

Federal Reserve Bank of Chicago
Third Summit on Regional Competitiveness
October 23, 2015

The Future for North America's Largest Transportation Hub

MS. DEBRA FORD: So, thank you again to our NPL leaders for creating the synergies to improve our region, and also, to build on the assets that we have. So, before I move to the next panel, someone attending a conference on the floor misplaced their MTA ticket and it's attached to the music to Amazing Grace. So, if this is yours, I'm going to have it here at the table during this session. So, if you'll see me. If not, we think it might be in the other conference. So, check to make sure you have your ticket to get home.

So, we are fortunate to live in North America's premier transportation hub and it is a major component of our regional economy as we have heard from our panelist. Before I introduce this panel's moderator, I'd like to remind the audience of one of the key points stated in the Chicago Tri-State Metropolitan Area OECD Territorial Review, and it said, and I quote, "The challenges facing the transportation hub, in particular, the lack of

interstate planning and the need for significant ongoing investments, to address passenger and freight infrastructure bottle-necks, demand that attention be paid to these issues. No one is better placed than the tri-state region stakeholders themselves to take on this responsibility effectively.”

And we certainly heard that from our panelist from our planning organizations. So, to continue that dialog, we’ve brought together stakeholders from air, rail and logistics here today to guide conversation, we have Steve Schlickman, who is currently the Director of the University of Illinois at Chicago’s Urban Transportation Center. Steve is recognized as a national leader in the transit industry. So, ladies and gentlemen, please join me in welcoming Steve Schlickman, who will lead the panel, The Future of North America’s Largest Transportation Hub.

STEPHEN SCHLICKMAN: Now, we have quite a large panel here so, we’re going to try and work this as efficiently as we can. And I’m just going to underscore something that Debra just mentioned. The OECD report was pretty clear about our transportation hub and its challenges. It said the hub faces challenges of space constraints, congestion, financing issues, and probably most importantly, poor integrated region-wide planning. It’s hard to say that

after the last panel was just up here talking about coordinated planning. But that was their evaluation. And it's important because it is going to sustain our long-term economic development for the region and for the nation.

The OECD report also challenged the private sector stakeholders of our transportation industry, in its various sectors to move with the public sector, to bring it to work together across state lines and with the private sector to come up with an integrated private public approach to our transportation network. So, our panel today is largely made up of the private sector; one exception with Mayor Dickert.

We have today Bernard Ayala, Marketing and Sales Vice President, Union Pacific. He works on the Mexico markets; Mayor Dickert of the city of Racine, Wisconsin; Steve Forrer, Executive Vice President, Aviation Facilities Company; Greg Hummel with Bryan Cave; and, Doug Waggoner, Echo Global Logistics.

Each of our panelists will be given the opportunity to say three to five minutes of remarks on the topic. We'll have some panel discussion and we will reserve some time for questions from the audience. So, why don't we begin with Bernardo.

BERNARDO AYALA: Well, thank you. Good morning and

again, it's a privilege to be here to talk about the story of the Union Pacific here in the Chicago area. You may be wondering, well, why, what did this guy that works down in Mexico have to do with Chicago? Well, let's start with a quick fun fact, you know, we run a train every day from Chicago all the way down to Mexico City and then one back north. So, trust me, Chicago is very well connected and integrated throughout the country and even across the border.

So, why is Chicago important in the Illinois area? I know there is some more to Illinois. I know there are some other discussions that we want to have today about Wisconsin and Indiana; but for us, the most critical point is Chicago just because of the rail traffic that we have running through this part of the country on a regular basis.

If you look at Chicago, overall, 25percent of the total U.S. rail volume crosses Chicago, which is significant. If you put it in perspective, that's about over a million car loads move through this area on a yearly basis. For Union Pacific alone, we operate six terminals in this area. We have four major animal facilities. We have Global 1, Global 2, Global 3, and Global 4. The latter, we just opened that in 2010. We invested over \$300

million dollars. We have over 500,000 lifts per year that are processed through that facility that created well over 1,800 jobs just alone that facility and continues to build on the economic development of the region.

We're also the largest operator of commuter operations here in Chicago. We're over 100,000 commuters ride on our lines every single day. So, we work with Metra on that. Those are trains that operate on Union Pacific lines and consequently, we're very passionate, we're very committed to making sure that we can continue to provide that service for commuter ridership on a regular basis, as well as continue to put freight through Chicago on a daily basis.

So, with that, you know, you'll hear me talk a little bit more about the CREATE Project. We're very committed to that. It's paid off nicely. Still a long way to go in terms of investments that have to be done; the capital that we need to support that project. And we're also working in other things such as the west line improvement project, which includes building a third main line on our Geneva sub, which runs east/west in and out of the city of Chicago, so that we can operate jointly with Metra and also continue to process freight trains as I was pointing earlier.

In the last four years, we've invested almost a

billion dollars alone, just in the Chicago area to support those volumes that I've been talking about, both passenger and freight. So, with that, I'll look forward to talking more about things that we do here and I'm very glad and pleased to be on this panel. Thank you.

JOHN DICKERT: Good morning! Come on, good morning. There we go, now everybody's awake. My name is John Dickert, I'm the mayor of Racine, Wisconsin and I'm here because, well, let's be honest, back to the future happened, Cubs didn't win, no flying cars, what are we going to do? The reality is back to the future is actually what we're talking about today. That was 31 years ago that that movie happened and they got a couple things right with the glasses and the flat screen TVs and all those things. But, the reality is that they looked at a world in a different way.

The question for us is, and I'm one of the few people that can do this because I can challenge elected officials because I am one, and I'm going to tell you something that probably nobody else is going to tell you today. You need to hold us accountable, because we have an opportunity of a lifetime. We have an opportunity and that's what this whole OECD process is about is to build a plan that crosses three states that allows for the opportunity to create the

most efficient, effective transportation mechanism in the world. To compete globally knowing that all the numbers work, all the growth potential is in front us. All the assets are sitting looking us in the eye or staring at us through water, and the only thing that's going to change that is whether we can be cathedral thinkers and think about what we're going to build for our children, or we're going to sit back and nitpick budgets because we like nitpicking budgets, instead of building a plan and budgeting around it.

So the question that we have here today, and I actually might be as the politician, the shortest speaker. That's a joke, you're supposed to laugh about that. It's a little funny. I'm having a little fun with this. We actually have the opportunity to build our future. So that when kids look back in 30 years, all those things that we talked about are not a joke. The Cubs actually do win the World Series. And the fact is we actually have a transportation network that not only has allowed us to compete globally, and to work efficiently and effectively, but to build jobs and provide them an amazing planet to live in.

What's so wrong about that? Nothing. The question is, are you going to challenge us enough, and hold us

accountable enough to do that; because otherwise it's not going to happen. If you don't hold us accountable, and say, we're not going to put you there anymore if you're not going to build the efficiency, the effectiveness and the opportunity of a lifetime, then I'm going to tell you, it's never going to happen because our politics right now are not based on efficiency, effectiveness or the future.

So, I'm going to be the one person who's going to say, I'm going to challenge you to challenge me to be better at what I'm doing. Now, in Racine, we're doing this. And you should come up and take a look. But, the fact is, we have to do this together, because if we're willing to cross borders to make you grow then you can work with us to make us all grow for the future.

STEVE FORRER: Thanks Steve. Hi, I'm Steve Forrer with Aviation Facilities Company. We are investors, developers and managers of airports. The thing that brings me to this panel and this region actually was mentioned earlier, our biggest project in this area is the Gary, Indiana airport. We're involved in the railway location, relocation as well, as managing and developing the airport. It is integral to the other airports in this region, and one of the things that I would say to pick up on a theme that the prior two panels touched that's really important

to the aviation advances and growth in this region, is going to be taking comparative advantage analysis into serious consideration with your airports.

I think every airport in this region can thrive and grow and can (inaudible 0:11:19) to both the passenger and cargo volumes of the region.

But, it's going to be really important to take a look at where the airport fits. Where your region and the airport within your region, fits within the larger scheme of things, whether it's passenger, cargo or otherwise. The one thing that I know we've talked about and will continue to talk about more that impacts aviation significantly, whether passenger or cargo, is the ground transportation system. So, I'm very interested in discussing that. I know that's a little bit more difficult possibly than thinking about comparative advantages of airports in that the road systems are completely integrated at the state borders.

One of the things that I think we should talk about and, hopefully, we will expand on a little bit, is what do you want your airport to be, and where does it fit within the larger regional vision; whether it's cargo, passenger maintenance or otherwise. So, I look forward to continued discussions, thank you.

MR. SCHLICKMAN: Gregg?

GREGG HUMMEL: Greg Hummel from Bryan Cave; I run our public private partnership practice and there is available on tables or handed out to you, a PowerPoint that I did that discusses the question of how can public private partnerships be made more effective. The need is great. We've heard about fiscal constraints earlier today, and we've heard about needing to collaborate across state lines. I want to cover five points quickly.

One is we need strong, enabling legislation at the state level to do P3 effectively. And there are wonderful examples. There's not a lot, but Virginia and Florida and Texas have strong laws that allow that. And they've been able to do some very interesting transportation projects which are discussed in the PowerPoint.

You also need an organized structure. You need a dedicated P3 office. There is one of those in Virginia that has ten or fifteen years of experience behind it and that really has led to some successes.

You also, the third thing is you need detailed business implementation planning. You have to make priorities, choose them, and then work specifically, both on the public and the private sector. A key to getting P3 to gain leverage in the U.S. the way it has in Canada and

Australia and other places where it's been done, particularly well, is that there's a pipeline of projects that are predictable that the private sector can bid on and know that they will be able to have the fruit of their labors rewarded.

Finally, we need to think better about guaranteed revenue streams, which amalgamate federal, state and local funding. And that's something I want to spend in the few minutes that I have remaining, describing the ways in which we in the Midwest are being left behind and have a huge opportunity.

MiamiPort Tunnel, there's also interstate projects which are discussed in Miami. There are also projects in Denver that was mentioned earlier. One of the key attributes about the success of the Eagle Project in Denver that connected their Union Station to their airport, is 37 municipal units of government from the far left and the far right. That's the nature of the Denver Metroplex, agreed to tax themselves. That became the local match which allowed a billion dollar federal grant, full funding grant, to be won by Denver. There's no reason that we can't do that.

That's also happened in Los Angeles, that's also happened in Miami, that's also happened in Boston. So,

what -- to be specific, we have our council of governments, our planning agencies, who already identify priorities in freight, water and transit. I think we should challenge our group to give Milwaukee and the Water Council-hegemony on water. And World Business Chicago should subordinate to that depth of experience because there's a lot more expertise that's already consolidated in that water council.

In the area of freight, CREATE needs to get way beyond the boundaries of northeastern Illinois, and that's something that can be implemented by our MPOs. And then transit assets; that's a huge part of it. I remember studying, there was a group I was part of a few years ago that did an infrastructure plan for what we call the Lake shore Heritage Corridor, 13 projects; a number of different projects that tried to wed together southeastern Chicago and the metro area, a number of people in the room worked on this in northwestern Indiana. And so, we placed a blind phone call to Indiana DOT to ask them what plans they had relative to crossing the state border and they did not exist.

And so, what we need to do is overcome that kind of gap, but I think the tools are present in the room and one of the key pieces and I'll close with this is DMDI. They

have something called the Digital City and they're going to be initiating pilot programs that look hard at transportation and some of these other things and that is a group of 40 or more stakeholders from all over the country. We have an intellectual brain trust in that body that already crosses regions. We just have to get to implementation.

MR. SCHLICKMAN: Thanks Greg.

DOUGLAS WAGGONER: I'm Doug Waggoner, I'm CEO of Echo Global Logistics headquartered here in Chicago. I don't have a lot of knowledge about regional infrastructure and I'm not a policy wonk, but what I can talk about is how a transportation practitioner thinks about regional infrastructure.

I'm also chairman of a newly formed 501(c)3 organization, SINC, which is the Supply Chain Innovation Network of Chicago. It was spawned out of World Business Chicago as one of the strategies for local development. And one of the things that we found out as we first started forming, and we started recruiting members and raising money. And by the way, the purpose of SINC is to partner with government and have that practitioner/government relationship that affects positive policies that help the industry.

But one of the things that we learned early on, and really this validated what I have learned throughout my career, is that transportation is a network business. So, when we went out recruiting members like Walmart and Walgreens and Home Depot, you know, they weren't interested simply in Chicago infrastructure; they're interested in regional infrastructure because by definition, they're global companies and they have global networks.

And, in fact, if you think about the supply and demand for transportation, it's really the intersection of multiple networks, you know, the shippers that ship freight, they have a network of distribution from their suppliers all the way to their DCs and their stores. You've got transportation companies, you know, in our case, Echo is a technology-based transportation company. We don't own any trucks, but we move about 10,000 shipments a day using other people's trucks.

And, part of our success is the -- kind of the mathematical understanding of their networks and how that overlaps the natural flow of commerce. And so, if you think about, you know, the natural flow of commerce and where companies place their distribution centers, you know, they obviously have to respond to the population centers. So, in this region, we have a big population, we attract a

lot of inbound freight. We also have the opportunity to have outbound freight based on manufacturing and products that we create in this region.

But, my main point is that, you know, having dealt with thousands and thousands of shippers of freight in my career, you know, we've come into an era of optimization. And, you know, there's now a cottage industry of mathematicians and consulting firms that sit down with companies of all sizes and help them to optimize their supply chain networks. And, you know, they're looking at things like the cost of labor, the cost of congestion, infrastructure, real estate, mileage, fuel. And, they're putting all of that into a black box and coming out with decisions about where to locate distribution centers, where to locate hubs, where to locate personnel and I think it just lends credence to the fact that we have to pull together as a region to make our region one of the more attractive nodes on the nation's network.

MR. SCHLICKMAN: Great, thanks. So, you heard Mayor Dickert's challenge. What would you say, each one of you from the private sector, say to the public sector right now, about how we need to work better with the public sector? How the public sector needs to work better in terms of its integrated planning approach? And, let me

just mention one other thing that the OECD reports that its, for Stephen, it's that our airports in various towns, such as Rockford, Milwaukee, Chicago, Gary and the State of Illinois with south suburban airport, are in silos. They're not developing an integrated aviation approach, particularly to freight. And our aviation system is not coordinated with the freight rail system.

The CREATE Program is great for the congestion in the City of Chicago, but it's not really, according to the OECD, don't attribute it to me, but I think they did a good job with that report, a good analysis, that it's not as well coordinated with what we need to do with the service network leading into the rail system and with the aviation system itself.

So, what would you say first to the public sector, each one of you?

MR. WAGGONER: You know, as a business man, I get frustrated with government bureaucracy and the velocity of change. You know, if I ran my business at the speed of government, we would be out of business. So, you know, I'm involved in a project through SINC where we're trying to standardize the truck permitting process in the seven-county area. And, we're making good progress, but, you know, we talk about things in terms of months and even

years whereas in my world, we talk about things in weeks and days.

So, my question, my challenge would be how do we increase the velocity of change when we're working with government?

MR. SCHLICKMAN: Greg?

MR. HUMMEL: I think we have to pick some champion projects that cross borders and I think our prior two panelists have done a pretty good job of frankly already surfacing some specifics. Create beyond the boundaries of Illinois for sure, and in the Water Council, take that Milwaukee lead and marry it into World Business Chicago.

I'm delighted that the SINC chairman is here because you really -- that's part of World Business Chicago's effort to really move the needle on intermodal. So, I think co-joining that organization already as a brain trust to work with the parts of DOT that are directly relevant on freight and its movement would be a very good step.

MR. SCHLICKMAN: Steven?

MR. FORRER: I would pick up on the theme of predictability and making sure you have a clear vision that you can share with the private sector partner. The Gary transaction was a formalized 3P. Years ago in expanding our business, it was direct calling. We could call an

airport authority, if we saw an opportunity we could get directly negotiated deals 50,60 percent of the time going back maybe a decade. I can't think of anything we've done in the last three years that wasn't an RFP or 3P like public process. It's extremely expensive for a private partner to do correctly what typical RFPs or 3Ps ask them to do.

And understanding exactly what a municipality or the public stakeholder wants is really important to get to the right result. And even after the transaction is done, predictability of permitting, entitlements, et cetera would be hugely helpful both at the regional, local and federal level.

To get a runway extended or to do virtually anything on an airport can be horrendously time consuming and expensive. In this region I would share with you because appropriately, one of the other panelists talked in some detail about fresh water being a fantastic resource that needs to be taken advantage of. I wouldn't have guessed three years ago that wetlands issues would be one of the biggest issues we deal with in this region. And, as I said earlier, we're currently most active in Gary, but I am confident that it's applicable to O'Hare and Milwaukee and any airport that we'd be working on and it's extremely

important to be a good steward of the environment and the wetlands in this area.

But, one of the things that would be very helpful to us even after the transaction is done is to have a little bit more clarity at the state and regional level. And, I know some of these things as it applies to wetlands is a U.S. Corps of Engineers' topic, but nevertheless, understanding exactly what the process is going to be, what the likely mitigations are going to be, what the timeframes within which certainty and decisions are going to be made, would be hugely helpful to us.

MR. SCHLICKMAN: Okay, Bernardo?

MR. AYALA: Sure, well, I think that the OECD usually prepares really good reports and they're good to follow, frankly, I mean, they really do a very, very good job. I also think that to your question specifically, I think that if you look at it from a -- you're talking about CREATE and saying CREATE should cover other than just the Illinois or Chicago area. But, if you look at some of the challenges that we have today in terms of funding, you know, I think we first have to complete that first, if you want to call it first phase of what CREATE already encompasses which is about 70 projects. We're just not even a quarter through all of the projects that we need to complete.

So, we're thinking now of expanding the coverage or the reach of CREATE without completing the first phase, again, 70 projects, about \$3.8 billion dollars of capital and we've only invested about \$1.2. We still have a long way to go. So, I would, and from a Union Pacific standpoint, we truly believe that we have to first complete CREATE, let's move forward with those projects, decongest Chicago. And at the end of the day the rippled effect, as I was mentioning earlier, if we can solve the issues that we have here, the impact role can spill over to the other areas surrounding not only the state of Illinois, but, and again, Chicago, and even other states that a lot of the traffic that comes through Chicago -- if Chicago's not working well, you get the impact will hit the San Pedro ports in California, the state of Texas. So, it's critical to get that first phase concluded.

I'm not saying that that doesn't, you know, that doesn't mean that we have -- we don't have to look at other things to be done, but I think we need to -- the immediate focus should be on, you know, how are we going to get the pending funding for CREATE and how are you going to finalize CREATE as we go forward.

MR. SCHLICKMAN: Sort of building on CREATE, the OECD challenged the railroads beyond CREATE to collaborate and

work together where it would be in their collective self-interest. And I understand there's a lot of competition between railroads to keep you from necessarily coordinating with each other. And that was one of the things that led to the CREATE problem.

But, you are a great example now of collaboration. How do you extend that beyond just CREATE? And, there is this -- could you bring up the slides?

There's a plan that was just submitted to the Surface Transportation Board for a new railroad. It's called the Great Lakes Basin Railroad. It's a circumferential railroad around Chicago, brand new railroad, green field development that would -- has the goal of addressing the congestion issue by taking hundreds of rail trains out of Chicago, bypassing Chicago, trains that don't need to go through Chicago, to get to the east coast. And this includes all of the volatile fuel trains that everyone is so worried about going through dense urban areas. Is this something that the railroads could work on, maybe if not that specific plan, are there other things like that that the railroads could work on in a collaborative way that would help our hub situation?

MR. AYALA: Well, I'm not sure that this is the, I mean, this is the right project. I'm not saying it's not a

project that could not work. I think definitely it's something that all the railroads should look into. You're absolutely right in terms of detouring or trains that should not be processed through Chicago. There's several trains that don't have a work event or to be here in Chicago. So, I mean that's something that I think all the railroads have looked at in the past and with the infrastructure in a way it's there, it's owned by different railroads. It's a matter of, again, the funding, where's that going to come from? And, at the same time, we have to consider that some of the trains that do not work Chicago, several of the trains that have to or stop in Chicago because they have to work Chicago because there's not enough density in those trains to continue east or south. So, they have to work in Chicago.

I know it's always been a concern, the topic about, you know, volatile commodities moving on trains. You know, if you look at the price of oil and the bumps, I mean they're significantly down. So, I mean they could come back and, again, to your point, if you're to build infrastructure like this, it's a matter of, you know, funding, and, you know, what's, how is the, what's the right structure to operate a bypass like the one proposed.

MR. SCHLICKMAN: Mayor?

MR. DICKERT: And the one thing that I wanted to add is that this, part of the problem with this concept, is that this is again another band-aid solution to a bigger problem. Are we going to create a plan that interlinks all of these issues to create a master plan of efficiency for this region, or are we going to keep putting band-aids on these problems because, I as a mayor, we just did a table top on oil trains that come through your cities. Because if one explodes, I have to take a mile wide of my city and get everybody out of there; got to move everybody out. So, everybody's worried about that right now.

But, the whole idea behind this OECD organization is to say, there's a whole bunch of these plans; but, like Greg just talked about, we've got to put together a plan that works with all of these components so that as these gentlemen have talked about, each piece of the puzzle understands where they fit. And they understand their importance in the process. If we keep doing this, we'll do this forever. We've got to get out of our box. We've got to be willing to say maybe we should give some more roads back to rail and create more efficiencies, so that we don't need those roads. Or, maybe we'll be able to build collaboratively and collectively across state, county and city lines.

But, this to me is a band-aid to a bigger problem. So, I hope we actually create the plan, which is what we're here for, and then implement the plan with all of the ideas in for that efficiency.

MR. SCHLICKMAN: Any other comments? So, Mayor, Ken Yunker brought up the issue of improving rail connections between Milwaukee and Chicago. And being in Racine, I'm sure that's an issue that you want addressed. I have another slide here. I think that -- here we are. This is the cross-rail proposal that's been put forward by the Midwest High Speed Rail Association and which they're advocating for. It certainly has Milwaukee and Chicago in its sights on that plan. But, it's also looking at Rockford and Gary and beyond and down to Champaign-Urbana and beyond.

MR. DICKERT: Right.

MR. SCHLICKMAN: So, what would you say about a plan like this.

MR. DICKERT: Well, I'd go back to what I just said, which is the OECD report showed that we're supposed to have 20 million more people in this region by 2050. So, let's go back to our back to the future scenario, right? What are we going to look like? So, this is a plan. I've seen a couple high speed rail plans. I've seen a couple

commuter rail plans. The question is if 20 million more people are going to live here, we can't afford the congestion we have now, which is costing our businesses money. It's costing our people money and it's costing us as human beings time in the environment.

So, the question is, are we going to create that synergistic plan in the region, which connects Chicago to Indianapolis, St. Louis, Milwaukee and Minneapolis and build accordingly, which takes the weight off of the airlines because we put more commuters around. It helps the business community because rails move faster because you don't have all the cars and the trucks, or, excuse me, the trucks move faster because you don't have all the car congestion. Are we going to build that, or are we just going to keep creating new ideas to say this is the next best thing.

You know, as a caffeinated mayor, we get really tired of Washington and our state houses telling us that they have the new band-aid. The gentlemen on the stage, the people in this room and the local elected officials, we can tell you exactly how to create this system because we know efficiency. The problem is as you've heard from here and the other panels are no one's talking together. We can't even get three governors to talk to together. Lord knows

we're going to have a difficult time enough to get the presidential candidates to talk about this. But, if we don't, we challenge our efficiency, our effectiveness and our future.

So, this is another example of, let's put a band-aid on there to make some people happy. I'm not willing to do that for my kids. And you shouldn't be either.

MR. SCHLICKMAN: Greg?

MR. HUMMEL: Yeah, I'd echo the Mayor's comment. I think we have to make some sector bets. And sometimes crisis does that. When Chicago was afflicted with cholera epidemics at the turn of nineteenth to the twentieth century, we created one of the more effective public efforts, the Water Reclamation Agency that crosses a huge geography. So, if high speed rail or higher speed rail is something that the Midwest has, and Chicago as a business capital can be at the focus of that, that's something that I think could be huge.

And so, I do think it's local and state led. But, those examples that I cited earlier about the billion-dollar grants that four or five other regions of the country got, we're going to have a shot to get something like that. And what should that be? One of the greatest collections of intellectual capital in the world is the Big

Ten system. If we can connect our state capitals and university towns, the way that Europe is connected, with its high speed rail networks, that is a huge opportunity for the Midwest.

So, whatever project we lift up to the level of shared consensus across the region, then we focus all energy into that. I think really that's the promise of the Alliance.

MR. SCHLICKMAN: So, funding is limited. We all know that. We don't have enough money to maintain what we have. One thing the OECD report said, you've got to address that first. When I was at the RTA, and I assume the RTA is still saying this, fix it first. And then deal with your capacity of problems. I actually think there can be a balance between the two. We still have to address growth in our population while we try to maintain and improve the existing infrastructure.

And Greg, you mentioned Denver and I agree the Eagle P3 project is an excellent project for Denver. Denver's a new transit rail system. We're an old rail system. We have to address the needs of what, a \$20-billion-dollar backlog of projects, \$30-billion-dollar backlog of projects. Thank you. That's huge. How do we deal with that? How does the private sector help us deal with that?

MR. HUMMEL: I don't have that answer immediately available, but I can tell you where we can absolutely help with large amounts of capital. It's easier for our firm to raise \$100 to \$500 million dollars than it is to raise a million to \$5 million right now from some of the major infrastructure funds that are out there. You have private capital that's looking to do minimum \$250 million dollars, \$500 mill.

One of the things that the public sector could do to I think really to supercharge those amounts of capital being brought to some of the visions that we're talking about, is understand the way it works.

And with regard to how do you bridge the gap between fiscal challenges and huge amounts of private capital, recognize that there are a lot of things the public sector can do that don't cost them a cent. And, one of the easiest examples is just duration of transaction. And this isn't necessarily true in some of the major toll road and airport privatization programs, but I think it's true enough that the example would be useful to the audience.

A ground lease on an airport for twenty years, to build a hangar or a cargo facility, compared to that same ground lease that goes out forty or fifty years, is hugely helpful to us in capitalizing the transaction, ending up

with a return on and of capital, at a rent that makes sense to the marketplace. And, I think duration comes to mind just because it's a math equation that's pretty easy to solve is one area where I'll call it the power of the pen that public sector has. You can bridge huge funding gaps, simply by being willing to increase the duration of the relationship with the private sector. And, I'm sure there are others as well. But, there is a huge amount of capital available to be able to be brought to bear for roads, rail, marine, airport that needs to be bridged somehow.

MR. SCHLICKMAN: The challenge is that capital wants a return on its investment.

MR. HUMMEL: Correct, and duration and control make a huge difference.

MR. SCHLICKMAN: Right.

MR. HUMMEL: There's -- and it will be interesting and it's probably worth looking into to some degree. The City of Ontario has finally resolved its conflict with the City of Los Angeles in terms of reversion of control of the international airport back to the City of Ontario. I think it's a \$160-, \$180-million-dollar transaction. Conceptually, everything is lined up. It's going to be very easy to -- it's going to be interesting to see how

that ends up getting paid for. And it's a relatively small number in the overall scheme of things.

So, the duration of the transaction, the certainty that it will close, possibly providing the private sector proponent with some protection that if the transaction doesn't close, they're not left holding a \$50- or \$60-million-dollar due diligence bill.

I think a lot of those things are worth thinking about.

MR. SCHLICKMAN: Thank you, any other comments?

MR. AYALA: Well, I think, you know, with just building with what the mayor said, you know, one of the things we've noticed or we truly believe is honest, true willingness; if everybody -- I mean I know the panel already said this, but it's willingness and commitment to work together towards finding a solution for the problem. And to give you an example, you know, we do a lot of business in Texas. And, just recently, there is a -- not probably a month ago, we were in the opening of the West Rail Project. And it's consisting of a rail bypass that is to connect with Mexico that went around the seat of Brownsville. And, there was no, believe it or not, there was no private capital that went in there. Everything was funded by US DOT, Tex DOT, and the seat of Brownsville.

And what happened is there was true willingness to create this project, to reroute the track out of town, create more efficiency and potentially attract more business going forward.

So, I think that's a great example of what things can be accomplished when there's willingness and commitment to fund a project. I know that a project the one I'm describing is not maybe even, you know, a tenth of the size of the project we're talking about here, just because of the region, but again, it really does boil down, well not maybe boils down, but a good pointed component is willingness to commit to a project.

MR. SCHLICKMAN: Before I go to Greg, I just want to remind you that I am going to take questions from the audience after his comment. If I don't get any questions, we'll continue our conversation. Greg?

MR. HUMMEL: The purple line experience in Maryland is really pretty eye opening. Four very, very strong teams bidding to get the right to build a 21-mile project and then a change in administration and the project shrinks from \$2 billion to \$760 million. The teams that are purposing are only going to get a two-million-dollar breakup fee if that deal fails. We've got to identify the right projects that have the opportunity to succeed. The

Miami Port Tunnel is an example of something that was really, really done well. And, Steve is absolutely right, there's huge capital out there. We have to place the bets on the kind of projects where there's a strong consensus behind it and then not worry about the length of the concession. Make it make sense from a capital market standpoint, and recognize that the private sector is willing to stake some early capital, but they also have to have predictability.

MR. SCHLICKMAN: So, questions from the audience or comments on what you've heard? Anyone? Oh, come on, we're giving you a free shot to challenge them. Right over here, okay. Otherwise, you've got to listen to me.

Q Sorry guys. What about the adjoining regions. What would you want of them transportation wise? What are their failings, what are their strengths, because they got 'cause they've got to play into you one way or the other.

MR. SCHLICKMAN: Could you repeat your question, I'm sorry. The beginning of your question; I missed your question.

Q You know, when you, other regions that are adjoining you? Like, I live in Detroit, we have Ambassador Bridge, it's a point of entry, Port Huron; it all comes to

Chicago. And, how do other regions stack up against you?
What do you want of other regions?

MR. SCHLICKMAN: Actually, when I went to the OECD and spoke in Paris and then came back, I met with the Great Lakes Mayors, which is binational, and the mayor of Quebec, who's a dear friend of mine, actually said, you know, when you get that going, you're coming up north, right, through Detroit and Toronto and Montreal to Quebec? And I said, I think that would be the best possible scenario. And the reason he wanted that was because the problems that they were having with air traffic, and they wanted a commuter, a rail line, a high speed rail line, so that in the winter and in the bad weather months, they would never have to worry about people moving up and down.

So, if the Quebec mayor is thinking about it, after the first conversation, yes, I mean, when you think about connecting regions, that's the first piece. But then it's the expansion of that that allows the real growth, right? Because one of the things that we didn't talk about here, but we've kind of hinted at is that the money that we're talking about, comes in the ties to those different cities and communities as they grow. And as they grow, wealth is created and that helps to funnel money into these projects. So, this is a natural piece, but yeah, we're -- listen,

come on board.

Q Ben Brockschmidt with the Infrastructure Council of the Illinois Chamber; you've all kind of touched on it, but kind of danced the capacity issues. You know, building green line projects or green field projects, is great, we'd all like to have that. But, the way the freight networks are set up, we don't have that possibility, you know, our roads have a maximum space they can occupy, same with the rail.

So, understanding that it is a system, and you've all, again, kind of touched on this, maybe more so on the creating the success that's happened there, of using existing capacity. What needs to be done to better maximize the capacity we have, which is limited, especially in the urban areas where you still have the manufacturing, the people, everything else? How do you manage that, with trying to look ahead toward, you know, what that new additional capacity, maybe outside of your existing areas, could look like?

MR. AYALA: So, can I just have (inaudible 0:44:51.0)?

MR. SCHLICKMAN: Sure.

MR. AYALA: All right, so, so, if you look at the, again, I talked about CREATE, let's talk about a different project here. It's the west line upgrade, that I believe I

mentioned in my first remarks. So, there it's probably over a hundred million dollar investment and to your point, this is existing infrastructure. It's existing right away, existing stations.

What we're doing is, together with Metra, we're putting in capital that, you know, we're increasing the throughput on those lines by doing things that are expensive, but are in a way simple, which is putting in our, in our lingo and in the railway lingo, CTC, which will help us shorten the distance between blocks, we call them. So, that helps you increase speed between trains. So, you're processing more trains on the same infrastructure with better signaling system, which is safer, faster, more throughput. So, those are the things that we're doing.

We're also, that allows us to add stations that today, there is no stations where people can get on the train, and ride Metra. So, now we're adding stations. That also allows us to process freight trains in the same infrastructure and coordinate and operate together with the passenger networks.

So, once we complete that project, which includes a third mainline, where today we only have two mainlines, we're going to be able to operate freight and passenger at the same time. So, what's the benefit of that? You're

able to protect your ridership, increase your ridership, because Metra needs to grow on each, and provide more service going forward. But at the same time, we're able to process freight, which we have to think about our users riding on our freight lines. So, that's the way that we view the future, in terms of investing in new technology that will help us bring on more trains to the network.

MR. WAGGONER: One of the projects that SINC is looking at is off peak delivery. And it's a concept that was piloted in New York. And, obviously, if you can get companies to ship and receive freight in non-peak hours, you better utilize the infrastructure that we have. You know, the challenge is getting all of the players to cooperate and I think that was one of the challenges they had in New York. But, it takes the trucking companies, it takes the store owners and the manufacturers to all agree to play along. But that is obviously a good way to utilize and get better utilization out of existing capacity.

MR. SCHLICKMAN: Steve?

MR. FORRER: Yes. I think technology solves rail, aviation, and logistics pretty easily. NextGen in aviation and some other things that you may have heard about are very similar to what was just described; get planes closer together and all of that. With regard to the logistics, I

was actually going to mention in the air cargo space, off hour deliveries, ignoring for a minute, the noise issues, that would be applicable in some jurisdictions, or at some airports. There's no reason why you can't do cargo between 11:00 and, you know, 4:00 a.m. or something like that.

The real rub I think for the major metropolitan areas is car traffic, right? So, I think that's the one that has the most difficult solution. And, I don't know that it's self-driving cars, or what it may be. That one I think maybe requires a back to the future kind of view on what do we do with the millions of people that want to drive to work every day? Maybe it relates to better commuter rail and some of those other things.

But, I think with regard to efficiency of rail, efficiency of aircraft, and efficiency of trucking, as it relates to cargo and logistics; technology is the answer to that in terms of the capacity problems.

MR. SCHLICKMAN: Just to give a little plug to SINC and the Urban Transportation Center, we are partnering on an off-peak delivery pilot project, we hope to kick off next year in the downtown. Any other questions? Chris (phonetic)?

Q I'm Chris Meister, Illinois Finance Authority. This is a question for the mayor. There's been a lot of

conversation about regional cooperation and, obviously, as a mayor of a mid-sized city, you're the line person. So, I guess rather than you being an elected -- you're an elected policy maker, and then a lot of people have been speaking are appointed or non-profits or regional. I mean what are some practical suggestions to the governors and legislators to make a more regional cooperation a reality in your experience?

MR. DICKERT: There's money in it. Everybody is looking for money, everybody is looking for efficiency and everybody is looking for growth in jobs. There's money in this. I mean, candidly, as a mayor, I can't understand why people aren't jumping all over this outside of egos.

And I'll give you an example. We put a ten-year plan in place in Racine when I started. And I said, this is where we're going and this is how we're going to do it. We're the highest in unemployment and we're the highest in crime per capita in the state of Wisconsin. We had no number ones period.

We have now gone from 17 percent to 5.7 percent in unemployment in five years. We're top ten in the nation for reductions in crime. We're the best tasting water in the country in five years. When you put a plan together and work the plan, and show the efficiencies and you budget

according to what you want to accomplish, not what you're doing. Our state right now is spending \$400 million dollars roughly, \$354 million dollars on fixing roads and \$544 million dollars building new ones that we can't afford.

When we start thinking about the back to the future, and start planning for that and building accordingly, these guys have less risk. But, you all have to hold us accountable for those decisions. And when we don't come together, and we don't make those decisions, and we don't budget accordingly, you have to hold us accountable.

Because the reality is, if you're running for President right now, you have to spend a billion dollars. So, if you're running for mayor or governor, there is a lot of money involved, unless I'm Donald Trump and I have all kinds of money. So, if you don't hold us accountable, then we're going to keep making these decisions as elected officials. I refuse to do that. And I've been hit hard. In all three of my elections, I've been hit hard by people. You shouldn't be doing this. Why are you thinking about the future? Who cares? Well, now the proof is in the pudding. It works.

MR. SCHLICKMAN: Okay, any other comments from the panelists? We have a few minutes.

MR. HUMMEL: It's fitting that we're in the Federal Reserve building and the one in Washington is named for a chap by the name of Mr. Eccles, and he was tapped by FDR to come in to that role. And he believed hugely in helping the growth of America's middle class.

I read an editorial in the Tribune yesterday, by Circuit Judge Murphy, who had the privilege of being a public defender. And he was passionate about the way in which America in the last twenty years has not done what it needs to do in terms of that middle income segment.

One thing on which I think there's wide, wide, wide agreement across the entire political spectrum is the need to invest in infrastructure. And the name of this panel is the Transportation Center of America. If three states, and a number of the subdivisions of government that are in our twenty-one counties across those three states, could come up with the right project to build infrastructure, we could lead the country. And that's something that I think resonates across the whole political spectrum. So, you know, I'd join the mayor in terms of, you know, challenging ourselves to try to make that happen in our region.

MR. SCHLICKMAN: Okay, well, I'm going to end a little early because I think what we want to do is let you all have a break. Get some food. Be efficient, work together,

to get back in here as soon as you can, because we have a working lunch. It's called Strategic Doing Exercise. So, in deference to Ed Morrison who's going to lead you, please come back as soon as you can. Thank you. The food is out in the atrium. The food is out in the atrium. Please go out there and come directly back in. Thank you.

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