Freight Transportation where is the money coming from?

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Objectives

• To outline the funding needs in surface transportation

• To describe possible funding options to address the needs

• To discuss actions necessary for meeting the challenges
Highway Needs Through 2030

Figure 5. Highway Needs Increased by the Consumer Price Index* 2007 Through 2030

- The 2002 estimate of $118.9 billion at the "Cost to Improve" highways is taken from the U.S. DOT's 2004 Conditions and Performance Report.
- The 2007 estimate of $155.5 billion is based on increases using a combination of the Consumer Price Index and the Producer Price Index for increased construction costs in years 2004 through 2006.
- For the remaining years through 2030, "Cost to Improve" estimates are estimated using the Consumer Price Index.
Freight Double by 2035
Yes, Double!!

Net Tons (in Billions)

- Truck
- Rail
- Water
- Other
- Air

Source: Global Insight 2004 TRANSEARCH data and economic forecasts.
Freight Truck Flows— 2020
(46% Peak Hour Congestion)
Freight Demand

- Consumption
  - Population growth
- Production
  - Expanding durable and non-durable goods manufacturing
- Trade
  - Import and export growth
- Supply Chain Practices
  - Changing logistics strategies
FUNDING PRINCIPLES

• Funding needs to increase to all modes of transportation
  • Highway investment must grow to meet the mobility and critical freight needs
  • Revenues from other than the Highway Trust Fund must be developed and invested
  • AASHTO has made major recommendations to the National Commission in all areas of surface transportation
Revenue Picture

• Highway Trust Fund revenues are **NOT** declining
  - 1995-2005: $22 billion to $38 billion
  - 2005-2015: $38 billion to $47 billion
• Fuel tax is still viable
• But purchasing power eroding
• Spending has exceeded income
Highway Trust Fund Options to Increase Revenues

Highway Program Level Made Possible by 2021

- 10 Cent Rate Increase $75 billion
- 10 Cent Rate Increase, Indexed to CPI $82 billion
- Five Percent Sales Tax on Gas $85 billion (if fuel prices increase 4% annually)
- 14.2 Percent Sales Tax on Gas $95 billion in lieu of 28.4 Cent Gas Tax (if fuel prices increase 4% annually)
The Looming Crisis

$18 billion cut in Fed Hwy Program if Congress takes no corrective action

![Bar chart showing billions of dollars spent from 2005 to 2010.](chart.png)
Impact of Inflation


Year

Percentage


0 10 20 30 40 50 60 70 80

8.4 17.9 29.9 47.8 57.7 70
Restoring Purchasing Power

Federal Highway Program Funding Needed to Restore Program Purchasing Power

<table>
<thead>
<tr>
<th>Year</th>
<th>Funding (Billions)</th>
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<tbody>
<tr>
<td>2009</td>
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<tr>
<td>2010</td>
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FUNDING OPTIONS

• Highways: raise the equivalent of 10 cents in gas tax to allow the Highway Program to increase from $43 billion to $73 billion by 2015

• Freight: new sources outside the Highway Trust Fund $44 billion

• The will to make the investments is key to meeting needs
FUNDING OTHER THAN THE HIGHWAY TRUST FUND

- OPTIONS
  - Investment Tax Credits for Rail $7 billion
  - 5 percent of Customs fees or $30 container fee $12 billion
  - Tax Credit Bonds $25 billion
  - Public\private partnerships TBD.
A BIT MORE DETAIL

- Investment Tax Credits for private rail
  $1.2 billion per year
- Customs fees to for access and intermodel freight and port access
  $1.8 billion per year
- Container fees could provide $2 billion per year
- Tax credit bonds could produce $25 billion for freight projects
- Key to increased national investment is complimentary investment by public and private entities
Questions?

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