed their energy
4 infrastructure to become energy independent,
5 including generating 20 percent of their electricity
6 from wind, using turbines from the Danish turbine
7 producer Vestas.

8 The minister will share with us some of
9 the success stories and challenges Denmark has faced
10 in developing and maintaining a robust infrastructure
11 that has supported a strong economy and, as
12 importantly, a sustainable environment. Minister.

13 (Applause.)

14 MINISTER HEDEGAARD: Thank you very much,
15 Governor Rendell, for your kind introduction and thank
16 you also for this opportunity to try to give an
17 international perspective on your discussions on
18 infrastructure.

19 I must say it's a great privilege to
20 address you, those guys who are going to deliver out
21 there in the states, and we're all looking forward to
22 what will come out of all the interests and

23

1 deliberations here.

2 And, of course, also as Governor Rendell
3 just mentioned, as part of the upcoming UN Summit on
4 Climate Change, we hope to conclude a truly ambitious
5 and truly global deal, which is what is needed. And,
6 of course, we're doing everything we can to ensure
7 that an ambitious and truly global deal can be
8 reached in Copenhagen this year because we now have
9 this golden opportunity.

10 I'm not going into today why that is
11 necessary, but I would sort of emphasize why we all
12 have to see this as a golden opportunity. What came
13 to us as a financial crisis has turned out to be much
14 more severe, much more global, and much more complex
15 because international crisis questions our economic
16 systems, our energy systems, our infrastructure, the
17 nature of our resource demand, and our efforts under
18 global climate. In fact, it questions the core
19 structures on which we've been used to build our
20 modern economies, our modern societies.

21 We simply cannot, as I see it, afford not
22 to rethink the way we shape our societies and

23

1 economies. We can't afford not to invest in a green
2 sustainable future. But of course, going green is
3 not a walk in the park. It requires careful
4 decisions. It requires a lot of planning, and above
5 all, it requires a thorough look at existing
6 infrastructure systems.

7 So, how we see it is, that the current
8 crisis provides us with a unique chance to create new
9 synergies between our transportation and our energy
10 systems. I'll go more into detail with that.

11 Modernizing the power grid and integrating
12 it with our neighboring countries has actually made
13 it possible for Denmark to handle the fluctuating
14 production of power from the grid.

15 When someone else just before that
16 national versus doing things on a very limited basis.
17 We're trying to connect our grids with our
18 neighboring countries, and also the EU is getting much
19 more into the whole grid issue to take care that we
20 do things as efficiently as possible.

21 Likewise, the introduction of electric
22 power through our transportation system, as just
23

1 mentioned by the governor, will provide a useful
2 storage opportunity for wind generated power, which
3 means that we can use our wind power in an even more
4 efficient way, when we can store it on batteries and
5 the car can drive on those.

6 Transportation, of course, is crucial to our
7 modern way of life but transportation is also a key
8 reason for our current emissions and energy
9 dependency. We must diversify, increase efficiency,
10 and also enhance public transportation to rid
11 ourselves of this dependency, and we must redesign
12 our transportation infrastructure.

13 In our experience, the planning here is
14 absolutely essential. For instance, since many, many
15 years, we have only allowed the bigger companies to
16 build in areas where they're supported by public
17 transportation and new housing projects along the
18 same lines, as it allowed Danish citizens to keep
19 congestion and pollution to a minimum. So that is to
20 say, we cannot sort of build in areas where you do not
21 take care to get public transport there before the
22 people or the companies arrive. So it's sort of

23

1 thought into the planning from the very outset.

2 In the Danish capital, Copenhagen, one-
3 third of all the transport between home and job will
4 be by bike. That's a fact, just one-third. Kids ride
5 their bikes to school safely on paved bike paths
6 throughout the country.

7 In the Copenhagen area, there is also
8 established an integrated public transportation
9 system, commuter trains, buses, and most recently a
10 metro system, which is continuously being expanded.

11 On a national scale, we have seen great
12 results from establishing our capital and major
13 cities around the country. We have an efficient
14 intercity rail system between our capital and major
15 cities around the country. I'll give you two
16 examples. Two-thirds of all the people who go from
17 our capital to our second largest city three hours
18 away, they prefer to do so by public transport and
19 our satellite city is two hours away from the
20 capital, up to half of that transport will be by
21 public transport, primarily by train.

22 So just to show how public transport is
23

1 not just some side effect, it's actually being used.
2 The longer the distances are, the transportation that
3 we use is expanded as it is and transfer better into
4 more comprehensive public transportation are being
5 drafted as part of an overall plan for greener
6 transport that the government had political
7 acceptance for last December and one of the things
8 with the congestion charge and the plans that were
9 just mentioned by Rob Atkinson.

10 As part of this plan, we have started to
11 comprehensively address the transition from fossil to
12 alternative fuels. Just to be frank, the current has
13 barely changed since its inception. It still uses a
14 hopelessly dated combusted engine using only a
15 fraction of the input energy.

16 Until other technologies have matured
17 enough to reach critical mass, sustainable biofuels
18 provide the necessary alternative to gasoline. In
19 particular, second generation biofuels set a great
20 potential for economic development in rural areas,
21 but at the same time, limit our carbon footprint, but
22 in the longer run, we believe that the electric car

23

1 is a promising alternative.

2 Actually, Rob Atkinson already referred to
3 Thomas Edison, but actually, Thomas Edison and Henry
4 Ford both built cars, one with electric and one with
5 a combustion engine, and in the year 1900, about 4,000
6 cars were produced in the U.S., and one-fourth of
7 them actually were electrical cars.

8 We now know who won that race at that
9 time. The result was, we've been spending the last
10 100 years on gasoline- and diesel-based auto
11 infrastructure. We now know that electric cars are
12 much smarter. Electric engines are more than three
13 times more energy efficient than combustion engines,
14 and at this time we have a golden opportunity to
15 establish the right framework of emissions for the
16 electric car market to take off because the key
17 infrastructure for electric cars, the power grid,
18 needs an overhaul as well. So we can sort of hit two
19 flies in one.

20 The basic concept of our current energy
21 system is that if you want more power, well then you
22 put in more fuel, mostly coal, gas, or oil. Very

23

1 simple, but also quite expensive and in a carbon
2 restrained future, certainly not the optimum option.

3

4 We must rely much more on renewable energy
5 sources. Some of which will be fluctuating beyond
6 our control. Wind power is only produced when the
7 wind is blowing and the voltage is flowing at night,
8 of course.

9 Consequently, the energy sector faces the
10 need for more intelligent and integrated power systems
11 and an accompanying infrastructure. New common
12 ground is forming between the energy sector and the
13 transport sector. In the coming decades the rise of
14 new common grid and energy storage technology will
15 make both renewable energy and electric vehicles more
16 competitive and more feasible.

17 Turning again, then, to the grand picture:
18 The fact remains that energy security and stable
19 energy prices are crucial to our economies and we are
20 increasingly dependent on raising funds to pay for
21 energy supplies from hostile regimes in volatile
22 regions. At the same time, energy supplies are
23

1 limited, and the global demand for energy will always
2 continue to grow.

3 So from our strategic perspective, we
4 have to find better alternatives. Dealing from oil
5 and gas will not solve the problem for us in the long
6 run. We need a more diversify portfolio of energy
7 sources to keep prices down and there is no
8 contradiction between economic growth and an
9 ambitious policy to diversify our energy intake and
10 delete our carbon footprint.

11 On the contrary, the policies needed to
12 address climate change and revitalize our core
13 infrastructures are the very same policies that can
14 help rebalance and revitalize our economies.

15 Denmark has already seen the positive
16 effects of a modern energy and transportation
17 infrastructure, enhanced energy efficiency, and
18 increased use of renewable energy. When the first
19 oil crisis pulled the plug back in the early '70s,
20 Denmark was almost completely - 99 percent -- dependent
21 on import of fossil fuels from the Middle East.
22 Consequently, our economy was seriously hurt by the

23

1 price increase and the disruption of oil supplies.

2 At one point, the situation was so grave that private
3 cars were prevented to drive on the streets on Sunday.
4 That was only in my childhood. It's not any longer
5 back. We managed to get our cars back on the streets,
6 and more importantly, the crisis brought about a
7 reform of our energy supply system.

8 Comprehensive district heating systems
9 were established in all centers and communities
10 supplied by highly efficient combined heating power
11 plants, and waste incineration was introduced for
12 power and heat production. In Denmark today, we turn
13 all our household waste into energy, without
14 exception.

15 It requires a natural gas grid based on
16 gas findings in the North Sea and was established
17 covering a large part of Denmark, and renewable energy
18 sources and energy efficiency issues were given high
19 priority.

20 We've adopted market-based policies and
21 incentives to foster demand for the right types of
22 technology. There is an abundance of clean,

23

1 efficient technologies out there already, but we, the
2 politicians, need to create the environment for them
3 to be used.

4 In Denmark, we've introduced subsidies for
5 renewable energy, paid for by the consumers through
6 public service operations on their electricity bill.
7 That also means that it contributes to awareness
8 because it's clear to people when they get their
9 bills that energy comes at a price.

10 We have for many years included energy
11 efficient standards in building codes and now we
12 require government buildings to reduce energy
13 consumption by 10 percent in 2011. All public buildings
14 will have to be energy labeled and all the
15 initiatives will have a payback time of five years or
16 less. It must be carried out in real life.

17 Also, the European Union has regulating
18 industrial design standards and fuel efficiency
19 standards, and the Danish vehicle tax system favors
20 environmentally friendly cars and electric vehicles
21 are exempted from taxation altogether in the next
22 many years.

23

1 So that gets back to what Governor Ritter
2 was mentioning. You have to have the incentives
3 right for people to invest in the new generation of
4 cars, and we're trying to take care of that.

5 I don't know if I dare say it here to such
6 an American audience, that for decades we have taxed
7 fuel and energy consumption to make incentives right,
8 and I must say it seems to have been working. For
9 instance, the average Danish electricity consumption
10 in a household will be 5,000 kilowatts per hour,
11 whereas in the United States, it is 11,000 at an
12 average, and our living standards will be greatly
13 similar.

14 At the same time, we have aid to spur
15 development and introduction of new and enhanced
16 technologies by doubling the public budget for
17 research and development of energy technology over
18 the past few years.

19 Finally, with the European trading scheme
20 for greenhouse gases -- we have established a price and
21 tax of investments in the direction of clean and
22 efficient technologies. But then, of course, the big
23

1 question is, did these political choices then harm our
2 economy? And I would say no.

3 On the contrary, there is no doubt that
4 these policy decisions have served them well. And
5 just in conclusion, I'll give you a few examples
6 because over the past 25 years, Denmark has had a
7 growth in our GDP of almost 80 percent. Yet at the same
8 time, we have kept our total energy consumption
9 almost stable.

10 We have gone from being almost completely
11 dependent on foreign sources of energy to being an
12 energy exporter, and we have become the most energy
13 efficient country among the EU 27.

14 In short, we have turned a potential
15 economic disaster into growth and job creation in a
16 new clean tech industry -- an industry that by the way,
17 is largely located in remote areas, areas that have
18 lost a lot of jobs outsourcing to China. They are
19 not benefiting a lot from these new industries and
20 clean tech today accounts for some 10 percent of our total
21 exports and remains one of the fastest growing export
22 areas. Actually the exports in this field are

23

1 tripled over the last 10 years.

2 So as a result of investments in wind, in
3 biofuels and with insulation -- I could mention
4 numerous more, but all of this came out of 30 years
5 of focus in this area. We don't just claim that wind
6 growth pays off, we can prove it in clean, cold
7 numbers.

8 Just a final example, in 1980 we only had
9 3 percent of our total energy consumption stemming from
10 renewables. We have no natural hydro anything.
11 Today, we have almost one-fifth of our energy coming
12 from wind, biomass, and to a larger extent now, biogas;
13 and we have a plan for how it will be 30 percent in 2020.
14 And of course, that has been possible also due to
15 the fact that we have made a very flexible grid
16 system that can sort of take that 50 percent of our
17 electricity will be generated by wind, and it takes
18 quite a flexible grid that can achieve results like
19 that.

20 In concluding, even if you agree thus far,
21 then you may ask, but how on earth can we finance all
22 this during the current economic recession and with
23

1 the current credit crunch? Well, if there is one
2 lesson that the financial crisis has taught me, it is
3 that money is not always where you expect it to be.
4 At least, it seems it's not in the banks.

5 On the other hand, millions have had a
6 tendency to emerge where we didn't think to look.
7 The Copenhagen Metro System that I mentioned was
8 planned some 15 years ago. Financing quickly became
9 an issue, and in a visionary scheme, the state provided
10 the necessary funds by selling its lands in the area
11 to be serviced by the new metro at soaring prices,
12 due to, well, the arrival of the metro.

13 That is just one example of interrupted
14 financing, and the public-private partnerships that
15 was mentioned as another idea. But once more -- and
16 that is in my last remark -- as I see it, we simply
17 do not have a choice, because to continue in business
18 as usual isn't a choice. The only kind of growth we
19 can afford in the 21st century is green growth,
20 sustainable growth, which you have seen here.

21 Just to end up with that, my recent visits
22 to East Asia have convinced me that China has

1 realized the potential of green growth and so have
2 others. Why, only a few weeks ago I was in the United
3 Arab Emirates, and of all places, at this very day,
4 they have a target for renewables of 7 percent in 2020.

5 Just to say that things are really
6 changing, in Saudi Arabia, they told me that they
7 expected in only a few decades to export more solar
8 energy than today they are exporting oil. So what is
9 being determined during the current crisis is also
10 who will hold the strategic leadership in this
11 century, in this world. The urgency of the financial
12 crisis is no excuse for neglecting the climate
13 crisis.

14 In our country, green is the color of our
15 future. We do not have any alternative, as we are
16 going to become 9 billion people to live on
17 planet Earth in the middle of this century.

18 The time will not permit that I go into
19 more details about the Danish example, but just
20 summing up, I would say that the Danish case proves
21 that it pays off job wise, economy wise,
22 environmentally, and climate wise, and then it comes to
23

1 energy security as well.

2 I wish you all the best in your endeavors
3 and thank you very much for your attention.

4 (Applause.)

5 GOVERNOR RENDELL: Thank you very much
6 Minister Hedegaard. I thought you made a tremendous
7 amount of relevant points. One of the points we've
8 experienced in Pennsylvania, we thought a renewable
9 energy economy is that it is in fact created mostly
10 in rural areas, not urban areas -- in rural areas that
11 have suffered greatest losses, loss of manufacturing
12 plants, that have the toughest economic challenges
13 and I think the minister reiterated that.

14 I'd like to ask the first questions. What
15 type of carbon pricing or carbon tax or cap and
16 trade, and how has it influenced energy in Denmark?

17 MINISTER HEDEGAARD: We will be part of
18 the European Trade regime, but that's all very
19 recently. We've been waiting for that for many
20 years. Actually, we had reduced it by 21 percent before
21 2012 when it comes to emissions, but already in the '80s,
22 we introduced a carbon tax so that when you get your

23

1 electricity bill back home, you can simply see that
2 you have a carbon tax there.

3 The whole idea is to try to have
4 regulations and standards to be accompanied by you in
5 the household being sensitive to meet the savings, to
6 use it in a more efficient way.

7 GOVERNOR RENDELL: Percentage wise, what
8 does the carbon tax add to the basic electric bill?

9 MINISTER HEDEGAARD: I think if I look at
10 my bill it would be something between 15 percent, around
11 that.

12 GOVERNOR RENDELL: And you make up a lot
13 of that because Denmark has also moved toward
14 conservation.

15 MINISTER HEDEGAARD: We need to be the
16 most energy efficient economy among the European 27
17 member states, and that was due to that really severe
18 situation we had back in the '70s. So in periods, we
19 also have given financial assistance to some of the
20 things that you are considering now. You're going to
21 insulate your household, you're going to put a solar
22 panel on your roof, or whatever. In a limited period,

23

1 you will have some benefits from the state if you do
2 so.

3 But when it comes to fuel, then we have
4 heavy taxation. An American in Denmark would just
5 not believe how expensive fuel is. That is, of
6 course, also a part of the explanation why the
7 figures I mentioned that people will sometime take
8 the public transport system because it works and it
9 is smooth and it's of value, packaged by incentives
10 to use public transportation to and from work instead
11 of using your own car.

12 GOVERNOR RENDELL: It's obvious we can
13 learn a lot from Denmark. Questions? Governor
14 Schweitzer.

15 GOVERNOR SCHEWITZER: Thank you. For my
16 colleagues, I want to remind them that Denmark has
17 been the most reliable ally that the United States of
18 America has had during the last 60 years, so thank
19 you for being here.

20 Denmark would fit approximately nine times
21 in my little state of Montana by size. You have five
22 and a half million people, we have about 950,000. So
23

1 as you can see, we're spread out. We are blessed
2 with wind resources that are superior to any place in
3 Europe and so we're developing our wind energy but my
4 question is about your carbon fees/tax. We would
5 call it a fee because we don't want to talk about
6 taxes. This is a cap and trade system.

7 If you were the czarina of climate change
8 in America today and there is no debate, no
9 discussion, knowing what you know today about the fee
10 versus the carbon cap and trade and knowing that we
11 don't have a system that existed at all today, would you
12 choose a carbon cap and trade system or would you go
13 to a carbon fee that would be completely dedicated to
14 research and development around carbon capture and
15 new technologies?

16 MINISTER HEDEGAARD: That's a good
17 question. I think I would go for the cap and trade,
18 and why is that? Because if we only do it by taxes,
19 and I'm talking at the global level, one thing is the
20 political troubles in getting that globally. As I
21 started to say, it is really important that we get
22 this time a truly global deal, which means that also
23

1 France and China must be part of that.

2 I do then believe it's important for cap
3 and trade system, because if we only do it by taxes
4 then some of us, the richest countries, we can just
5 pay the taxes, and did we then really change our
6 habits.

7 I still think that in the cap and trade
8 scheme there is even knowledge that actually we will
9 do things differently, we will reduce emissions, and
10 I think that is the kind of process that we need.

11 So to answer your question, if I had to
12 make that choice, I would prefer that. And I also
13 think that it is most likely to have a global sort of
14 acceptance.

15 GOVERNOR RENDELL: Other questions.

16 Governor Carcieri.

17 GOVERNOR CARCIERI: Minister, I'm
18 interested -- I know Denmark has also been a major
19 leader in offshore wind power. Our little state of
20 Rhode Island on the East Coast -- a number of our
21 governors on the coast are looking aggressively at
22 offshore wind power. Unlike our friends out west

23

1 that have lots of territory with nothing out there
2 and lots of wind --

3 (Laughter.)

4 GOVERNOR CARCIERI: You've got 950,000
5 people, Brian? I've got that many people in 48X40
6 but the question -- I'm interested in your
7 experience, your view, and Denmark's experience with
8 offshore wind power. We are banking a lot on that
9 frankly, on the East Coast in particular as a part of
10 the solution -- not the whole solution, but a part of
11 the solution to our energy needs.

12 So I'm really curious if you could expand
13 a little bit about Denmark's experience with offshore
14 wind.

15 MINISTER HEDEGAARD: We have some very
16 good experience with that. Also you know, what we
17 had put on land -- we have a lot of it, land turbines --
18 but of course, people always will have the tradition
19 of "not in my backyard," and some of the problems will
20 be solved when you put it offshore. And we sort of
21 managed to integrate it very well in the grid, and it
22 comes to the land and it works real well technically,
23

1 but it's also much easier for people to accept
2 because it's sort of not in their sight.

3 Then of course, we will have a major
4 conservation organization. I know that is also
5 sometimes giving problems in the United States.
6 Actually in Denmark, even with those organizations,
7 we'd say this is better than the alternative and
8 they will support it, and we will in the next three
9 years put up more than 800 megawatts of new installed
10 capacity offshore, which is adequate for the
11 electricity consumption of 800,000 households.

12 As the gentleman from Montana was saying,
13 we are 5.4 million. That's quite a bit and that is
14 between now, this year, and 2012.

15 GOVERNOR CARCIERI: Just to follow on, I'm
16 curious. The relative cost between -- I know as we
17 look at it, offshore wind, you know, is more
18 expensive. The maintenance cost and a whole series
19 of things, not having the experience -- but as we talk
20 to people I'm curious, from your experience, because
21 you've been at it longer than any of us, about the relative
22 costs between onshore wind and offshore.

23

1 MINISTER HEDEGAARD: We have two different
2 systems. If we have wind turbines on land we can
3 have some feed-in turrets. But when we make an
4 offshore park we will make sort of a bit round and
5 the best bit will win it. You're right, it is a bit
6 more expensive, but there are a lot of advantages
7 because you get a lot more megawatts at the same
8 time, and it is a very efficient way of using it, and
9 we can expand our grid accordingly. It ends up to be
10 a more efficient way of procuring our energy security
11 for the future when we will not have as much oil and
12 gas as we used to have.

13 GOVERNOR RENDELL: We're going to have to
14 go on to the award section of our program, but
15 Governor Gregoire.

16 GOVERNOR GREGOIRE: If I understood you
17 correctly, you've been involved in the cap and trade
18 system for two years?

19 MINISTER HEDEGAARD: Since 2005, and it's
20 been in place for real since 2008.

21 GOVERNOR GREGOIRE: As a follow up to
22 Governor Schweitzer's question, assuming that our
23

1 country went forward with cap and trade, what were
2 those initial issues, obstacles, concerns that you
3 had to deal with and lessons learned in the process
4 of implementing the cap and trade system?

5 MINISTER HEDEGAARD: I think one of the
6 big challenge in the EU has been to take care that
7 there are not too many facilities out there.
8 Obviously it is only of value if there is not a
9 surplus to be traded, because else you will not have
10 a price on carbon. I think EU did that, so for the
11 first three years they sort of made it like an
12 exercise, and then it was for real from 2008.

13 Now we have some experiences here. A lot
14 of Europeans are trying to take care that, for
15 instance, in Congress and other places where they are
16 considering how to do this in the United States, that
17 the good experiences and the what not to do
18 experiences are being carried into your system. And
19 I should maybe here mention that Japan is
20 considering to do such a system from next year.
21 Australia likewise and also New Zealand.

22 So it's coming out as regional systems but
23

1 of course the idea should be that in the end they can
2 speak for one another.

3 GOVERNOR RENDELL: Thank you very much,
4 minister. We are very impressed by not only what
5 Denmark has done but about your passion for this and
6 for climate change that comes through loud and clear.
7 I think we've all learned a lot and also from Ron
8 Atkinson. I would thank him for his excellent
9 presentation. Let's give them a round of applause.

10 (Applause.)

11 GOVERNOR RENDELL: Ambassador, again,
12 thanks for your presence. We have just two more
13 pieces of business to do, but I'd ask you all to
14 stick around because we have to vote on our policy
15 reports. But first, I'm going to launch into the
16 governors' NGA awards, the public-private
17 partnerships.

18 As you know, a number of governors
19 submitted recommendations for the awards and
20 nominations, and it was a very difficult choice to
21 make. We have a public-private selection committee
22 chaired by Mr. John Schmidt in evaluating the

23

1 nominations and came up with two winners. Here to
2 present the first winner is Governor Martin O'Malley,
3 which gives you a hint that that winner does business
4 in Maryland.

5 GOVERNOR O'MALLEY: Governor Rendell,
6 thank you very much. Thank you, governor, for your
7 leadership in elevating our understanding of the
8 important need of infrastructure.

9 (Slide.)

10 The topic of this first award is also
11 infrastructure in a sense, but it is green
12 infrastructure. It is about the "greenprint" that
13 we've been able to include in our state that I'm
14 going to show you in a second.

15 I'd like Jack Dangermond from ESRI to come
16 up and join me.

17 (Slide.)

18 There are very few people in this world
19 whose talents and insights have had the widespread
20 impact that this man and this company have had with
21 the ever-wider embrace and rapid evolution of
22 geographic information systems, or GIS.

23

1 The ever-broader reach of GIS strengthens
2 the very important relationship between people and
3 place; strengthens our understanding of the relationship
4 between people and the land, the air, the weather
5 that we need to be able to protect so that we can
6 survive; and strengthens the relationship between our
7 actions in this generation and the survival of future
8 generations.

9 So ESRI and Maryland have teamed together
10 to produce what we call IMAP, a first in the nation
11 based map of every parcel and plot of land in our
12 state.

13 (Slide.)

14 As well as the ability to plot all of our
15 public infrastructure and our green infrastructure.
16 This is our BayStat Web site. Through GIS Web site
17 technology powered by ESRI, we are able to see the
18 main causes of pollution in the Chesapeake Bay--

19 (Slide.)

20 the degree to which the farms in yellow
21 and the wastewater treatment plants in red, storm
22 water runoff in blue, and septic systems in black

23

1 contribute to that force feeding of nitrogen
2 phosphorous sediment into the Bay. But we also have
3 a solutions page.

4 (Slide)

5 It talks about the human actions that we
6 can take in order to combat that pollution, ranging
7 from covered crops to land conservation programs and
8 rural legacy, which then brings me to green prep.

9 (Slide.)

10 Our first-in-the-nation ecological arranging
11 of every parcel of land in Maryland in order that we
12 might do a better job together of protecting the
13 essential green lungs, green liver, green kidneys --
14 that the ecological body of our Chesapeake Bay
15 region needs to be able to have in order to function
16 in a healthy manner.

17 This is Maryland's greenprint. The green
18 areas are our most economically valued and important
19 parcels in our state. The dark green represents what
20 we've protected so far within that greenprint and
21 the light green represents what we need to protect
22 into the future, either with better land

23

1 conservation or better land use policies.

2 Let's click on one of the counties,
3 Charles County. You can see the percentage that's
4 protected down there in the pie shape and the amount
5 that still needs to be protected. Zooming in now.

6 (Slide.)

7 Maryland has long has an open space
8 program where we take our transfer tax to purchase
9 open space. We zoom in further.

10 (Slide.)

11 To this little red dots, red stars.
12 Within the greenprint you can go down on to a
13 parcel.

14 (Slide.)

15 There for a parcel in the middle, click
16 again.

17 (Slide.)

18 Layer on the aerial photography, click
19 again.

20 (Slide.)

21 You can see, when it came to the Board of
22 Public Works, why we protected it. Click again.

23

1 (Slide.)

2 Then you can see the parcel we purchased
3 is mostly a wooded parcel that has a farm in the
4 corner of it. That is our greenprint, and Jack and
5 his people are already busy at work with Fed Stat,
6 the ability to geo-relate all the spending that's
7 going to happen with regard to the Recovery and
8 Reinvestment Act and see how that impacts each parcel
9 of land and to be able to track it in a timely way.

10 It's also spatially related. So on behalf
11 of the state of Maryland and the National Governors
12 Association, it's my honor, Jack, to present you with
13 the NGA Corporate Fellows Public-Private Partnership
14 Award for your tremendous partnership with Maryland
15 on IMAP and Maryland's GreenPrint that's
16 contributing so much to our shrewd pursuit of
17 progress. Congratulations!

18 (Applause.)

19 MR. DANGERMOND: Thank you very much,
20 governor, and I appreciate the selection committee
21 and what you did to pick us out. I know it must have
22 been a tough job, but I appreciate NGA for this honor.

23

1 What the governor and his team have done
2 is something very significant, which is to spatialize --
3 open up and make transparent decision making that's
4 happened here in the state. Those of you who know
5 his history in the city, he did that with CityStat
6 and now is expanding it to BayStat and beyond.

7 I think this is wonderful for Maryland,
8 governor. I think it's going to do a lot of good for
9 them, but I also think your work and the footprints
10 that you have laid down as a methodology to show
11 other states how to do this, and also our federal
12 government to do the same thing, that will make it -- in
13 my humble opinion -- that will make America better and
14 make us more connected to government through
15 visualization and rational thinking about where we do
16 things and how we do them.

17 Again, on behalf of my colleagues at ESRI,
18 I want to thank them. I couldn't have done it
19 without them, and it also didn't happen without your own
20 staff working hard on this. I just want to say thank
21 you.

22 (Appause.)

23

1 GOVERNOR RENDELL: Governor Gregoire, if
2 you're jealous, this next award -- and Chris will tell
3 you more about it -- is going to a company that I think
4 has done as much for all the states and for all of
5 our areas, particularly in education, as any company
6 in the United States in recent times. So Chris, I
7 know you are excited to present this award.

8 GOVERNOR GREGORIE: I thank you, Mr.
9 Chairman. I truly am pleased to announce this award,
10 which recognizes a very important company for a long
11 time of hard work in one particular area. It's
12 called Partners in Learning Worldwide Initiative.
13 It's in the area of education, and the award goes to
14 Microsoft.

15 Microsoft, of course, is a major force in
16 the good state of Washington but this initiative,
17 Partners in Learning, reflects a long-term commitment
18 to quality education through innovative uses of
19 technology and to have teachers and students reach
20 their greatest potential.

21 Partners in Learning is a five-year \$500
22 million investment to help students in the

1 21st century with skills and to strengthen the
2 workforce. Initiative in this country stresses the
3 value of aligning government as well as education and
4 business expertise in critical conversations that
5 support education reforms specific to a state.

6 This partnership already has invested
7 \$35 million in the United States as well as
8 targeted full-time executive level positions to
9 work with the states through each one of them in a
10 specific project area.

11 The project has allowed Microsoft to move
12 beyond what many have seen as the image of a grand
13 tour to our first future with the states. Five years
14 ago, the state of Washington was the first invited to
15 partner in this worldwide initiative. This
16 collaboration included a K-12 school district in our
17 state and a higher education institution, both of
18 which agreed to target mathematics instruction and to
19 work across institutional lines in the K-12 system
20 into higher education in the very important area of
21 mathematics.

22 The program has been truly successful.

23

1 The middle school principal in that particular school
2 district has told me that the partnership with the
3 state and with Microsoft has fundamentally changed
4 the way in which that district teaches our young
5 students mathematics and has resulted in real results
6 in terms of their experience.

7 In addition to the experience in our
8 state, Microsoft is engaged with five other states to
9 work together on key education issues in those
10 respective states to improve schools in crisis
11 through career development. Those states include
12 Florida, Michigan, New Mexico, Pennsylvania, and
13 Virginia.

14 So I am very pleased today on behalf of my
15 state, the state of Washington, and on behalf of the
16 National Governors Association, to give this award to
17 Microsoft, that is so richly deserved. And so here,
18 Mr. Chairman and members of the National Governors
19 Association, to accept this very important public-
20 private partnership award is Pamela Passman, the
21 corporate vice president and deputy general counsel,
22 Global Corporate Affairs for Microsoft in Redmond,
23

1 Washington.

2 Congratulations, Pam, and to all of you at
3 Microsoft for being a role model in educating the
4 workforce of tomorrow. Thank you. Congratulations!

5 (Applause.)

6 MS. PASSMAN: Thank you. We are honored to
7 be here and accept the award on behalf of Microsoft
8 employees and our partners who share a passion for
9 supporting our students and teachers and the role that
10 technology can play in enabling opportunity and
11 learning.

12 Thank you, Governor Gregoire, for your
13 leadership and your ongoing support and passion for
14 our students and for improving education in
15 Washington state. We are very pleased to have
16 started Partners in Learning in Washington to help
17 teachers use technology to improve student
18 achievement.

19 Through our Partners in Learning program
20 across the United States, we've reached 3.3 million
21 teachers and students to increase access to
22 technology and improve learning. At Microsoft, our

23

1 mission is to enable people and organizations to
2 reach their full potential. That is collaborations
3 such as Partners in Learning.

4 This opportunity brings together the
5 talent and resources of public and private
6 institutions to do amazing things, things that we
7 could not do alone. At Microsoft, we are inspired by
8 teachers who are using technology to educate in new and
9 innovative ways, by the principals and administrators
10 who are using new leadership and collaboration
11 methods, and by students who are exploring, learning,
12 and reaching their potential.

13 We very much appreciate the opportunity to
14 work with your governments, your school authorities,
15 your teachers, and your students. Governor Rendell
16 also ask me to be sure I mention the Elevate America
17 program that we announced yesterday, which
18 really expands on the work that we've done with
19 Partners in Learning. It expands the work that we've
20 done with our unlimited potential community
21 technology skills program and recognizes that in this
22 very challenging environment, we've got to be sure

1 that all our citizens -- our citizens who are
2 unemployed, underemployed, the working poor, those
3 citizens who are here trying to get more
4 opportunities -- they have access to computer skills
5 training.

6 So we are very pleased to announce Elevate
7 America. We hope that all the governors will
8 participate in this and bring access -- learning
9 access, certifications, and new training opportunities --
10 to your citizens for computer skills. Thank you very
11 much for this recognition.

12 (Applause.)

13 GOVERNOR RENDELL: I just want to say,
14 Elevate America is going to work with us. To find
15 out more information about Elevate America, what
16 should governors do, Pam?

17 MS. PASSMAN: We're going to contact your
18 Office, but Don Burdick from Microsoft, Fred
19 Humphries, myself, we'd like to hear from you. We're
20 also going to come to you. We want each of you
21 governors to be involved. Thank you so much.

22 (Applause.)

1 GOVERNOR RENDELL: Our last order of
2 business is our policy reports, and we'd have to
3 approve them.

4 Before we do that, I want to just read
5 briefly a statement we all adopted at the governors
6 only meeting because I think it should get into that
7 -- I know we're going to release it to the press,
8 but I think it should enter into the public domain.
9 This is a statement voted on unanimously by all the
10 governors. It says as follows:

11 "Governors Confident in Nation's Future.
12 Our states and our citizens are experiencing
13 unprecedented fiscal challenge. As leaders of our
14 states, we face these difficult economic times not as
15 Democrats or Republicans, but as governors charged
16 with the public trust and well-being.

17 "We're unified in our unwavering belief that
18 the United States economy is resilient and the true
19 strength of our nation remains the ingenuity,
20 perseverance, and hard work of the American people.
21 We've been through tough economic times in the past
22 and have always emerged a stronger nation in a more

1 vibrant economy.

2 "Our country's ability to persevere is not
3 in question, and we know better days truly lie ahead.
4 Working together we can speed recovery, provide more
5 opportunities and ensure a prosperous future."

6 I think that's an important statement at a
7 time when many Americans are questioning whether
8 there is hope, whether there is a bright future, and
9 we all want to believe that the answer to that
10 question is a resounding yes. Now our policies from
11 our various subcommittees.

12 Governor Gregoire will present the
13 Economic Development and Commerce Committee and then
14 Governor Heineman, the Education Early Childhood
15 Early Workforce Development. Governor Douglas will
16 present for Health and Human Services. Governor
17 Schweitzer will present for natural resources.
18 Everybody go from there.

19 GOVERNOR GREGOIRE: Mr. Chairman, yesterday
20 the Economic Development and Commerce Committee held
21 an executive session, during which time we talked
22 about surface transportation policy in the country in

1 anticipation of congressional action to reauthorize
2 the federal surface transportation funding mechanism
3 for our country, which will expire later this year.

4 We also discussed in open session recent
5 developments and conditions in the states with regard
6 to residential foreclosures and mitigation efforts.
7 We recommended to the committee the adoption by the
8 NGA membership of seven EDC policies -- six that are
9 existing, three of which are simple amendments in the
10 nature of a substitute, and one proposed new policy.
11 Those are listed in the blue packet that's before
12 each of us having to do with streamlined sales tax;
13 base realignment and closure, the BRAC; housing
14 finance; surface transportation; community
15 development; affordable housing and housing
16 assistance; rail transportation and international
17 trade and investment.

18 On behalf of the committee, I move the
19 adoption of our policies.

20 GOVERNOR RENDELL: Is there a second?

21 GOVERNOR SCHWEITZER: Second.

22 GOVERNOR RENDELL: All in favor say "aye."

1 (Chorus of "ayes.")

2 GOVERNOR RENDELL: The motion is adopted.

3 Governor Heineman.

4 GOVERNOR HEINEMAN: Mr. Chairman, the
5 Educational Early Childhood and Workforce Committee
6 discussed transforming the workforce system and
7 upskilling American workers in our meeting. We heard
8 from Steve Walker, president and CEO of TPI Composites,
9 an international manufacturing firm for wind energy
10 and transportation, and Pamela Passman from Microsoft,
11 whom we just recognized.

12 She discussed the Innovate America
13 program. The presentations and subsequent
14 discussions focused on the rising unemployment crisis
15 and the workers' skill shortage. Our speakers
16 offered strategies governors can employ to upskill
17 workers by ensuring the continued competitiveness of
18 American businesses in the 21st century.

19 The committee adopted three new policies
20 and four amended policies. Having not heard any
21 concerns on behalf of the ECW committee, I move the
22 adoption of our policy recommendations en bloc.

1 GOVERNOR RENDELL: Second.

2 (Motion seconded.)

3 GOVERNOR RENDELL: All those in favor say
4 "aye."

5 (Chorus of "ayes.")

6 GOVERNOR RENDELL: The ayes have it.

7 Governor Douglas, now presenting for the
8 Health and Human Services Committee.

9 GOVERNOR DOUGLAS: Mr. Chairman, the
10 committee had a very important, dynamic, and lively
11 discussion on health care reform. The speakers were
12 Congressman John Dingell, who served in the U.S.
13 House, along with Mike Leavitt, our former colleague
14 from Utah and immediate past secretary of Health and
15 Human Services.

16 Very shortly, the chairman will launch a
17 Health care reform task force on behalf of the
18 association. So it's a good framework for that
19 important work that we'll be doing during the coming
20 months.

21 On policies, the committee adopted --
22 recommended amendments to existing policies to them

1 in the form of a substitute and reformed three existing
2 policies in the green packet, and I move that they be
3 approved en bloc.

4 GOVERNOR RENDELL: Second.

5 VOICES: Second.

6 GOVERNOR RENDELL: All those in favor say
7 "aye."

8 (Chorus of "ayes.")

9 GOVERNOR RENDELL: The "ayes" have it.

10 Now, Governor Schweitzer, presenting the Natural
11 Resources Committee.

12 GOVERNOR SCHWEITZER: The Natural
13 Resources Committee met yesterday, and we heard from
14 two excellent speakers, Pat Wood and Jessie Berst on
15 infrastructure, including the smart grid and
16 pipelines. During our meeting, we approved five
17 amendments and we affirmed one policy. I now move
18 that we approve them en bloc. If you want to read
19 them, all it's in the yellow sheet. We move them en
20 bloc.

21 GOVERNOR RENDELL: Is there a second.

22 VOICES: Second.

1 "aye."

2 (Chorus of "ayes.")

3 GOVERNOR RENDELL: With that note, it is
4 my pleasure to bring -- gosh I never had the chance
5 to do this -- it's my pleasure to gather the 2009
6 Winter Conference of the National Governors
7 Association to a conclusion.

8 (Applause.)

9 (Whereupon, at 2:35 p.m., the meeting was
10 adjourned.)

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