


MASSEY POWELL
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ASHE Presentation

The Politics of Transportation Infrastructure



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Overview

“Decades ago we built the best infrastructure system the world has even know and then proceeded to take it for granted.”

Thomas Donahue, CEO
U.S. Chamber of Commerce



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Where are We Going?

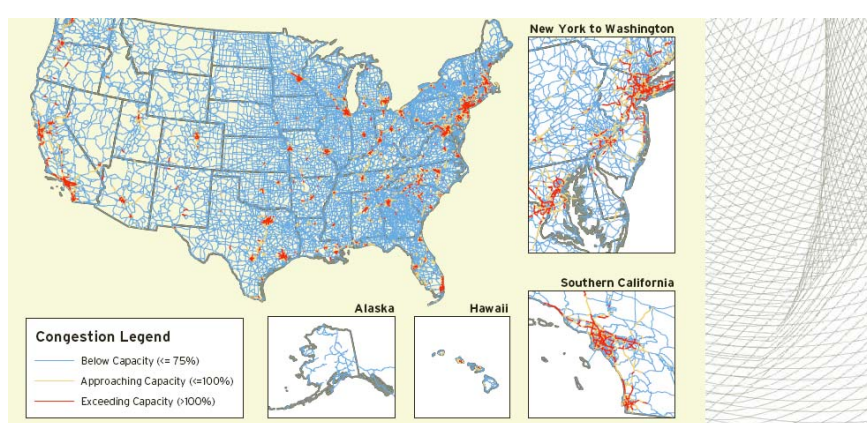
How will the U.S. deal with the new challenges and take advantage of opportunities that will present themselves over the next decade?



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Congestion 2002

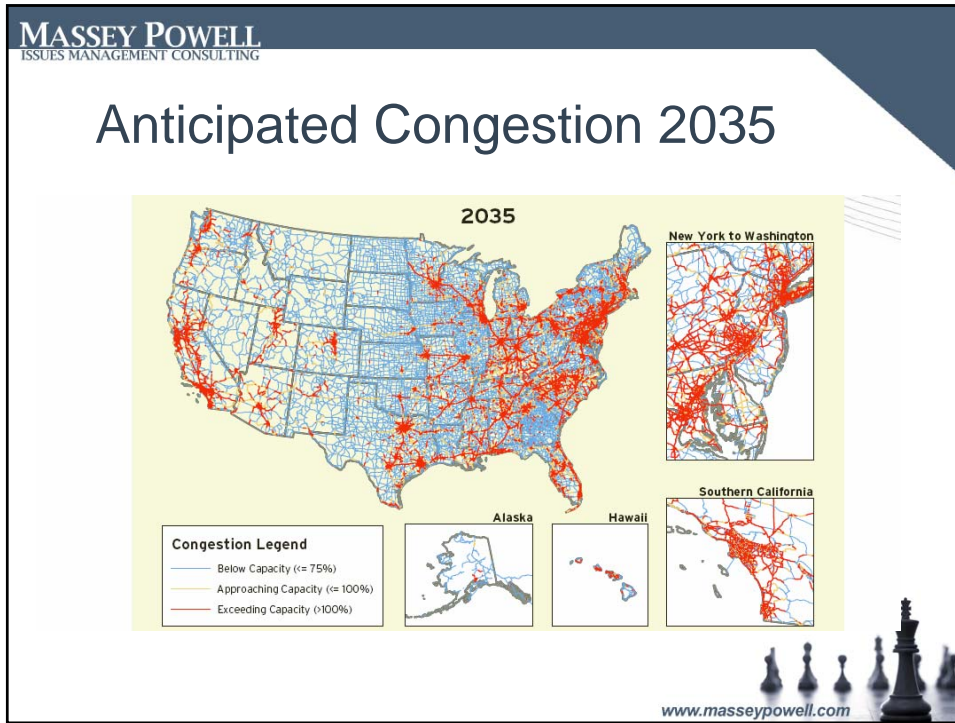


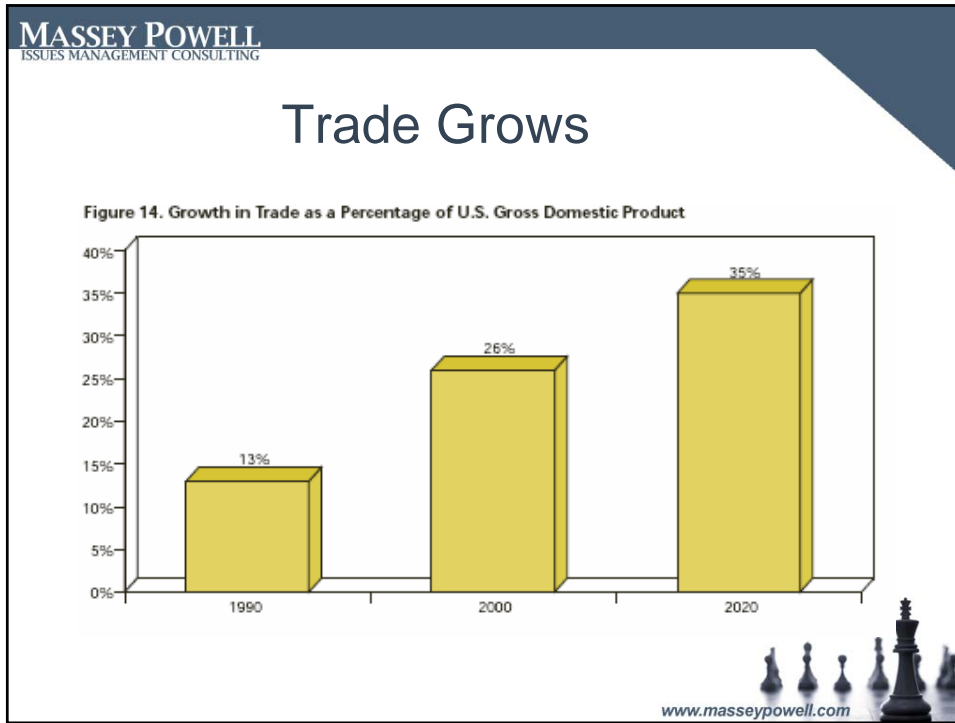
Congestion Legend

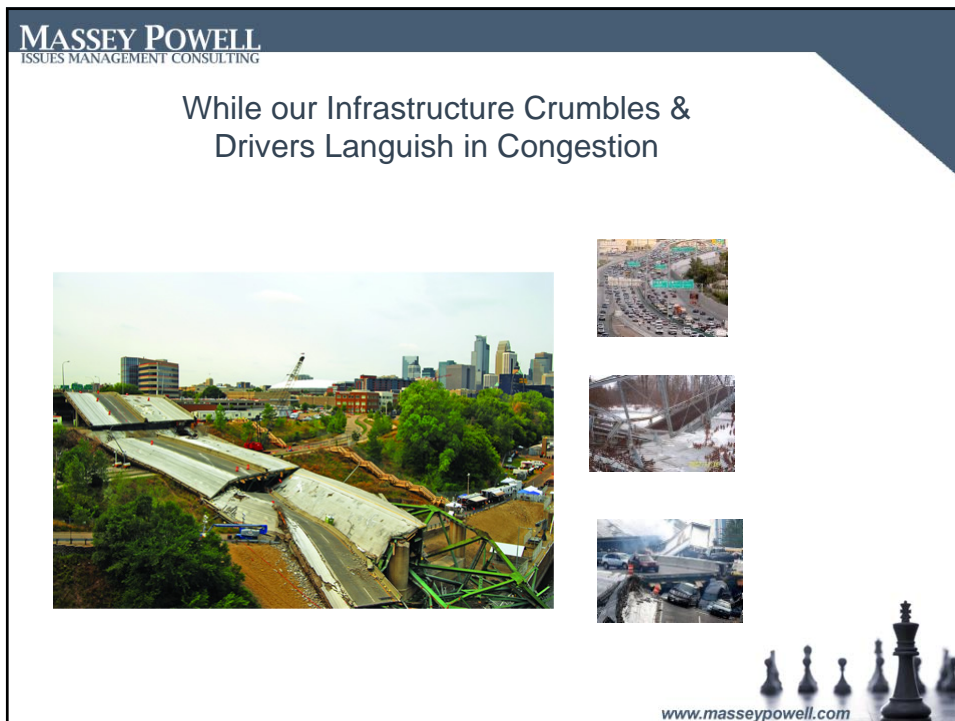
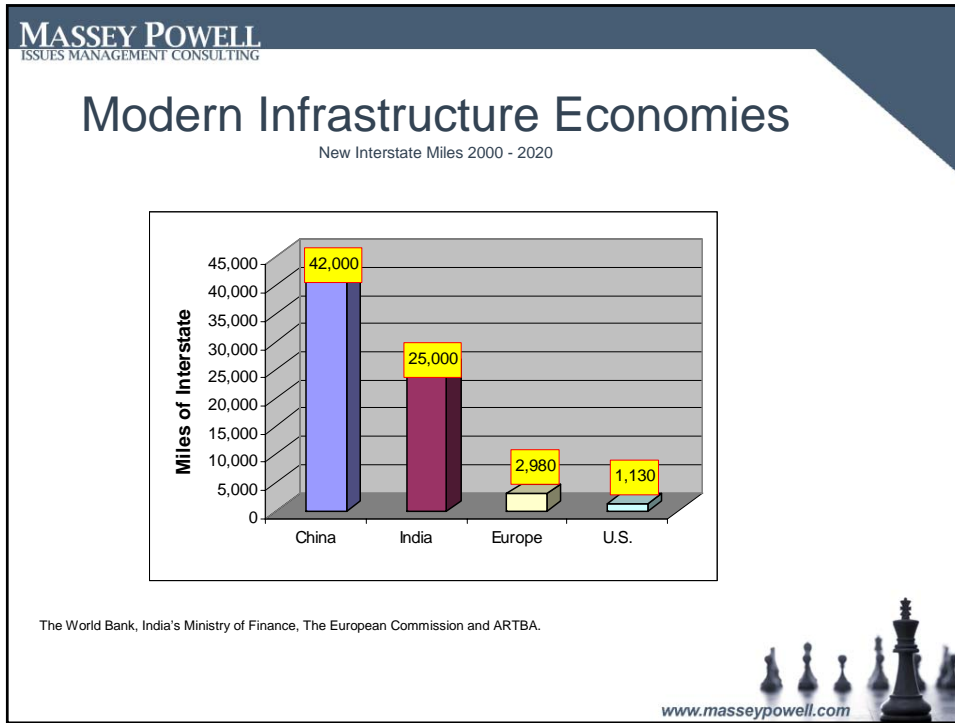
- Below Capacity ($\leq 75\%$)
- Approaching Capacity ($\leq 100\%$)
- Exceeding Capacity ($>100\%$)



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The Federal Response

The Post Interstate Era




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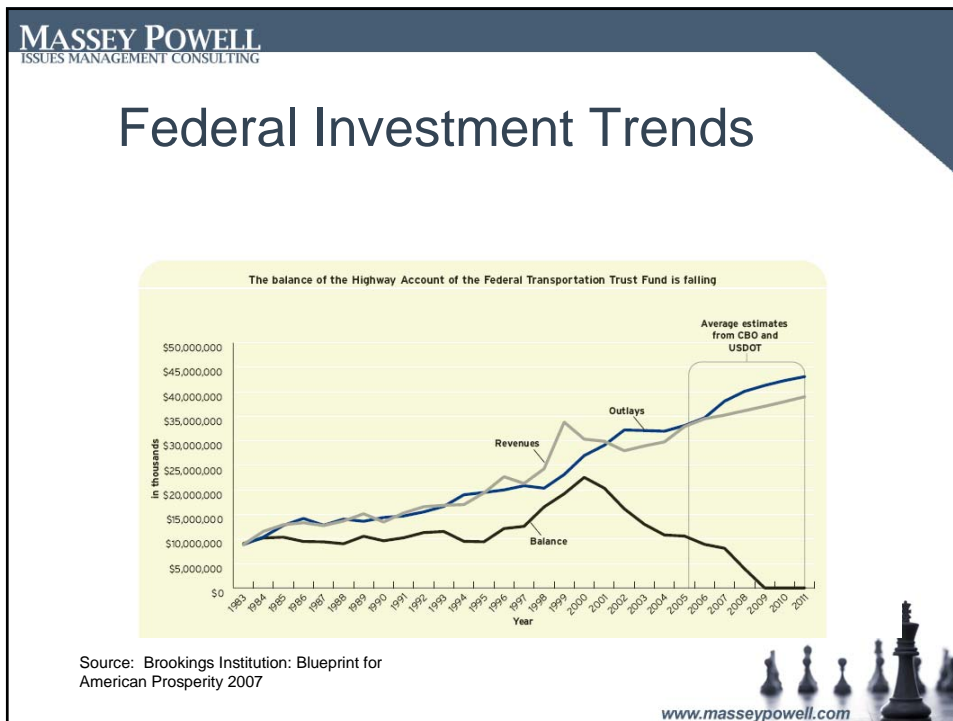
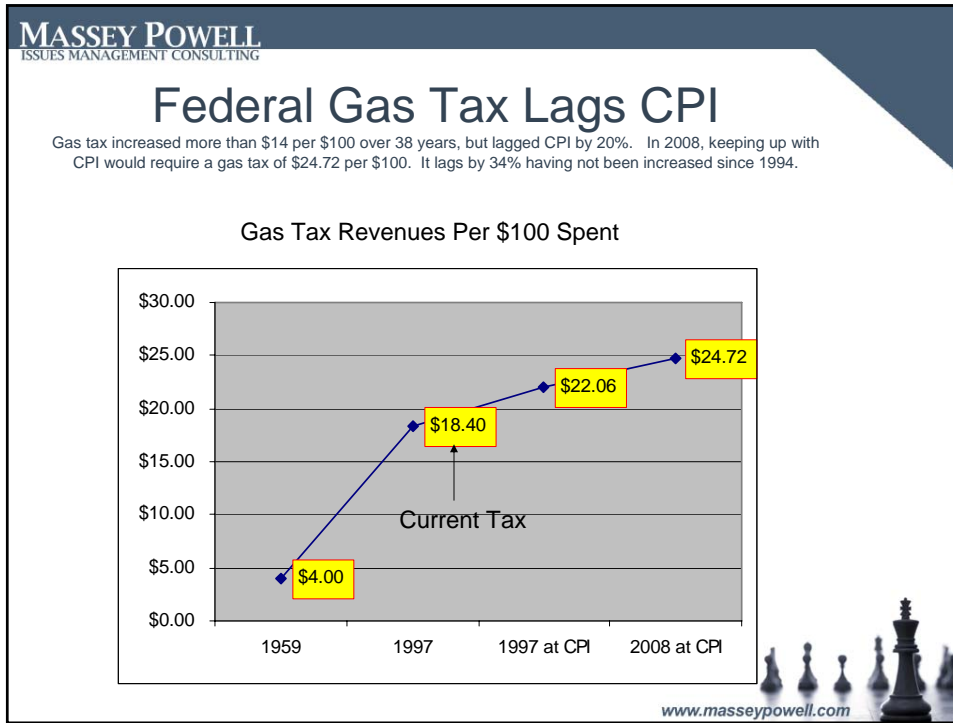


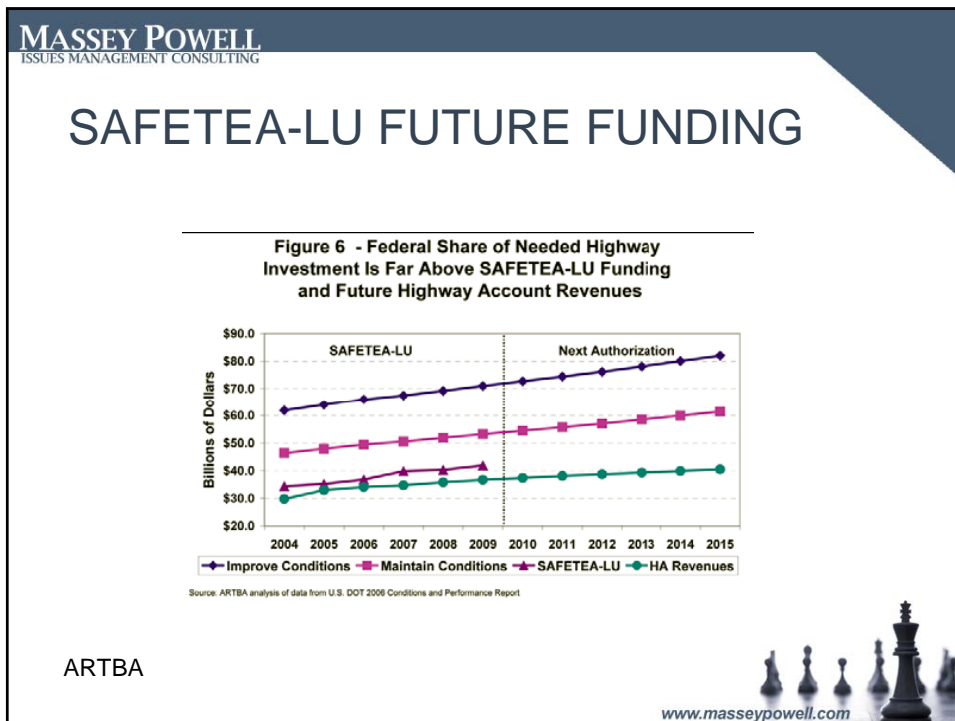
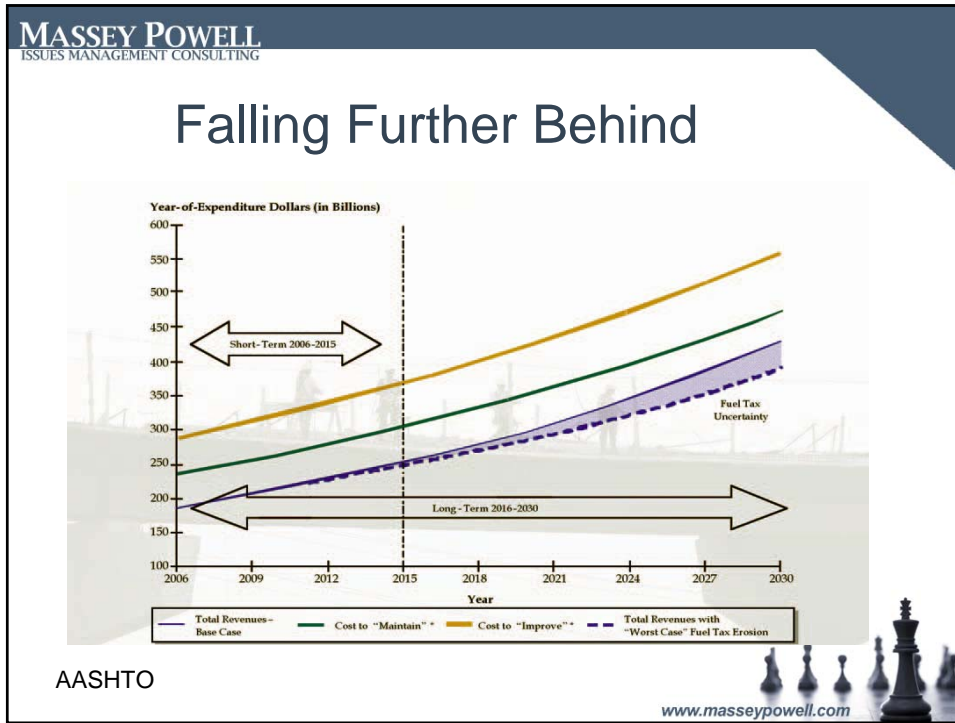
"Our federal approach to transportation is broken,
and no amount of tweaking, adjusting or adding
new layers on top will make things better."
Mary Peters, Secretary
U.S. Department of Transportation

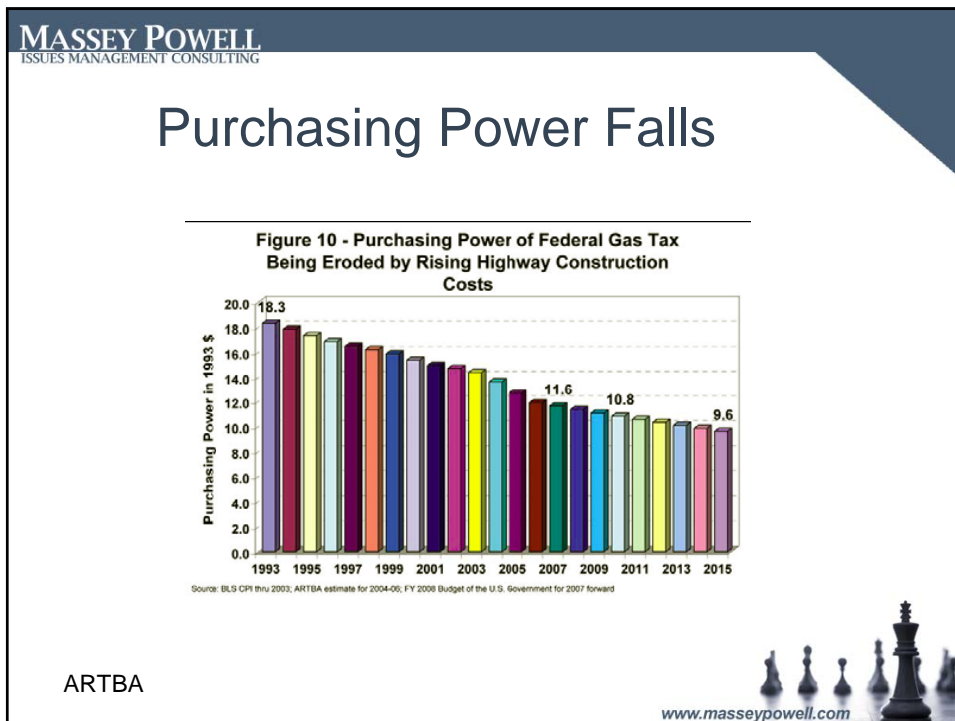
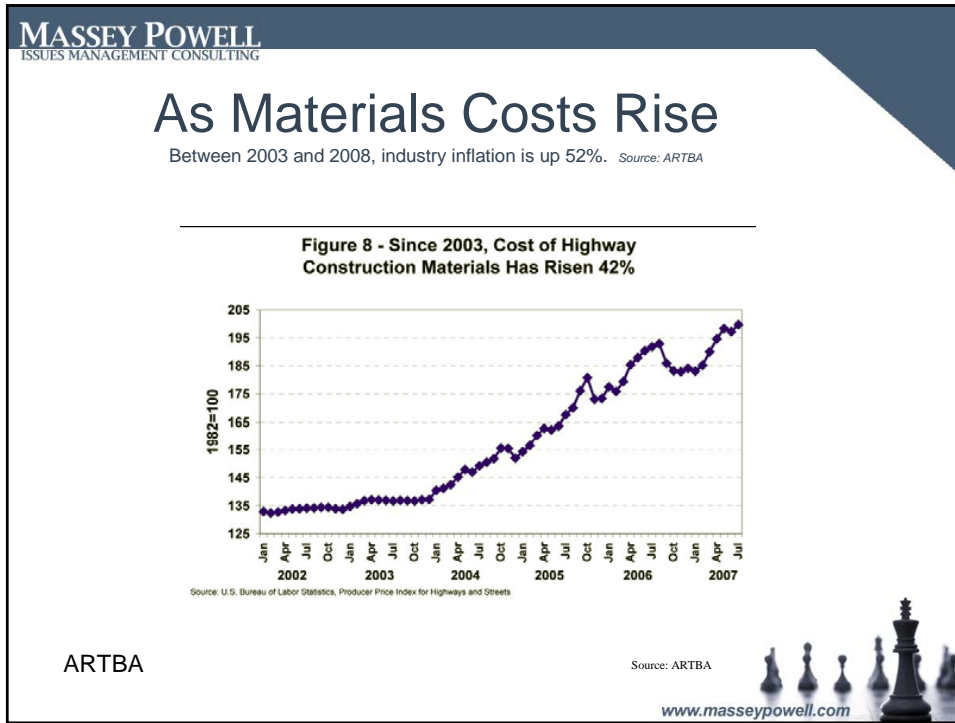
WSJ, July 30, 2008



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We Reset the Funding Clock

Figure 13 - Federal Highway Investment Will Fall \$16 Billion in FY 2009 Without New Revenues

Fiscal Year	Investment (Billions of dollars)
FY 2004	35.0
FY 2005	36.0
FY 2006	38.0
FY 2007	42.0
FY 2008	43.0
FY 2009	27.0
FY 2010	36.0
FY 2011	37.0
FY 2012	37.5
FY 2013	38.0
FY 2014	38.5
FY 2015	39.0

Source: ARTBA analysis of FHWA, U.S. Treasury Department data

ARTBA

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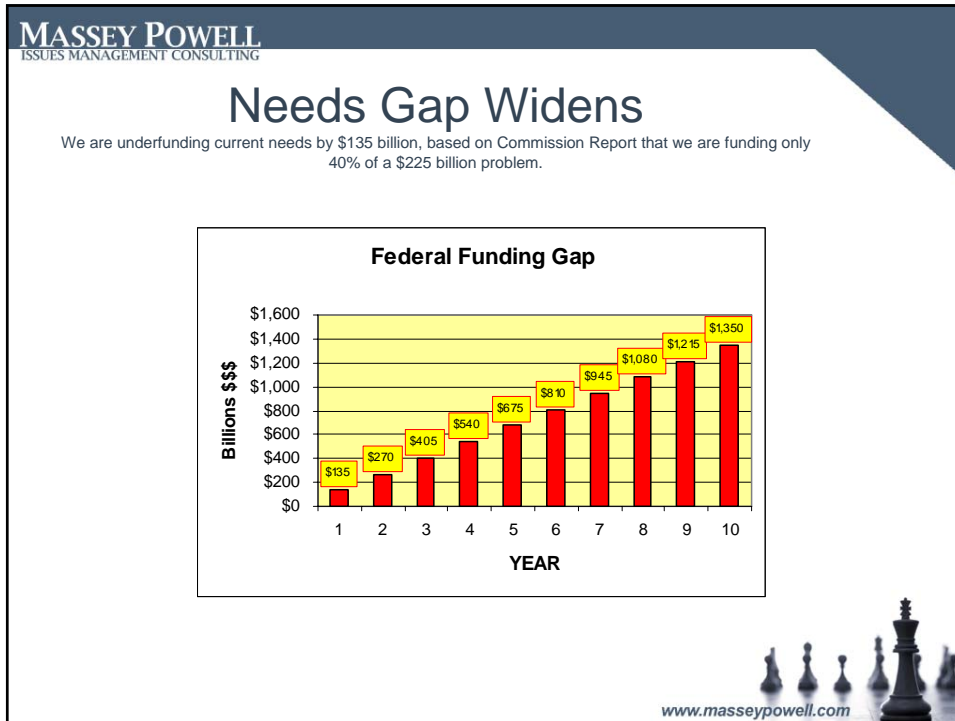
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TRANSPORTATION INVEST IN OUR FUTURE

SURFACE TRANSPORTATION POLICY RECOMMENDATIONS
For the National Surface Transportation Policy and Revenue Study Commission

AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS
MARCH 2007

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Obama on Infrastructure

- Create a National Infrastructure Reinvestment Bank:** Barack Obama and Joe Biden will address the infrastructure challenge by creating a National Infrastructure Reinvestment Bank to expand and enhance, not supplant, existing federal transportation investments. This independent entity will be directed to invest in our nation's most challenging transportation infrastructure needs. The Bank will receive an infusion of federal money, \$60 billion over 10 years, to provide financing to transportation infrastructure projects across the nation. These projects will create up to two million new direct and indirect jobs and stimulate approximately \$35 billion per year in new economic activity.


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McCain on Infrastructure

- Improving incentives to invest in technology and rural infrastructure.

- JohnMcCain.com
- Prosperity for Rural America




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Public Opinion on Issues

NYT Poll September 21 – 24 MOE +/- 4%

• The economy and jobs	52
• Terrorism and national security	11
• Gas prices and energy policy	10
• Health care	9
• The war in Iraq	9
• Illegal immigration	3
• Something else	5
• Unsure	1




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Public Opinion on Issues

Fox New/Opinion Dynamics September 22 - 24

- **Economy and jobs** 46
- **Terrorism and national security** 10
- **War in Iraq** 8
- **Taxes** 7
- **Ethics/government corruption** 7
- **Health care** 7
- **Abortion** 4
- **Energy** 3
- **Immigration** 1
- **Other (vol.)** 4
- **Unsure** 3




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Voters for President

Source; Newsweek September 2008

	All %	Obama %	McCain %
• Economy and jobs	39	55	23
• Taxes, government spending	14	7	22
• Iraq war	10	15	5
• Terrorism, national security	10	2	18
• Energy policy, gas prices	8	7	9
• Abortion, guns, marriage	8	3	13
• Health care	7	9	4
• Other/None of these (vol.)	1	-	1
• Unsure	3	2	5




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Other National Concerns

- \$700 Billion Bailout Bill.
- \$52 Trillion in unfunded Federal Obligations.
- Deep Recession Likely
- Tax Revenues Down
- Change in Driving Habits
- New Auto Technologies
- Energy Policy




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The State Level



Tactical Responses Fail to Solve the Problem.



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The PA System



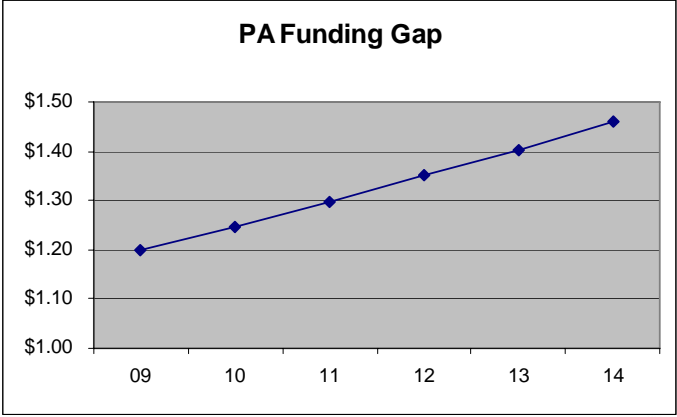
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TFRC

In 2006, the gap was reported at \$965 million a year. It will be close to \$1.5 billion by 2014

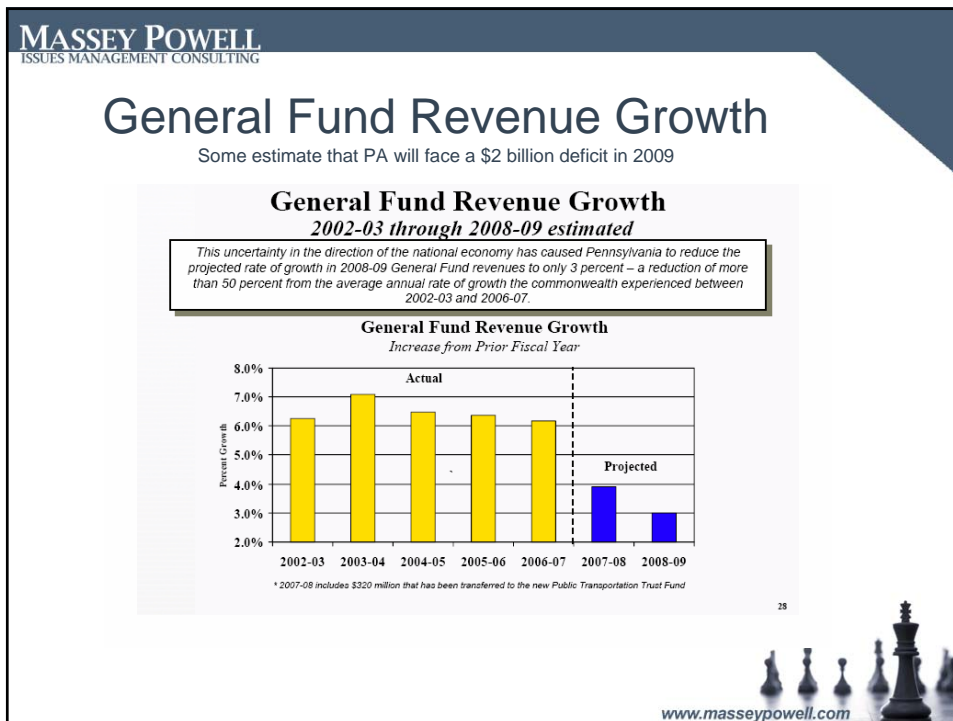
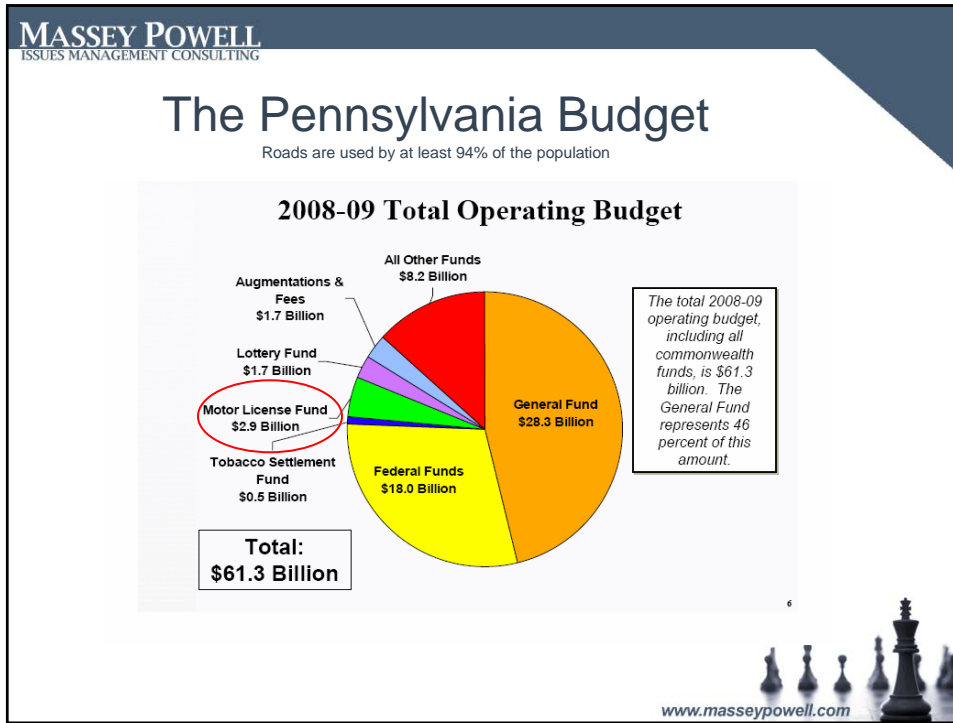
PA Funding Gap



Year	PA Funding Gap (\$ Billion)
09	1.20
10	1.25
11	1.30
12	1.35
13	1.40
14	1.45



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State Finances

We Don't know How Much Only that a Deficit is Certain

- **Memo warns next year state deficit of 'at least \$2.5 billion.'** As the state Senate Appropriations Committee holds a hearing this morning on the commonwealth's fiscal troubles, one caucus staff estimates next year's budget will start off \$2.5 billion in the red.



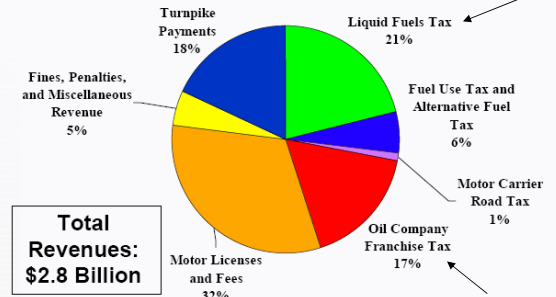
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MLF Revenues

Major Funding sources are either frozen or beyond political solutions.

2008-09 Motor License Fund Revenue Sources




Revenue Source	Percentage
Motor Licenses and Fees	32%
Liquid Fuels Tax	21%
Turnpikes Payments	18%
Oil Company Franchise Tax	17%
Fines, Penalties, and Miscellaneous Revenue	5%
Fuel Use Tax and Alternative Fuel Tax	6%
Motor Carrier Road Tax	1%

Total Revenues: \$2.8 Billion

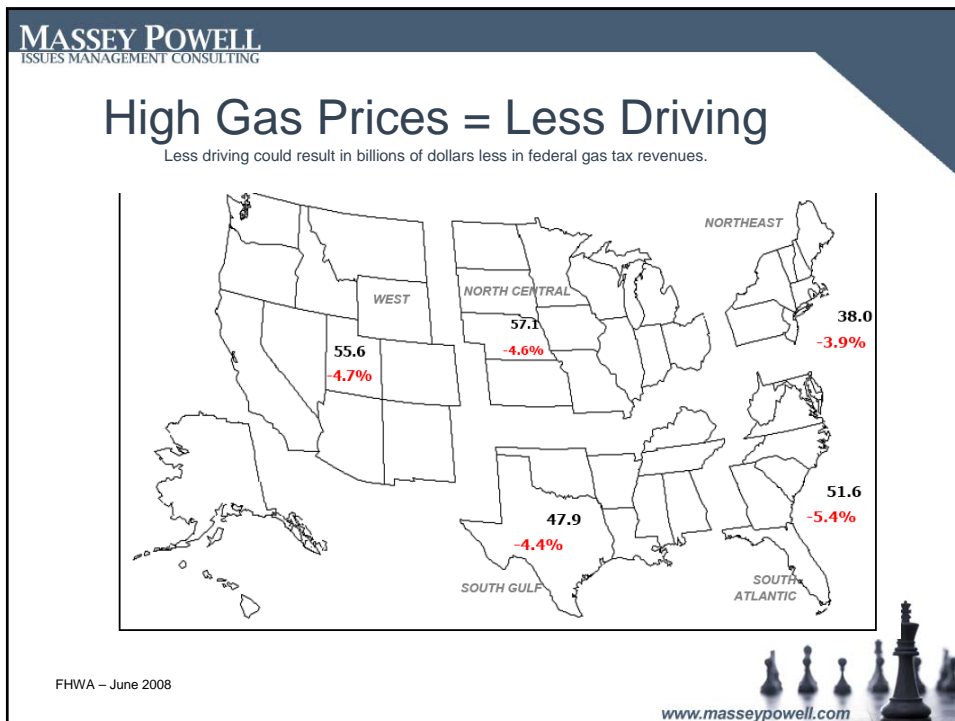
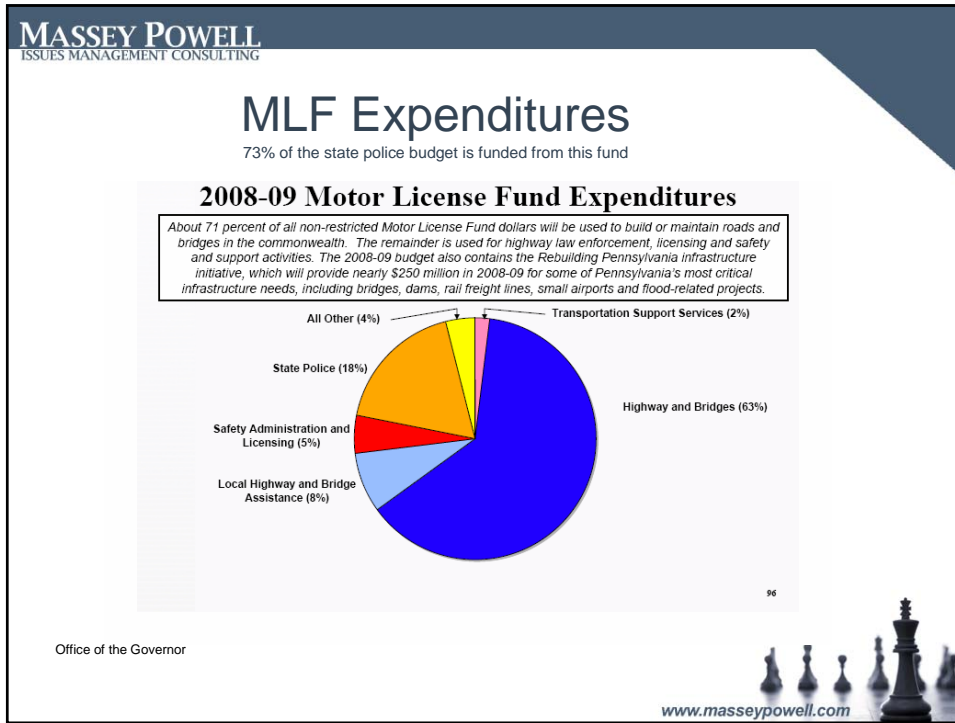
not increased since 1997

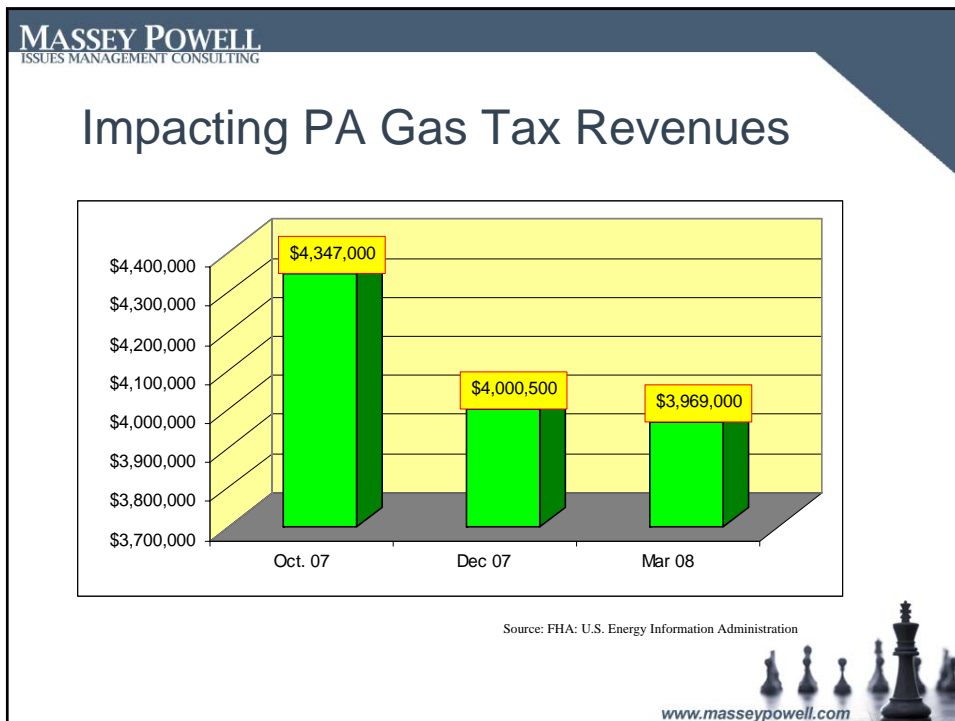
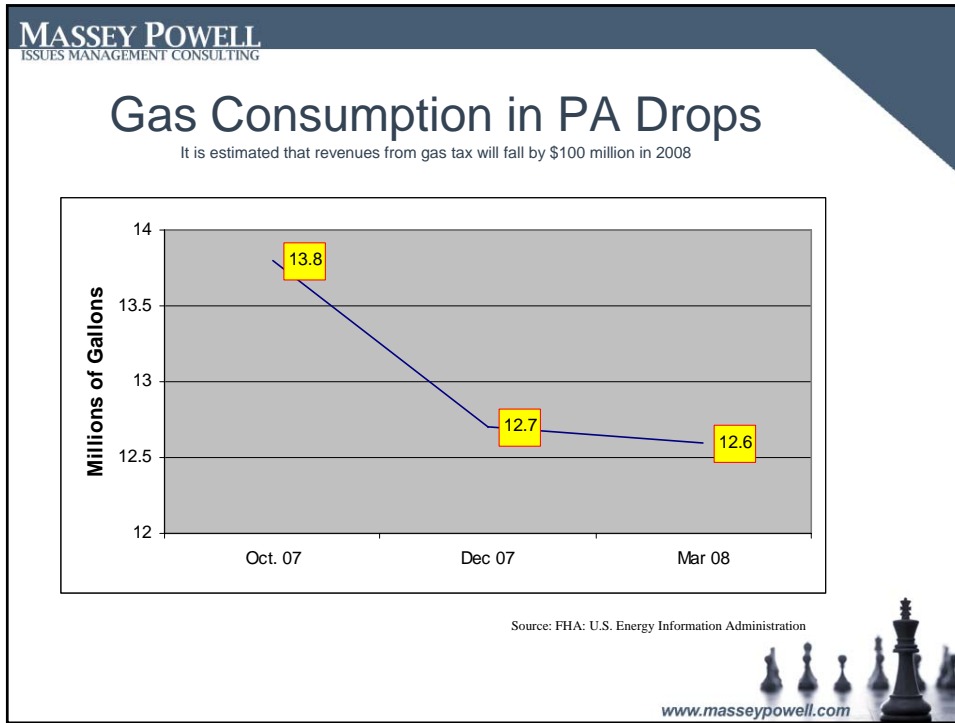
frozen at \$1.25

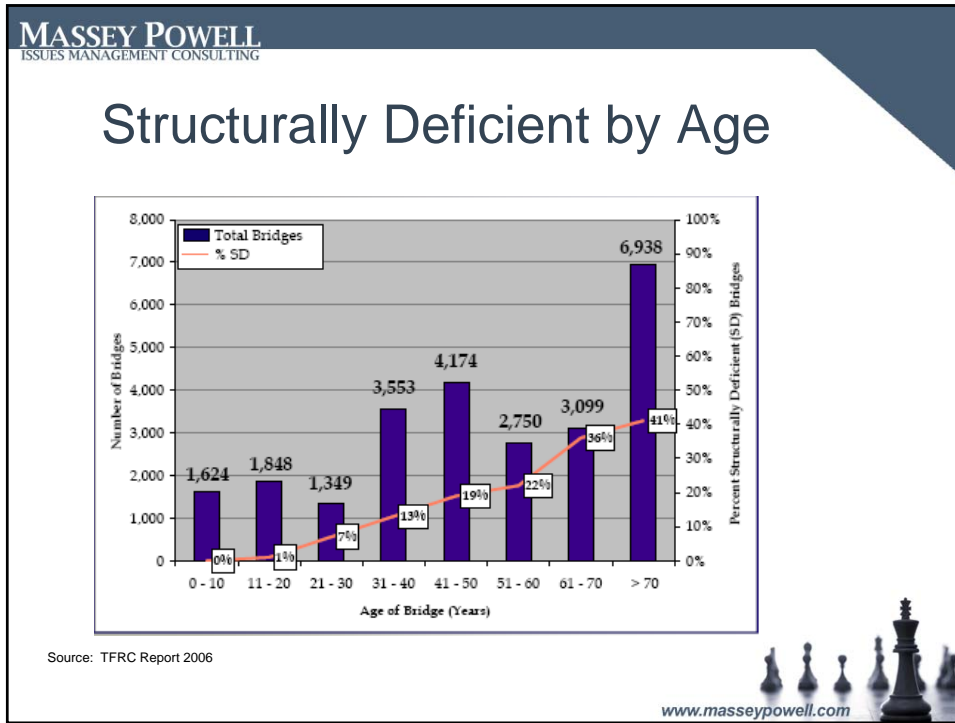
Office of the Governor



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Filling the Gap

Three Plans – No Results

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Act 44

PTC pays PENNDOT to lease I-80 with \$500 million going to repair Pennsylvania's roads and bridges. The plan has a 2.5% annual growth factor starting in 2010.

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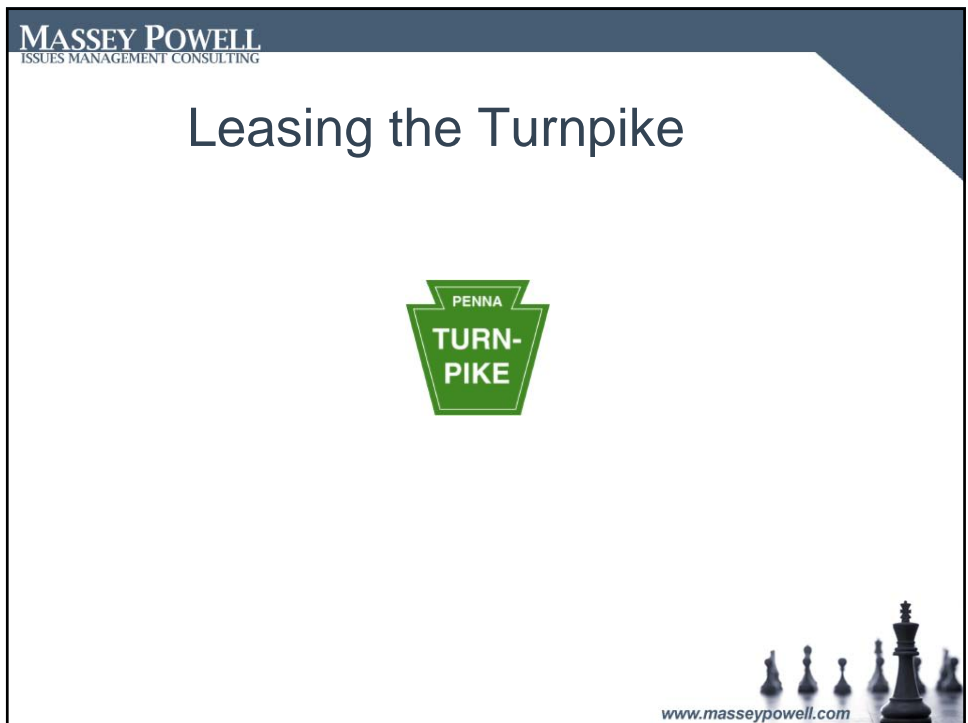
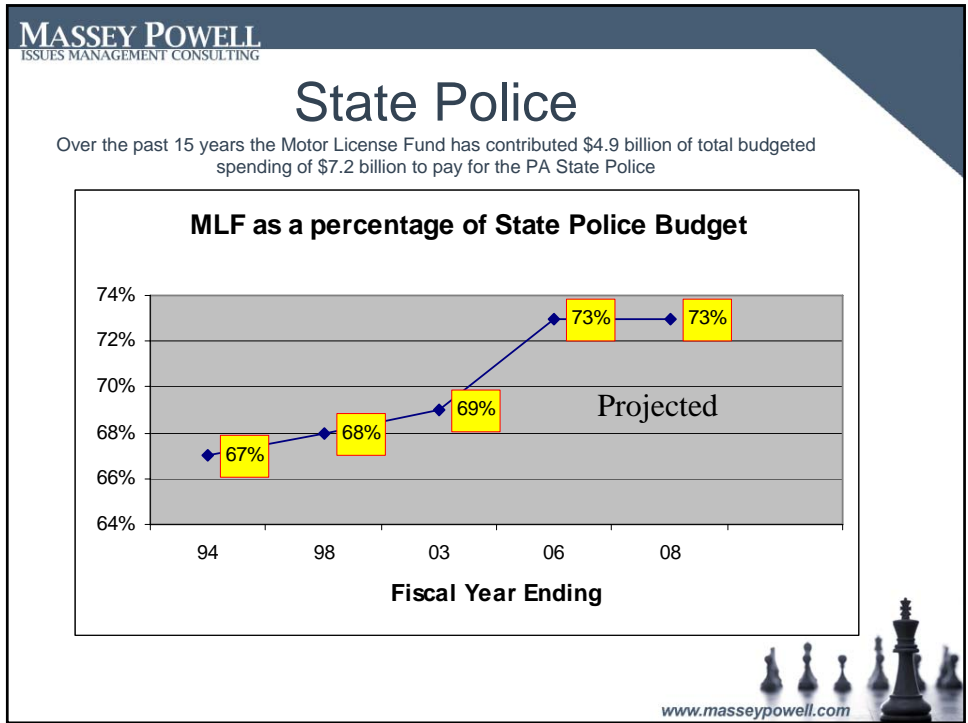
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Can Act 44 Get Us There?

Under Act 44 revenue will grow at 2.5% starting in 2010. Estimating needs will grow at a modest 5% in 10 years a gap will exist of nearly \$1 billion using TFRC recommended number.

YEAR	FUNDS	PROBLEM
09	\$450m	\$1.20B
10	\$500m	\$1.25B
11	\$513m	\$1.30B
12	\$525m	\$1.35B
13	\$538m	\$1.40B
14	\$551 m	\$1.46B

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Rates of Return

Actual number is less than \$10 billion.

Investment	Rate of Return	Annual Return
\$10,000,000,000	0.08	\$ 800,000,000
\$10,000,000,000	0.09	\$ 900,000,000
\$10,000,000,000	0.1	\$ 1,000,000,000
\$10,000,000,000	0.11	\$ 1,100,000,000
\$10,000,000,000	0.12	\$ 1,200,000,000

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Revenue vs. Problem

Turnpike Deal

YEAR	FUNDS	PROBLEM
09	\$550	\$1.20
10	\$550	\$1.25
11	\$550	\$1.30
12	\$550	\$1.35
13	\$550	\$1.40
14	\$550	\$1.46


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The Politics of Pennsylvania


- Governor in Place until 2011
- Senate is 29 – 21 Republican Majority
 - A seat maybe two
 - Piccola – Democrat Pick-up?
 - Connie Williams – Possible Republican?
- House is 102 – 101 Democrat Majority
 - 13 Open Republican Seats
 - 7 Open Democratic Seats


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Flipping the House to Republican

- House Republican Scenario
 - Hold 11 of 13 open seats
 - Four seats in the southeast region
 - Win 1 of 3 targeted Democratic Open Seats
 - Three seats in the southwest where McCain should run well may be in play.
 - Regain 3 of 10 seats lost in 2006
 - Five likely in play (Allen, McGill, Leh, Wright, Good)


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Holding the House for Democrats

- Hold 6 of 7 Open Seats
- Take advantage of Obama Surge in southeast region
 - Defeat 2 Republicans in the collar counties.
- Win two Republican Open Seats
 - Kenney in Philadelphia
 - Hershey or Rubley in Chester
 - Stairs in Bucks
 - Raymond in Delaware



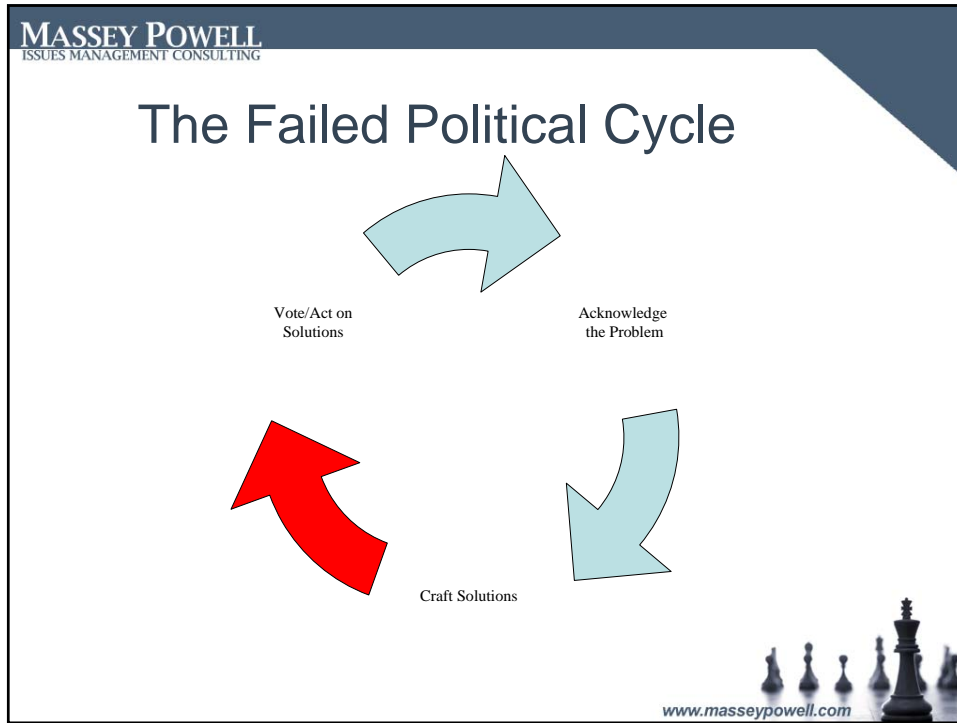
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What Can We Expect?

More of the Same. Posturing,
Blame Game, Bills to Nowhere



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Where Do We Need to Go?

Change the Conversation

The slide features the Massey Powell logo at the top left, followed by the title 'Where Do We Need to Go?' and the subtitle 'Change the Conversation'. In the bottom right corner, there is a small image of chess pieces and the website address www.masseypowell.com.

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The Conversation for the 21st Century

Prosper Invest

Grow

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Three Changes

- Prepare for Prosperity
- Link to Policy
- New Funding Sources

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New Vision

Infrastructure is a foundation to economic prosperity.



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Trade Becomes Paramount

- “Trade now accounts for 30 percent of the U.S. economy. This has increased the importance of developing an efficient surface transportation system that can link the U.S. economy to the seaports and airports that connect the continent to the other trade blocs.”



AASHTO



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Critical Commerce Corridors

The seamless integration of road and rail



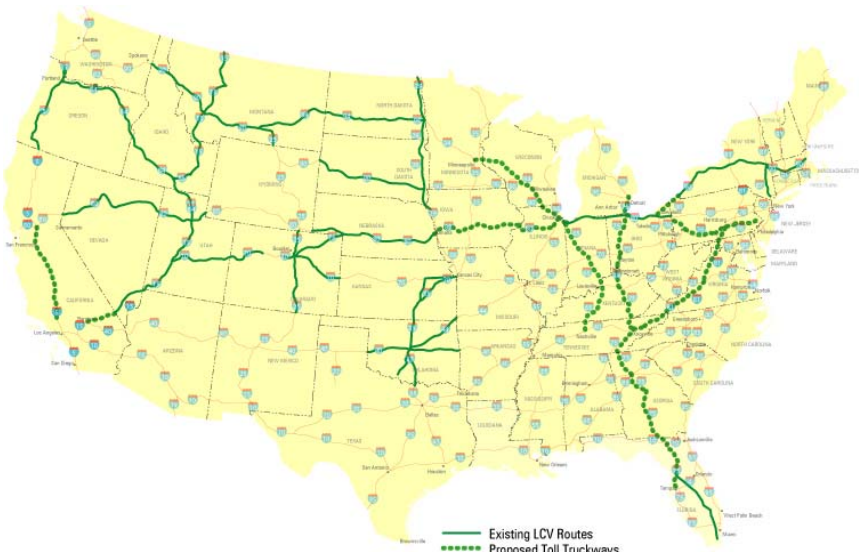
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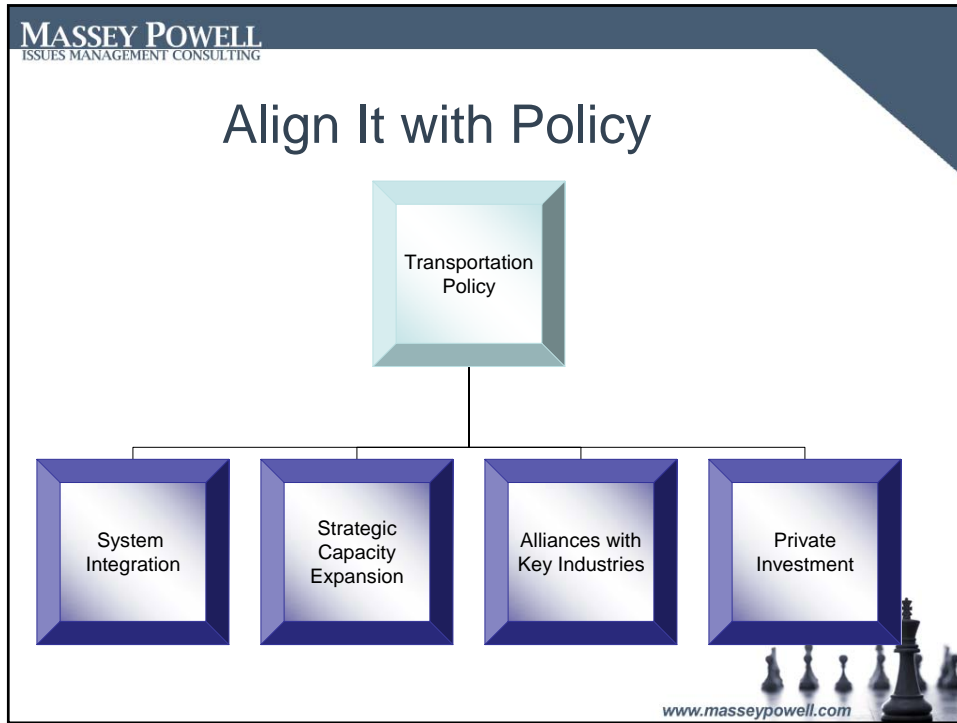
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Proposed "Toll Truck-way" Pilot Corridors



Existing LCV Routes
Proposed Toll Truckways



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New Funding Model


We can't get there with the gas tax

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The slide contains the company logo at the top left, the title "New Funding Model" in a large font, and the subtitle "We can't get there with the gas tax" below it. In the bottom right corner, there is a small graphic of chess pieces and the website URL.


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The Economic Model



New capacity expansion is funded by private capital and 100% paid for by user fees.

This model will spur investment in small connector projects of 2 – 5 miles that better position an area economically or provide additional convenience to residents.





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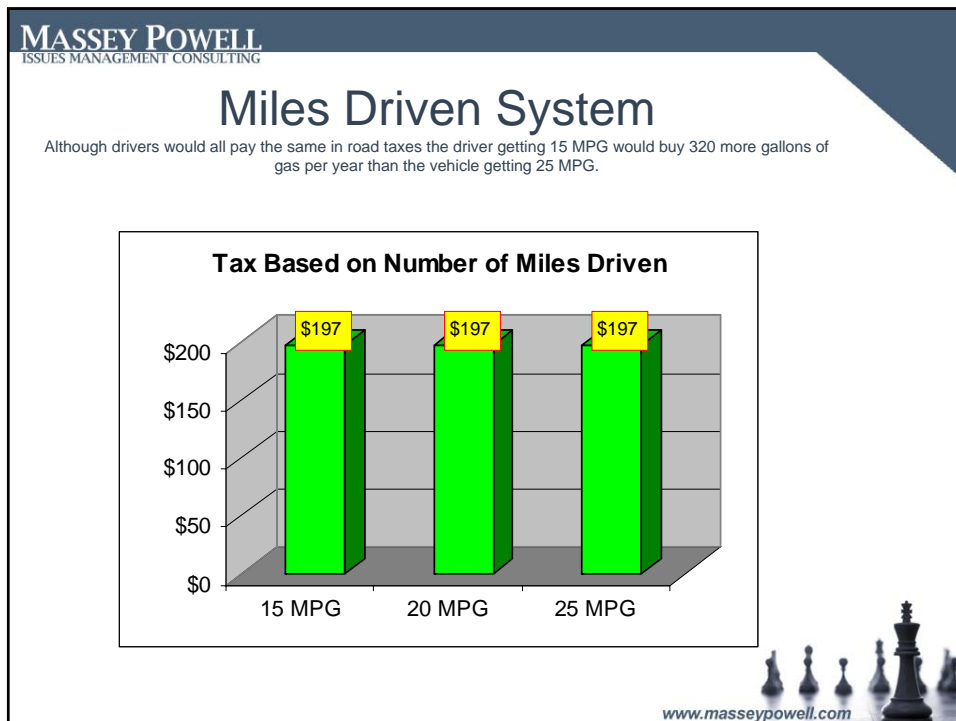
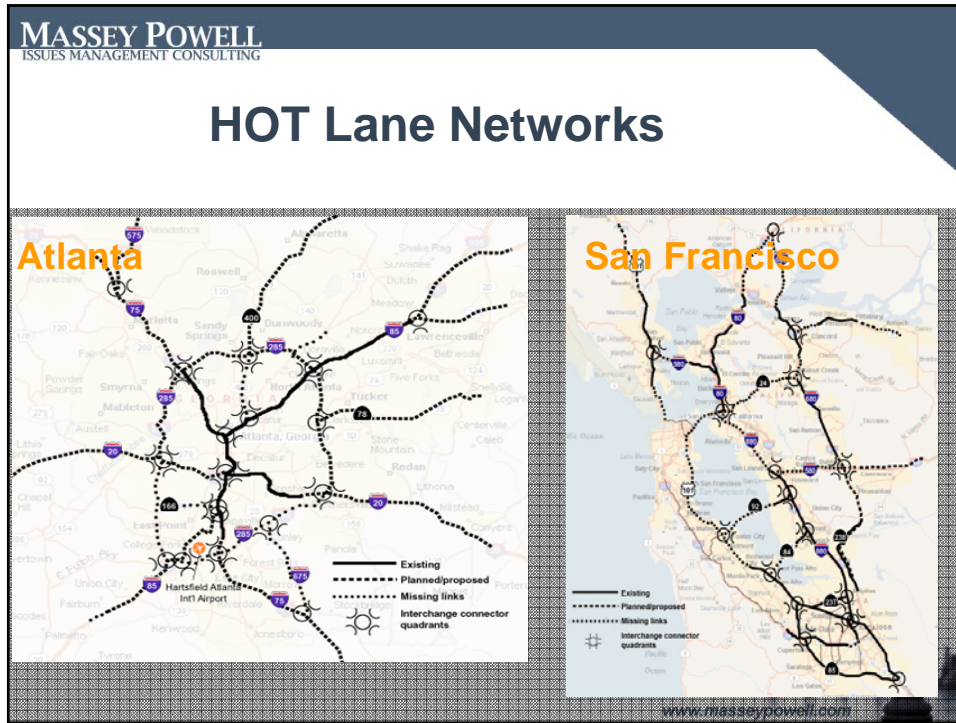
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Congestion Pricing

91 Express Lanes, Orange County, California



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Total Costs of Ownership

Assuming Gas At \$4 Per Gallon

MILES	MPG	Gas Used	Mileage Tax	Gas Purchased	Total Costs
12000	15	800	\$197.40	\$3,200	\$3,397.40
12000	20	600	\$197.40	\$2,400	\$2,597.40
12000	25	480	\$197.40	\$1,920	\$2,117.40

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Summary

The Key Question

Where do we need our transportation infrastructure to be in 10 years in order for Pennsylvania to remain competitive in a global economy?

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