The above-entitled matter convened on Saturday, February 21, 2009 at 11:40 a.m., NGA Chair Governor Edward G. Rendell, presiding.
GOVERNOR RENDELL: Good afternoon, everyone. It's my pleasure to call to order, the 2009 Winter Meeting of the National Governors Association. May I have a motion for the adoption of the Rules of Procedure for this meeting?

VOICES: So moved.

GOVERNOR RENDELL: Second?

VOICES: Second.

GOVERNOR RENDELL: All in favor, say aye.

(Chorus of ayes.)

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

If you want to do that, please submit a proposal in writing to David Quam of the NGA staff, by 5:00 p.m. Sunday, February 22nd. It's now my pleasure to introduce our newest colleagues, five of the six, I think, are here and present today.
From the First State, the state of Delaware, Governor Jack Markell. Governor?

GOVERNOR MARKELL: Here.

(Applause.)

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

(Applause.)

GOVERNOR RENDELL: From Missouri, Governor Jay Nixon.

(Applause.)

GOVERNOR RENDELL: From North Carolina, Governor Beverly Perdue.

(Applause.)

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

(Applause.)

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

(Laughter.)

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

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

(Applause.)

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

Sean?

(Applause.)

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

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

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

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

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

GOVERNOR BARBOUR: Thank you, Ed.

Governor, thank you very much. Let me just say that we look forward to having y'all in Biloxi, Mississippi.
(Laughter.)

GOVERNOR BARBOUR: It's spelled funny,

but pronounced Buh-LUCK-see.

It's going to be a very fun conference.

Biloxi is right on the beach, a beautiful beach,

beautiful gulf. Within about 20 minutes, is the

Pascagoula River, which is the largest unchanged

natural river in North America. It's never had a

levy, never had a dam, never had been -- the Corps

of Engineers never messed around with it.

(Laughter.)

GOVERNOR BARBOUR: And we're going to

have an outing for spouses and for kids, and the

Pascagoula River is a delight. In 15 minutes, you're

so far away from civilization, and the fauna and

flora is spectacular.

We are going to have a really good

program for your families. It's a family place.

There are 12 casinos for your staff.

(Laughter.)

GOVERNOR BARBOUR: And the lobbyists, of

course.
(Laughter.)

GOVERNOR BARBOUR: But we're going to have a really good program; it's going to be fun.

Some of you all who are from the South, we had the Southern Governors Conference at the Beau Rivage, and I think, in all immodesty, it was the most fun Southern Governors Conference that we had. We had great music, evenings are great fun where we're going.

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

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

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

(Applause.)

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

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

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

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

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

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

So that's just typical of the work staff did. They were great on virtually every issue,
worked nonstop. Ray's leadership was terrific, so I'm going to ask you to take a minute to thank the staff for what I thought was just an incredible performance.

(Applause.)

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

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

Well, the American Society of Civil Engineers did an update in 2009, and now the cap is
$2.2 trillion, so, obviously, $100 billion of additional spending, is just a down payment.

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

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

It is something that will give us a credible benefit of economic competitiveness, quality of life, and public safety. We've got to do it and we've got to do it now. The price keeps getting higher each year.
In Pennsylvania -- and I'm sure it's true in all of your states -- road construction costs rose 38 percent in the last three years. If we don't do it now, if we don't launch that soon, it's going to get more expensive, to the point where it may be eventually prohibitive.

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

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

We have established a committee to do just that, and five other governors are going to be working with me, including Vice Chair Douglas, and
we are going to go forward.

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

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

And to that degree, where we saw those
findings, we decided we would want two energy experts to be with us today, T. Boone Pickens and John Rowe. I'll introduce them before they speak, so this session is devoted to the energy infrastructure.

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

(Slides.)

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

(Laughter.)

DR. LUNTZ: I will tell you, governor, that the American people are virtually 100 percent
on your side. That it doesn't matter whether you are
a Republican or a Democrat, it doesn't matter
whether you're from the deepest South or the
farthest North. That the American people see a
value, a benefit, and they desperately want the
infrastructure in this country to work.

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

The idea that on our roads, American
Roads -- the public does not understand how any
American infrastructure would get to be so bad that
that photograph would exist. And it wasn't staged.
And, for the right amount of money, I won't tell you
which governor's state has that pothole.
On the right-hand side, to them, is
transportation that works.

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

First off, the public absolutely agrees,
whether you are 25 years old or 65 years old, that
infrastructure isn't a privilege; it is a right and
it's what differentiates us as Americans, versus
everybody else.

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

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

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

Five, this is the one time when process
does matter. Hell hath no fury like a voter scorned, and they will be mad as hell if they think that the money was wasted.

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

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

(Pause.)

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

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

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

In terms of the priorities, this is a
great list, and I'm happy to share this information with any governor. We can take a look by region and tell you what matters most to people, and, in virtually every region, energy facilities came in first.

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

I don't know how much more clear they can be, and they see this as part of the infrastructure. Clean water treatment facilities. We believe that clean water is a right, not a privilege. School buildings, which always come up high. I was surprised that it only came in fifth here, and that tells you how important these other items are.

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

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

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

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

When we asked them the priorities -- and this is going to surprise a few of you -- as important, they want to be safe, and, as important as that, is that it is national in scope. And, as important as the jobs are, the strongest argument,
the highest priority, is that they want accountability and they want measurements of success.

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

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

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

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

The second is transparency. Let the public see what you are doing, let them see the
investment, open it up to them, communicate to them, and then listen to them. They really want to be involved.

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

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

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

Now, governor, this is what I want you to take a look at, because you allowed me to do this. I took some of the governor's language and some other language that I had tried, and I never need a slide,
but because I believe this is on CSPAN, this is a message to every politician: Accountability, responsibility, and genuine measurements of success are essential as we rebuild America's highways, waterways, schools, and walkways.

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

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

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

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

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

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

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

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

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

By the way, passenger rail, freight rail --
we may not talk about it, because we think of
highways, but rail is one of the most supported
industries in terms of the public mindset because
they believe that it is clean, they believe that it
is safe, and they believe that it is economically
efficient, and so these are to show what is clean. There are two different questions we asked here: Do you realize that our infrastructure is so bad that one-third of Americans would rather drink from their toilet bowl than drink from the nearest river?

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

(Show of hands.)

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

(Show of hands.)

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

(Laughter.)

DR. LUNTZ: And the one that I particularly like, we all know how bad -- oh,
actually, one more. Do you realize that people
would rather be audited by the IRS than get stuck in
a traffic jam?

(Laughter.)

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

(Laughter.)

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

(Laughter.)

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

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

Seventy-five percent of people who voted
for John McCain will spend more in taxes for
infrastructure investment; 87 percent of those who
voted for Barack Obama will spend more.

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

(Appause.)

GOVERNOR RENDELL: Thank you, Frank.

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

Our next speaker is T. Boone Pickens.

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

MR. PICKENS: It's pre.

GOVERNOR RENDELL: So it's pre, Mr.

Pickens says.

Making him one of the nation's most
successful energy investment funds. He is also,
through Mesa Water, the largest private owner of
permitted groundwater rights in the United States,
and is the founder and largest shareholder of Clean Energy, a company that is advancing the use of natural gas as a transportation fuel.

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

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

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

I want to say, every once in a while, people say, can you influence the public debate and discourse from the private sector, or do you have to run for office, do you have to be in government? Well, I think no one in America has done more to
advance the cause of renewable energy than T. Boone Pickens. And he's done it using his own money, not because he's interested in profit for his companies, but because he's interested in America being, as Frank Luntz said, energy independent -- not reliant on fuel from anywhere else, but fuel produced in America -- and because he's one of this nation's great visionaries.

Mr. Pickens?

(Applause.)

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

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

But let me just name off -- I've got 14 governors that have signed up on the Pickens Plan:

The governor of Idaho; Governor Sebelius from Kansas; Governor Schweitzer from Montana; Richardson from New Mexico; Strickland from Ohio; Brad Henry
from Oklahoma; the governor of Rhode Island; Mark Sanford, South Carolina; Huntsman from Utah; the governor of Washington; Rendell of Pennsylvania; Pawlenty, Minnesota.

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

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

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

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

One big problem that we have on credibility is the fact that we import almost 70
percent of all the oil we use every day in the United States. How can that hurt our credibility? I do think that around the world, as they look at that, they cannot believe it, they can't believe -- whether we're stupid, lazy, or what. But if you look at the oil produced every day, it's 85 million barrels of oil that's produced globally, and we're using 21 million of the 85 million. And we're importing almost 70 percent of our 21 million barrels every day. But 21 million of 85 is 25 percent; we're using 25 percent with 4 percent of the population. Now, I promise you, this is going to cause us a lot of problems in the future, and we are going to be attacked for this use of the global oil supply. I know we're more highly industrialized, but they don't give a damn.

They don't care whether you're highly Industrialized. It's going to be viewed as we are greedy, using more than we should, and somebody says, well, but you produce a lot of oil. We produce five million barrels a day. We peaked in
1970 at 10 million barrels a day. We are in steep decline, never to recover.

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

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

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

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

Okay, there are renewables. The Democrats love this. I've had a hard time -- you
know, I'm a Republican. I've had a horrible time trying to convince Republicans that renewables make sense.

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

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

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

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

I looked out the window of my office. I'm right by the King School in Dallas, and I was standing looking out, and I said, look at that. I
said, there are 22 SUVs parked with one passenger
car in the group, so it's 21 to one.

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

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

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

The price goes down to $1.40 five months
later, and they say, is it so important now? Yeah,
it's important, because the saddest part of our
problem is -- with the level of imports at 70 percent --
that your security for the country is at risk, absolutely
at risk.
If you look at what's happened for 40 years -- 40 years -- no energy plan for America, none. You look at what Richard Nixon said in 1970, we're importing 20 percent of our oil today, at the end of this decade, we will not be importing any oil.

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

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

Now we've progressed. In '91, when the Gulf War was on, we were importing over 50 percent; now we're almost 70 percent. If we don't do anything for the next 10 years, from the last 40 -- okay, we haven't done anything for 40 years, so we have a record.
If we allow it to continue, in 10 years, we will be importing 75 percent of our oil, and I promise you, you'll be paying $200 to $300 a barrel for the oil.

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

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

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

That will be a sad solution, but here you
are, you see the problem, the wind you've got to use, you've got to use the solar. There's no question they can be used.

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

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

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

But, anyway, there, you're going to get spend the money, you're going to have transparency, great. We're seeing the same thing on our polls. And you're going to be graded and you will have to have results.
And if the President would come forth and
tell us that this is us, Americans, altogether,
we're going to march in the same direction, we're
not going to quibble, we're not going to argue,
we're going to use our resources, and we're going to
solve the problem.

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

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

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

You've got the renewables I mentioned.

Go to the natural gas. Natural gas is cleaner, it's
cheaper, it's abundant, and it's ours.

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

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

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

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

These people will respond. I mean, the other day, we got 60,000 e-mails out in a matter of five hours, and so they will respond.
Now, I went to Washington for 30 years as kind of a pseudo-rich guy to a big rich guy over that 30-year period. What did it get me?

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

(Laughter.)

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

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

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

In our polls, we came off with this result, which I suspected -- that the American people thought the politicians in Washington were lying to them about energy. That wasn't what happened.
When we looked at it -- and I know what goes on in Washington -- they weren't lying to anybody; they didn't know. They honestly did not know anything about energy.

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

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

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

And I said, well, you've got to understand that batteries won't move an 18-wheeler. Both of them had the same look on their faces and said, it won't?
That's the same thing Al Gore said to me when Al wanted to go to the battery next Monday, on everything in America. You know, I said, Al, it's too quick, and you know it won't move an 18-wheeler. It won't? Hell no, it won't. You've only got one resource in America.

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

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

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

Where's the largest bus fleet in the world? Beijing Transit, 4500 buses. There are 10
million vehicles in America that are on natural gas -- 10 million. I said "in America;" I mean in the world -- 10 million in the world.

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

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

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

Wallerstein said, find me the biggest polluter problem here in Southern California, and tell me what are they, who are they? They said, well, trash trucks. They work 24/7, and they idle -- emissions are bad and everything.
He said, okay, figure out how can we fix it? They said, well, you can switch over to natural gas; it's 80 percent cleaner. Okay, what's it going to cost? $50,000 a truck. It's more expensive for the trucks, but we can switch over; we have money, let's do it.

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

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

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

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

You can do the same thing with 380,000
18-wheelers. Okay, let's say we do it. How's it going to unfold? An 80,000 incentive for the equipment, so that's going to cost us $30 billion. That's a direct gallon-for-gallon reduction in foreign oil when you do that, so you're going to be able to identify how much is it going to do.

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

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

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

If you look, for instance, at Swift Trucking, Jerry Moyer's outfit -- the biggest in the country, 20,000 18-wheelers -- he rolls that fleet
over, if you can believe, being a business where you receive 23 Kenworth trucks every day, seven days a week, times 365 days, is 7,000 new Kenworth trucks every year.

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

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

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

And you know that when somebody challenges you like that, you'll sit up straight in your chair, you know. And he said, Mr. Pickens, I'm
going to have 1 million plug-in hybrids in 10 years; you can count on that.

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

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

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

(Laughter.)

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

Okay, now, I told him, I said, but don't
get rid of the 1 million, but you've got to add to it, you've got to do more than that.

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

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

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

And the cost of the fuel is about a
dollar a gallon for me, and it's a commuter car. It's not a car I'm going to get in and drive to Chicago from Dallas, but it's a car that I can drive and commute 100 miles, if I wanted to.

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

(Laughter.)

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

(Laughter.)

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

(Laughter.)

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

Does General Motors know how to make these cars? Sure, they make 19 of them, but not in America. They make them for South America and Europe.
If you were in Paris today, you could probably look at 40 or 45 models that could use natural gas. Why not here? We have an abundance of it. It's cheap, it's ours. Why don't we use it? There's never been anybody that has promoted it, and we've had -- I told you was going to lobby against it; it will be the major oil companies, major chemical companies, and car manufacturers.

So it's never had a champion, and so, okay, I've taken us to this point, and I'm probably over time. I haven't got a watch. One time, I put my watch up on a deal like this, so I could watch it. I was in Denver and I was speaking to a convention of CPAs, and I got through, and sat down and they asked me to come back up, they had a nice gift for me. (Laughter.)

MR. PICKENS: And they said some nice things about my remarks and all and then gave me my watch. (Laughter.)
MR. PICKENS: Now, isn't that like a bunch of CPAs?

(Laughter.)

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

(Applause.)

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

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

John Rowe is the president and CEO and chairman of the Board of Exelon. Exelon is one of the nation's largest utilities. It serves 5.2 million customers, mostly in Pennsylvania, Illinois, and Texas, some in New England. It has more than $14
billion in revenue. It's been named by Forbes as one of the best managed companies in America and one of the 2,000 leading companies in America. John's been in the utility business since 1984, mostly in New England, before he joined Exelon. John -- like Mr. Pickens -- and Exelon are very philanthropic, although as a governor who has Exelon in his state, I will say that they fell a little bit shy of that half-billion mark. John does a great job with his company, and as all of us know, the stimulus plan is dedicated to building out the electricity grid in this country. Mr. Pickens didn't talk about wind energy, but we can, in all of our states, produce as many wind energy farms as we'd like, but unless we can get the grid to take the energy produced in those wind energy farms, into the population centers, it won't matter. John Rowe's going to tell us how America should be doing that. John?

(Applause.)
MR. ROWE: Thank you, Governor Rendell.

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

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

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

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

Fundamentally, our work suggested that you've got to have more renewables, you've got to have much more energy efficiency, you need to use all the gas you can get, and, ultimately, you have
to make either new nuclear or carbon sequestration work.

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

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

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

We can't do them by picking one favorite technology this year and a different favorite technology next year. We must have a system like cap and trade or like a carbon tax that
rationalizes the economics between alternatives, so that the entire engine of the economy is looking for the cheapest solutions.

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

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

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

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

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

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

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

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

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

In Philadelphia, while we're a somewhat smaller company, we'll be proposing measures that will reach $100 billion a year in the near future.
Philadelphia is ahead of Illinois in the installation of smarter meters, and we will be doing that as part of a smarter grid.

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

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

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

And there's another number of that magnitude for the distribution system, and another number that's even larger, for a newer, low-carbon
As Everett Dirksen used to say, more or less, a trillion here, a trillion there, and pretty soon, you've got money.

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

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

I want to use one particular example of something that worked. We renovated our home office building. We were able to economically cut our energy use in our ten floors, by 50 percent.
everywhere, but I think we can get 25 percent in
almost all of our buildings, economically. And it's
simply the best thing we can be doing.

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

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

It can be done, but the solution requires
attention to the whole infrastructure -- the
transmission, the distribution, the meters, the
generation -- we need that wind, we need to use gas
wherever we can, we're going to need either coal or
new nuclear, and if we throw all our bets on any one
of those things, we'll probably be wrong again.
So we have to go forward with a diverse energy supply, directing it always toward cleaner ends, and we need a cap and trade system, we need a carbon tax, because the sum of a bunch of piecemeal investments, will not give us an optimum result.

Thank you very much.

(Applause.)

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

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

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

And I just am curious to explore, where can we get data about costs? Where can we learn more? Cost doesn't get talked about very much. Where can we get the data from each one of y'all's perspective, to learn what it's going to cost our
constituents to do this?

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

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

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

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

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

    GOVERNOR RENDELL: Yes.

    MR. PICKENS: I didn't -- I misled you with my remark there that you had to tax gasoline to
make the renewables work. I just feel like that for years in this country, that we have taken energy for granted, and we haven't taxed when others have.

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

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

(Laughter.)

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

I was down in Sweetwater, Texas, where that town is a model for showing what you could do to rebuild America. And it's a huge opportunity to rebuild rural America, which has, as we all know, gone downhill.
And Sweetwater is a perfect location to see what's happened there. They were a 12,000 population town and had gone below 10,000 and not any opportunities for kids coming out of school there, and so they move away.

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

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

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

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

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

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

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

I think you could put the recovery of the economy on the energy question, and if it was
properly designed and everybody was onboard on it, I think you could get there, you could recover, the economy could recover off of energy.

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

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

But we've got plenty of gas, but we only have it for 20 or 30 years, so this is going to solve the problem. It will be the bridge to the battery or to the fuel cell, which is where we'll
I mean, I'm not kidding you, we have got to do this, and we have to use this resource. You know, I never will forget what Bob Dole told me one time in 1990, and I was telling Bob Dole and several other senators over lunch, and I said -- you guys have got to be crazy, I said, doing this ethanol. I said, you're exhausting more energy than you're creating, and I gave them -- I hoped it wasn't a lecture, but the way Bob told me, he said, it kind of came off that way.

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

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

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

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

(Laughter.)

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

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

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

GOVERNOR RENDELL: Governor Manchin and Governor Schweitzer.

GOVERNOR MANCHIN: I've got two questions, and one to Mr. Rowe and one to Mr. Pickens. Mr. Rowe, first of all, you know, coal is
about 50 percent of the energy base that we have, baseload we have in the United States, and everyone tells me that we're going to be using it for quite some time.

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

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

MR. ROWE: Well, sir, like you, I think we have to invest in research on carbon sequestration because if we don't put R&D money into how we make coal a genuinely clean fuel, we're just caught in a conundrum we can't handle.
So, I support your views that we ought to be investing heavily in R&D on carbon dioxide sequestration. As somebody who has power plants in two states that made major investments in nuclear, you know, we have a claim that we already gave at the office, so to speak.

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

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

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

How would you be able to do what you're wanting to do, to fuel America, when the price is so
volatile?

MR. PICKENS: Well, let's make a

Comparison, and let's compare it to gasoline. So one Mcf of natural gas equals eight gallons of gasoline.

So, if today, eight gallons of gasoline were $16, say, natural gas is $4, so we're actually -- they are comparable, one to eight, so on that basis, it's four times cheaper to use natural gas than it is -- and you mentioned $10, $11, or $12, and if you're up to $12, you're 75 percent of the cost of gasoline.

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

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

It honestly does not move that quickly. I mean, you'll have -- you'll see natural gas, it
was $13 a year ago, and it's now $4. That's a big move, no question, but, also, you've come from $147 on oil, down to $40.

GOVERNOR RENDELL: So volatility exists in both. Brian?

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

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

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

Then some of the engineers say, look, you know, it was Eisenhower who said I'm going to build a highway system that you can drive from New York to
Los Angeles on, the interstate highway system. And they said, he's a damn fool or what? I mean, you already can. The problem is, you have stop 140 times along the way.

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

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

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

But, you know, with DC, you still have to convert it to AC at those off ramps, to put it into the existing system. I think the key thing is that you make the system, you get it accessible to as many kinds of energy as possible.
GOVERNOR RENDELL: We have time for one last question. Anybody? Yes, go ahead, Chet.

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

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

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

In Iowa, our biofuels industry has been worth $8 billion in the last ten years, 50,000 jobs; our wind energy production is off the charts, we're now second in the nation. We created 2,300 green-collar jobs related to wind in the last 20 months.

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

I'm not a part of the working group right now, but where do we go from here?
MR. PICKENS: Could I try it first? What we have, sitting around this table, -- I would suppose we're about 90 percent in agreement that we've got a problem, we understand the problem, and now how do we fix it?

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

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

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

And when you start to say we're not going to import any oil in ten years from the Mideast, you
are saying something that people are going to remember. I spent $58 million bringing the energy issue to the surface in this country, and with a million and a half people, I can tell you that there are a lot of people that understand a lot more about energy today than they did six months ago.

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

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

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

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

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

Leadership.

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

GOVERNOR RENDELL: And, you know, I think Boone is right that there are two things that we need, leadership, and I think the President is dedicated to doing this, but you also need a sense of understanding of the American people. And, as Frank said and he found in his poll -- I urge all of
you to take a look at that poll -- the American people want energy independence, even if they have to pay a little more.

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

How many families, John, checked that off?

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

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

Well, this has been a great session and
we could go on for another hour, but we have to get to our luncheon. It's very important. We've got a packed luncheon in terms of speakers, so please get there directly. We're going to start in five or six minutes, so if you can go directly to lunch, we'll appreciate it.

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

(Applause.)

(Whereupon, at 1:00 p.m., the plenary session was recessed, to be reconvened on Monday, February 23, 2009 at 2:30 p.m.)
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.
GOVERNOR RENDELL: Good afternoon everyone. This is our concluding session on strengthening our infrastructure and our vision for the future. We have two terrific speakers today who are ready to comment about successes, mostly in foreign nations.

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

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

He has also served as project director at the former Congressional Office of Technology Assessment. Dr. Atkinson is with us today. He is going to talk about his observations of other
nations' approaches to funding and financing infrastructure, his perspectives from his work as chair of the Infrastructure Finance Commission, and his thoughts on communications and broadband and smart grid and infrastructure development.

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

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

With that as a background, you're going to tell us how we solve that problem and how we find ways of funding and financing what we all believe
this country needs to do to get a first-class infrastructure that will allow us to be competitive economically in the world marketplace. Dr. Atkinson.

(Applause.)

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

(Slide.)

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

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

(Slide.)

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

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

If you look at some other countries, I think you'll see that they have a different attitude
about the critical nature of their infrastructure.

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

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

(Slide.)

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

This is transportation law, so in other
words, in surface transportation, transit, and highways
we invest state, local, federal about $76 billion a
year. So to improve it, we have to invest $138
billion more. Just to keep it from getting worse we'd have to invest $96 billion more.

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

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

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

(Slide.)
So what do we learn from other nations?

(Slide.)

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

(Slide.)

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

Places like France and Japan use congestion pricing. So if you want to drive on Japanese freeways, you're going to pay a fair amount more, about 50 percent more during rush hour and you're going to pay an equivalent less on off-peak period,
and they want to do that because they want people to
use other forms or to use the roads more efficiently.

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

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

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

You simply can't get there, or it will take
you a long time to get there. So one of the things that other countries have done is they particularly use tolls and PPPs to add new, expensive capacity.

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

(Slide.)

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

(Slide.)

Another thing nations are doing, is that they're increasingly relying on new technology. The
slide on your lift is a slide from Germany where they were the first country to put in place satellite-based heavy vehicle tax. Heavy vehicles in Germany, whether they are German or not, they pay a fee by the mile that's also related to the number of axles but also related to the environmental cleanliness or emissions of the truck. That's on 7,500 miles of motorways in Germany. And now they've done a number of studies on it, and they found that the system not only raised money, it led to environmental improvements, and it also led to a 10 percent decline in the transit of empty trucks.

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

They want to charge people for what they
use, not fixed costs that are unrelated to the environmental use of the system.

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

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

In fact, when we started this, I didn't really know exactly how these systems would work. As our commission looked at this in detail, one of the things that became clear to us is the signal where the location of the vehicle is, is a one way signal. It's not a two-way signal. So the government cannot track you through the signal. It's essentially like Onstar on your car, or it's a one-way signal that just determines the location of the car.
Then there is a little computer in the car itself. That can be designed as it was in Oregon to transmit only payment information. So when the car would go to the pump in Oregon it would say, it would interrogate the OBU, the onboard unit on the car. It doesn't say when did you drive, where did you drive, or how much do you drive. It just says what do you owe. That is the way the system should be built, not as the way it can be built.

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

(Slide.)

Just a few other things before I close on some suggestions and recommendations. Other nations are not just building better transit highway systems. They are also building smart electric grids. In other words, the electric grid, if you look at the electric grid today, it looked like what Thomas Edison built 100 years ago. These are grids now that are smart. They could have variable time pricing so that you
have an incentive to run your dishwasher at night when you are off peak load.

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

(Slide.)

Other nations are funding broadband as well. As you know, or probably heard, we rank anywhere -- probably 12 is the best number of the OECD numbers on broadband -- but there are other countries that have done really enormous progress.

In Japan, about 80 percent of homes can get 100 megabit fiber to the home.

In the U.S., you can pretty much only get that if you live in Verizon territory where they've installed FiOS. We're still better than Europe on that, but we're still behind Asia.
Other countries have done a better job of deploying broadband to more places. You go to a country like Sweden, which is just as, if not more rural in some of parts of the country as any American state, they have 33 -- they're almost as rural as Montana, they're colder than Montana -- and they have only 33,000 homes in Sweden that do not have wired broadband.

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

So while I applaud Congress for $7.5 Billion -- it was a very important step -- we need to also put that in perspective: $33 billion in Sweden.
The Irish government just committed on a broadband stimulus package -- or at least announced -- around $23
billion. They have been on the same per capita level.

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

(Slide.)

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

There are going to be a wide variety of ways to fund projects. I think -- I applaud you all because I worked for a governor in Rhode Island for a while. I was struck more by governors when I came to Washington. Governors are essentially more pragmatic Actors, and so I applaud you for looking at all of
these various tools. We cannot solve this by
keeping some tools off the table; you have to look at
them all.

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

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

Think of it how the phone system was
designed. It was never designed -- it was designed
intentionally for higher prices during the day and that was where the peak was so there would be less peak road. They wouldn't have to build as big a network. We need to be thinking like that in infrastructure.

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

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

And lastly, I think it's critical to communicate to the public. It's striking to us -- we
did issue the interim report and the number of comments we got back from people around the country complaining about how they're taking the gas tax -- when it's going into the general fund of the federal government, where 99-plus percent of the gas tax does not go into the general fund, it goes into the highway trust fund, which immediately goes out and funds critical projects you all are funding. But I think a lot of Americans simply aren't aware of that. They don't understand how that funding system works and how robust it is.

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

One of the best cases is Stockholm, where they just did a congested pricing program, a cordon pricing program -- excuse me -- last year, and initial approval was less than 50 percent. After they put the system in place, acceptance rates were up around
somewhere in the low 60s because people saw it, they liked it, they saw that it worked, they saw it was effective. So sometimes it's simply just educating people, the travelers, to say we need a better system and we need help to do it. Thank you very much.

(Applause.)

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

DR. ATKINSON: I don't want to go too far ahead on our report on Thursday, but we do talk about the national infrastructure bank idea. We think a system like that can play an important role, particularly if it's designed right.
We do have what's called private activity bonds in the U.S., which are limited in terms of their use. They're capped, I think at $15 billion I believe. I think, if you think about how private activity bonds work, they're essentially bonds for some private entity to build, essentially, public infrastructure; yet we're treating them as if their private activities don't deserve public support.

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

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

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

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

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

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

GOVERNOR BEEBE: Actually, about 20 years ago, Governor Markell, we had an issue with VMT involving 80,000-pound trucks. It evolved into a Commerce Clause issue. So individual states can,
under certain circumstances, run afoul of the Commerce
Clause and restrict interstate commerce to the point
that you've got a legal issue. So I think you've got
legal issues over and above the actual practical
issues that Dr. Atkinson is talking about.

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

GOVERNOR RENDELL: Any other questions?

Governor Daniels.

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

Most of what you say here is strangely
unknown to a lot of our colleagues in other parts of
government who don't understand how conventional some
of these things have been for a long time elsewhere. I hope you have another chance to give that slide show frequently.

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

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

I would call that a bucket three question. It's a very good question, but it's a little bit
beyond what we focused on. I don't really feel I can answer it.

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

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

There are some very creative things that we'll probably end up seeing in a decade, which we can't imagine right now.
GOVERNOR RENDELL: Governor Ritter.

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

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

DR. ATKINSON: We actually looked at this a lot, and I have to tell you it was our perception as we went through it, that what you said was probably true and what we ended up concluding is that
it may not be. Partly we don't know enough. We are actually going to be laying out a fairly detailed roadmap on a lot of these different recommendations.

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

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

So the question is, do rural people as a group tend to drive less mileage-efficient cars? We just don't know that yet, whether a part of this, and I figure it would be helpful in Washington, DC, for
this to be part of the conversation because the President has made clear he wants to put a significant number of electric cars or hybrid on the highway -- I think by 2015 -- but the gas tax is totally inefficient. There is no way the gas tax measures the impact at all.

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

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

So psychologically people use the pricing
signal to be more efficient and to become more environmentally -- better environmental users, if you will. So there are, I think, some interesting environmental benefits that may come about from doing something like that.

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

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

DR. ATKINSON: I certainly hope. It will be posted on Thursday on www.financecommission.dot.gov. It will definitely be on our Web site, which is itif.org, www.itif.org.
We'll be sure you all get copies.

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

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

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

Denmark boasts an extensive network of highways and bridges but they also have very well developed railroads and bicycle routes and a pioneer in initiating the first electric car charging networks in the world.
Denmark is also the leader in alternative energy infrastructure prompted by the oil crisis of the 1970s. Denmark transformed their energy infrastructure to become energy independent, including generating 20 percent of their electricity from wind, using turbines from the Danish turbine producer Vestas.

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

(Applause.)

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

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

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

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

We simply cannot, as I see it, afford not to rethink the way we shape our societies and
economies. We can't afford not to invest in a green sustainable future. But of course, going green is not a walk in the park. It requires careful decisions. It requires a lot of planning, and above all, it requires a thorough look at existing infrastructure systems.

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

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

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

Likewise, the introduction of electric power through our transportation system, as just
mentioned by the governor, will provide a useful storage opportunity for wind generated power, which means that we can use our wind power in an even more efficient way, when we can store it on batteries and the car can drive on those.

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

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

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

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

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

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

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

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

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

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

The basic concept of our current energy system is that if you want more power, well then you put in more fuel, mostly coal, gas, or oil. Very
simple, but also quite expensive and in a carbon restrained future, certainly not the optimum option.

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

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

Turning again, then, to the grand picture: The fact remains that energy security and stable energy prices are crucial to our economies and we are increasingly dependent on raising funds to pay for energy supplies from hostile regimes in volatile regions. At the same time, energy supplies are
limited, and the global demand for energy will always continue to grow.

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

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

Denmark has already seen the positive effects of a modern energy and transportation infrastructure, enhanced energy efficiency, and increased use of renewable energy. When the first oil crisis pulled the plug back in the early '70s, Denmark was almost completely -- 99 percent -- dependent on import of fossil fuels from the Middle East.

Consequently, our economy was seriously hurt by the
price increase and the disruption of oil supplies. At one point, the situation was so grave that private cars were prevented to drive on the streets on Sunday. That was only in my childhood. It's not any longer back. We managed to get our cars back on the streets, and more importantly, the crisis brought about a reform of our energy supply system.

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

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

We've adopted market-based policies and incentives to foster demand for the right types of technology. There is an abundance of clean,
efficient technologies out there already, but we, the politicians, need to create the environment for them to be used.

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

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

Also, the European Union has regulating industrial design standards and fuel efficiency standards, and the Danish vehicle tax system favors environmentally friendly cars and electric vehicles are exempted from taxation altogether in the next many years.
So that gets back to what Governor Ritter was mentioning. You have to have the incentives right for people to invest in the new generation of cars, and we're trying to take care of that.

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

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

Finally, with the European trading scheme for greenhouse gases -- we have established a price and tax of investments in the direction of clean and efficient technologies. But then, of course, the big
question is, did these political choices then harm our economy? And I would say no.

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

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

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

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

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

In concluding, even if you agree thus far, then you may ask, but how on earth can we finance all this during the current economic recession and with
the current credit crunch? Well, if there is one

lesson that the financial crisis has taught me, it is

that money is not always where you expect it to be.

At least, it seems it's not in the banks.

On the other hand, millions have had a
tendency to emerge where we didn't think to look.

The Copenhagen Metro System that I mentioned was
planned some 15 years ago. Financing quickly became
an issue, and in a visionary scheme, the state provided
the necessary funds by selling its lands in the area
to be serviced by the new metro at soaring prices,
due to, well, the arrival of the metro.

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

Just to end up with that, my recent visits
to East Asia have convinced me that China has
realized the potential of green growth and so have others. Why, only a few weeks ago I was in the United Arab Emirates, and of all places, at this very day, they have a target for renewables of 7 percent in 2020.

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

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

The time will not permit that I go into more details about the Danish example, but just summing up, I would say that the Danish case proves that it pays off job wise, economy wise, environmentally, and climate wise, and then it comes to
energy security as well.

I wish you all the best in your endeavors

and thank you very much for your attention.

(Applause.)

GOVERNOR RENDELL: Thank you very much

Minister Hedegaard. I thought you made a tremendous amount of relevant points. One of the points we've experienced in Pennsylvanis, we thought a renewable energy economy is that it is in fact created mostly in rural areas, not urban areas -- in rural areas that have suffered greatest losses, loss of manufacturing plants, that have the toughest economic challenges and I think the minister reiterated that.

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

MINISTER HEDEGAARD: We will be part of the European Trade regime, but that's all very recently. We've been waiting for that for many years. Actually, we had reduced it by 21 percent before 2012 when it comes to emissions, but already in the '80s, we introduced a carbon tax so that when you get your
electricity bill back home, you can simply see that you have a carbon tax there.

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

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

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

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

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

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

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

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

Denmark would fit approximately nine times in my little state of Montana by size. You have five and a half million people, we have about 950,000. So
as you can see, we're spread out. We are blessed with wind resources that are superior to any place in Europe and so we're developing our wind energy but my question is about your carbon fees/tax. We would call it a fee because we don't want to talk about taxes. This is a cap and trade system.

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

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

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

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

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

GOVERNOR RENDELL: Other questions.

GOVERNOR CARCIERI: Minister, I'm interested -- I know Denmark has also been a major leader in offshore wind power. Our little state of Rhode Island on the East Coast -- a number of our governors on the coast are looking aggressively at offshore wind power. Unlike our friends out west
that have lots of territory with nothing out there
and lots of wind --

(Laughter.)

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

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

MINISTER HEDEGAARD: We have some very good experience with that. Also you know, what we had put on land -- we have a lot of it, land turbines -- but of course, people always will have the tradition of “not in my backyard,” and some of the problems will be solved when you put it offshore. And we sort of managed to integrate it very well in the grid, and it comes to the land and it works real well technically,
but it's also much easier for people to accept
because it's sort of not in their sight.

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

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

GOVERNOR CARCieri: Just to follow on, I'm
curious. The relative cost between -- I know as we
look at it, offshore wind, you know, is more
expensive. The maintenance cost and a whole series
of things, not having the experience -- but as we talk
to people I'm curious, from your experience, because
you've been at it longer than any of us, about the relative
costs between onshore wind and offshore.
MINISTER HEDEGAARD: We have two different systems. If we have wind turbines on land we can have some feed-in turrets. But when we make an offshore park we will make sort of a bit round and the best bit will win it. You're right, it is a bit more expensive, but there are a lot of advantages because you get a lot more megawatts at the same time, and it is a very efficient way of using it, and we can expand our grid accordingly. It ends up to be a more efficient way of procuring our energy security for the future when we will not have as much oil and gas as we used to have.

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

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

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

GOVERNOR GREGOIRE: As a follow up to Governor Schweitzer's question, assuming that our
country went forward with cap and trade, what were those initial issues, obstacles, concerns that you had to deal with and lessons learned in the process of implementing the cap and trade system?

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

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

So it's coming out as regional systems but
of course the idea should be that in the end they can speak for one another.

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

(Applause.)

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

As you know, a number of governors submitted recommendations for the awards and nominations, and it was a very difficult choice to make. We have a public-private selection committee chaired by Mr. John Schmidt in evaluating the
nominations and came up with two winners. Here to present the first winner is Governor Martin O'Malley, which gives you a hint that that winner does business in Maryland.

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

(Slide.)

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

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

(Slide.)

There are very few people in this world whose talents and insights have had the widespread impact that this man and this company have had with the ever-wider embrace and rapid evolution of geographic information systems, or GIS.
The ever-broader reach of GIS strengthens
the very important relationship between people and
place; strengthens our understanding of the relationship
between people and the land, the air, the weather
that we need to be able to protect so that we can
survive; and strengthens the relationship between our
actions in this generation and the survival of future
generations.

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

(Slide.)

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

the degree to which the farms in yellow
and the wastewater treatment plants in red, storm
water runoff in blue, and septic systems in black
contribute to that force feeding of nitrogen phosphorous sediment into the Bay. But we also have a solutions page.

(Slide)

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

(Slide.)

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

This is Maryland's greenprint. The green areas are our most economically valued and important parcels in our state. The dark green represents what we've protected so far within that greenprint and the light green represents what we need to protect into the future, either with better land
Let's click on one of the counties, Charles County. You can see the percentage that's protected down there in the pie shape and the amount that still needs to be protected. Zooming in now.

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

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

There for a parcel in the middle, click again.

Layer on the aerial photography, click again.

You can see, when it came to the Board of Public Works, why we protected it. Click again.
(Slide.)

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

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

(Applause.)

MR. DANGERMOND: Thank you very much, governor, and I appreciate the selection committee and what you did to pick us out. I know it must have been a tough job, but I appreciate NGA for this honor.
What the governor and his team have done is something very significant, which is to spatialize -- open up and make transparent decision making that's happened here in the state. Those of you who know his history in the city, he did that with CityStat and now is expanding it to BayStat and beyond.

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

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

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

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

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

Partners in Learning is a five-year $500 million investment to help students in the
21st century with skills and to strengthen the workforce. Initiative in this country stresses the value of aligning government as well as education and business expertise in critical conversations that support education reforms specific to a state.

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

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

The program has been truly successful.
The middle school principal in that particular school district has told me that the partnership with the state and with Microsoft has fundamentally changed the way in which that district teaches our young students mathematics and has resulted in real results in terms of their experience.

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

So I am very pleased today on behalf of my state, the state of Washington, and on behalf of the National Governors Association, to give this award to Microsoft, that is so richly deserved. And so here, Mr. Chairman and members of the National Governors Association, to accept this very important public-private partnership award is Pamela Passman, the corporate vice president and deputy general counsel, Global Corporate Affairs for Microsoft in Redmond,
Congratulations, Pam, and to all of you at Microsoft for being a role model in educating the workforce of tomorrow. Thank you. Congratulations!

(Applause.)

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

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

Through our Partners in Learning program across the United States, we've reached 3.3 million teachers and students to increase access to technology and improve learning. At Microsoft, our
mission is to enable people and organizations to reach their full potential. That is collaborations such as Partners in Learning. This opportunity brings together the talent and resources of public and private institutions to do amazing things, things that we could not do alone. At Microsoft, we are inspired by teachers who are using technology to educate in new and innovative ways, by the principals and administrators who are using new leadership and collaboration methods, and by students who are exploring, learning, and reaching their potential.

We very much appreciate the opportunity to work with your governments, your school authorities, your teachers, and your students. Governor Rendell also ask me to be sure I mention the Elevate America program that we announced yesterday, which really expands on the work that we've done with Partners in Learning. It expands the work that we’ve done with our unlimited potential community technology skills program and recognizes that in this very challenging environment, we’ve got to be sure
that all our citizens -- our citizens who are unemployed, underemployed, the working poor, those citizens who are here trying to get more opportunities -- they have access to computer skills training.

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

(Applause.)

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

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

(Applause.)
GOVERNOR RENDELL: Our last order of business is our policy reports, and we'd have to approve them.

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

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

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

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

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

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

GOVERNOR GREGOIRE: Mr. Chairman, yesterday the Economic Development and Commerce Committee held an executive session, during which time we talked about surface transportation policy in the country in
anticipation of congressional action to reauthorize
the federal surface transportation funding mechanism
for our country, which will expire later this year.

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

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

GOVERNOR RENDELL: Is there a second?

GOVERNOR SCHWEITZER: Second.

GOVERNOR RENDELL: All in favor say "aye."
(Chorus of "ayes.")

GOVERNOR RENDELL: The motion is adopted.

Governor Heineman.

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

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

The committee adopted three new policies and four amended policies. Having not heard any concerns on behalf of the ECW committee, I move the adoption of our policy recommendations en bloc.
GOVERNOR RENDELL: Second.

(Motion seconded.)

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

(Chorus of "ayes.")

GOVERNOR RENDELL: The ayes have it.

Governor Douglas, now presenting for the

Health and Human Services Committee.

GOVERNOR DOUGLAS: Mr. Chairman, the

committee had a very important, dynamic, and lively
discussion on health care reform. The speakers were
Congressman John Dingell, who served in the U.S.
House, along with Mike Leavitt, our former colleague
from Utah and immediate past secretary of Health and
Human Services.

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

On policies, the committee adopted --

recommended amendments to existing policies to them
in the form of a substitute and reformed three existing
policies in the green packet, and I move that they be
approved en bloc.

GOVERNOR RENDELL: Second.

VOICES: Second.

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

(Chorus of "ayes.")

GOVERNOR RENDELL: The "ayes" have it.

Now, Governor Schweitzer, presenting the Natural
Resources Committee.

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

GOVERNOR RENDELL: Is there a second.

VOICES: Second.
GOVERNOR RENDELL: All those in favor say "aye."

(Chorus of "ayes.")

GOVERNOR RENDELL: Now lastly, Governor Douglas, would you please move the Executive Committee Policies?

GOVERNOR DOUGLAS: I'm happy to do that Mr. Chairman. Six policies that the Executive Committee approved -- and recommends one with respect to secure state driver's licenses, that ID cards to make real ID more flexible and acceptable to the states. One in response to federal-state partnerships to ensure that the laws that are passed give states adequate flexibility; Medicare drug benefit recommendations dealing with new eligibles, with Medicaid and Medicare eligibility; and reaffirmation of three policies on settlement funds, political status for Guam, and equal rights. I move they all be approved en bloc.

GOVERNOR RENDELL: Second.

VOICES: Second.

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

(Chorus of "ayes.")

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

(Applause.)

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