

Freight Transportation where is the money coming from?

Jack Basso

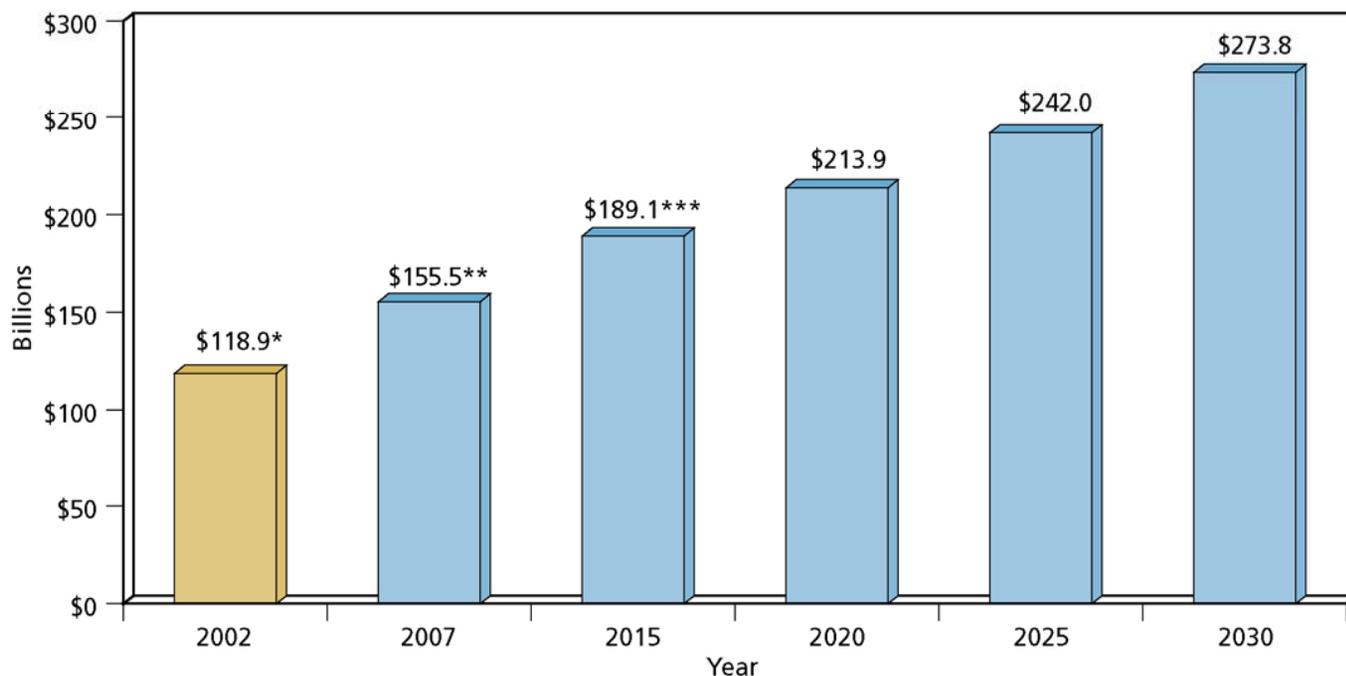
Chief Operating Officer and Business Development Director
**American Association of State Highway and Transportation Officials
(AASHTO)**

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

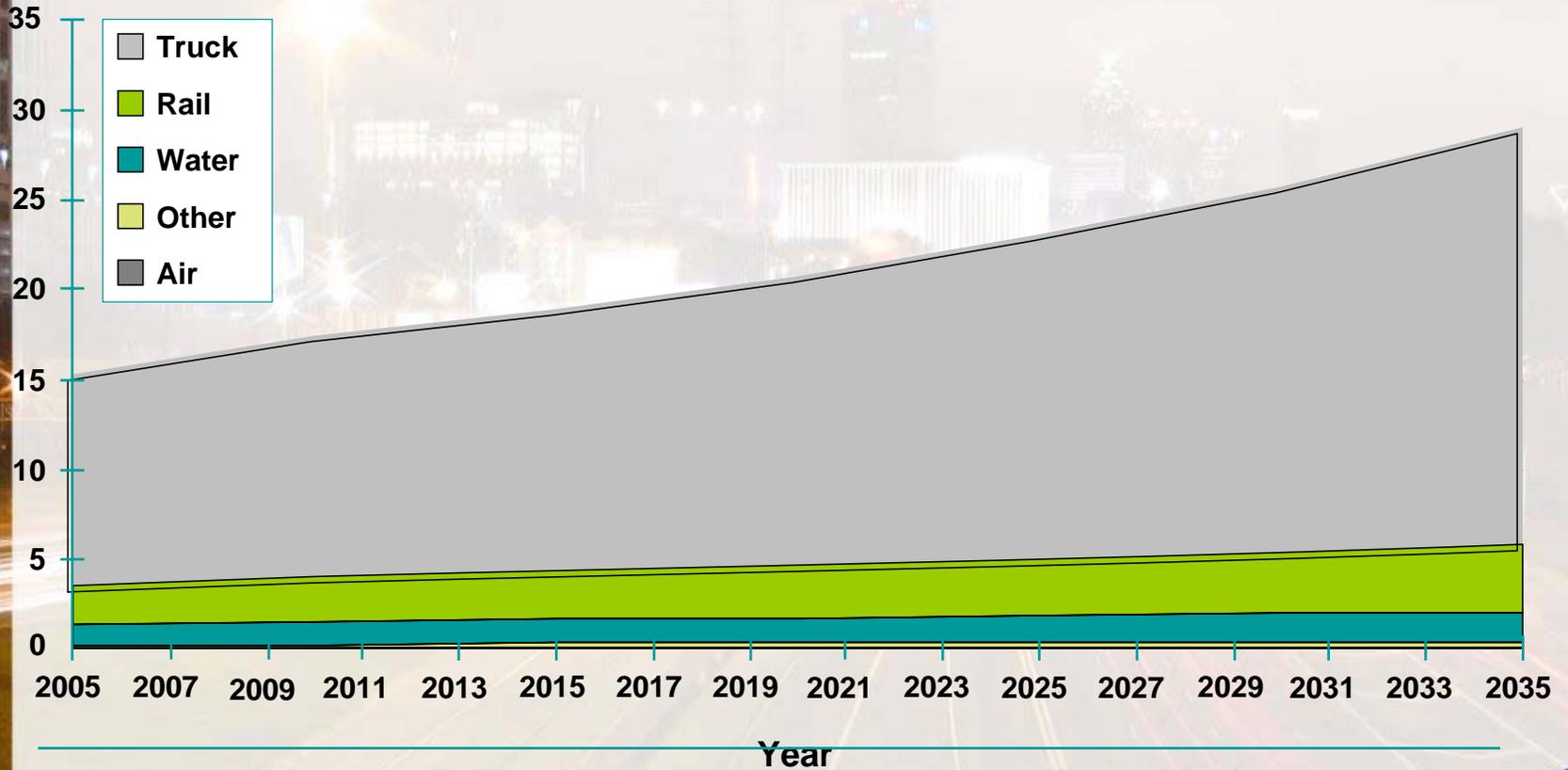
Figure 5. Highway Needs Increased by the Consumer Price Index* 2007 Through 2030



* The 2002 estimate of \$118.9 billion as 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)



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

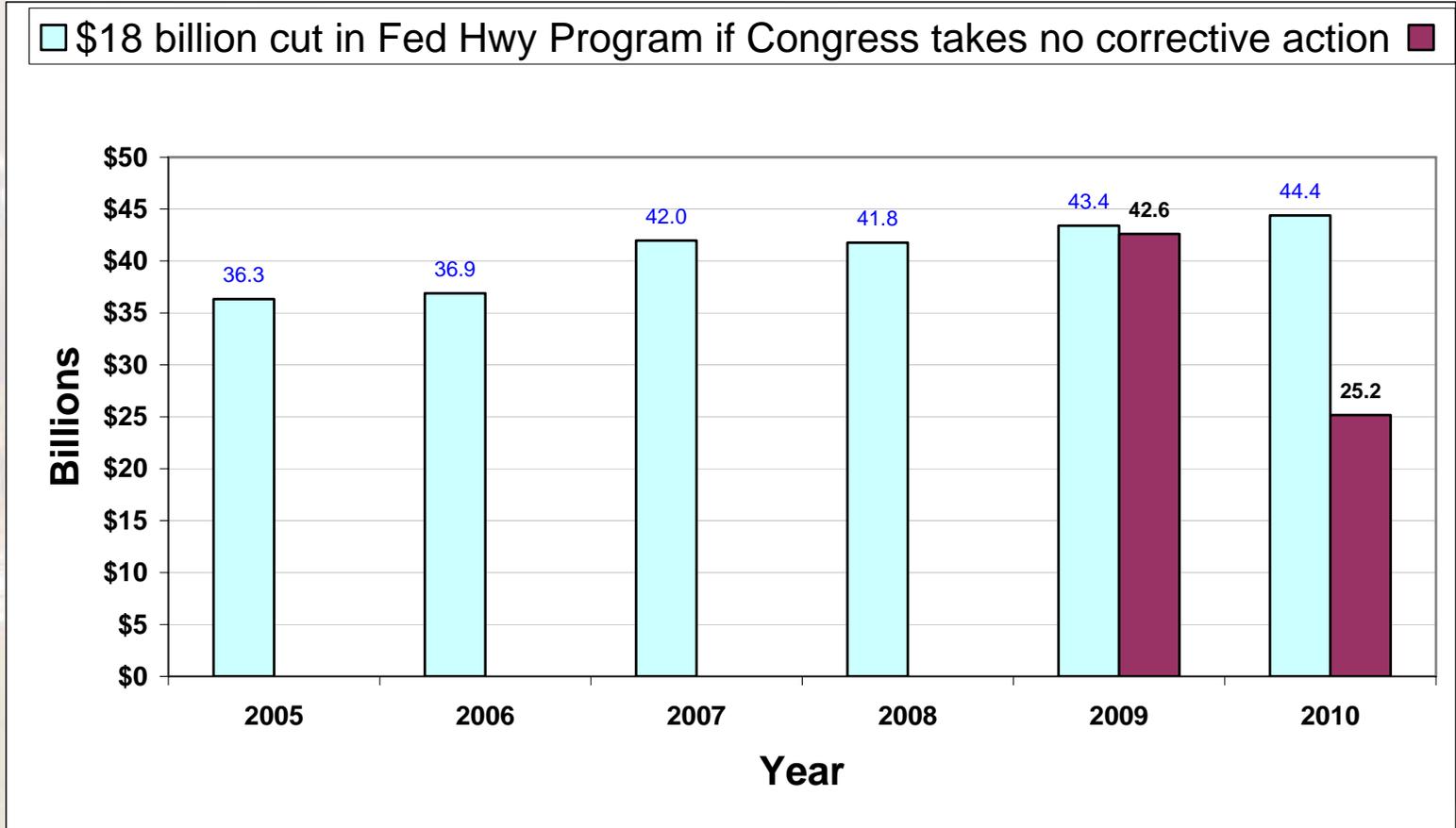
- Highway Trust Fund revenues are **NOT** declining
 - 1995-2005: \$22 billion to \$38 billion
 - 2005-2015: \$38 billion to \$47 billion
- Fuel tax is still viable
- But purchasing power eroding
- Spending has exceeded income

Highway Trust Fund Options to Increase Revenues

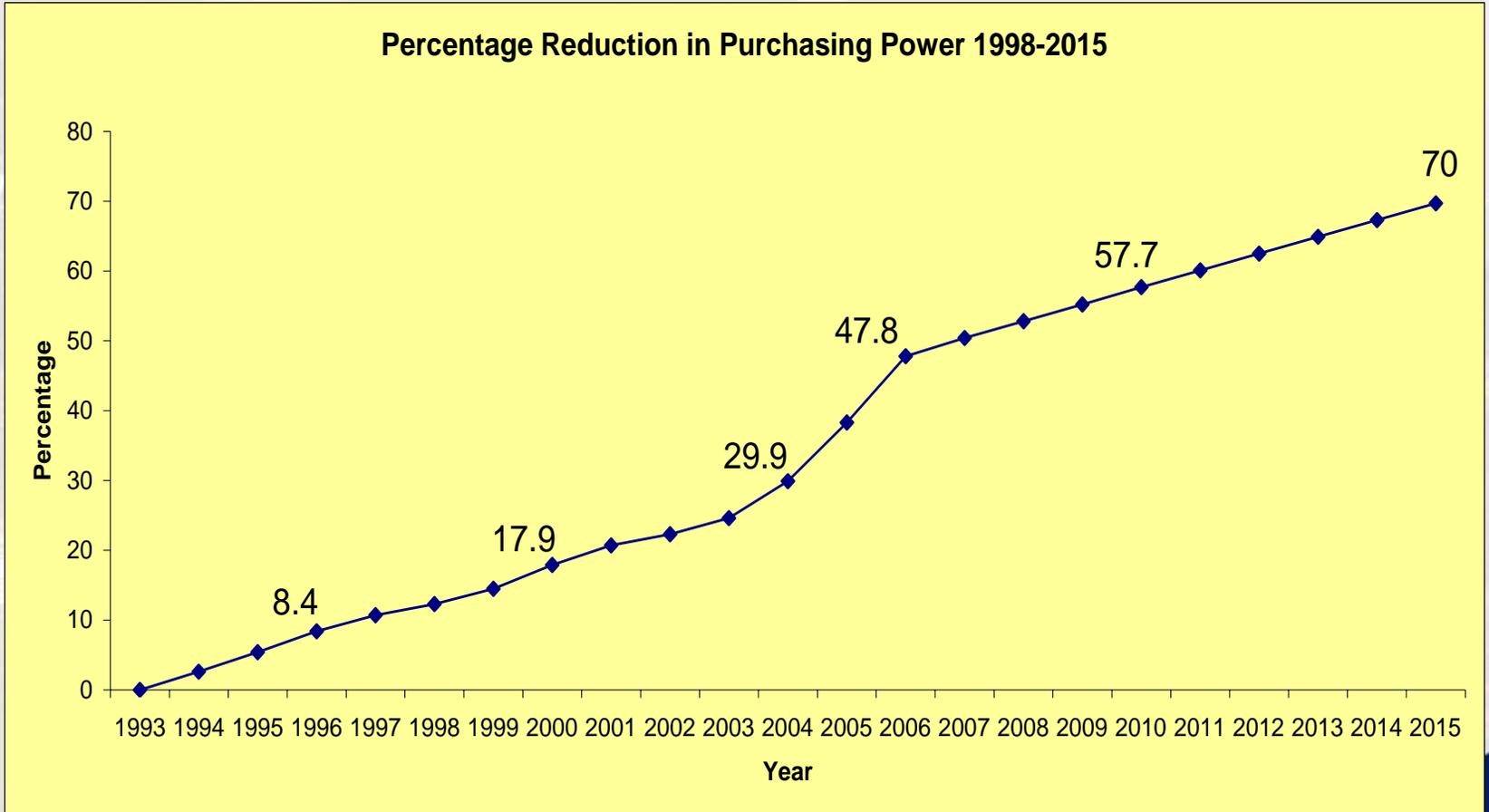
Highway Program Level Made Possible by 2021

- **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



Impact of Inflation



Restoring Purchasing Power

Federal Highway Program Funding Needed to Restore Program Purchasing Power



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

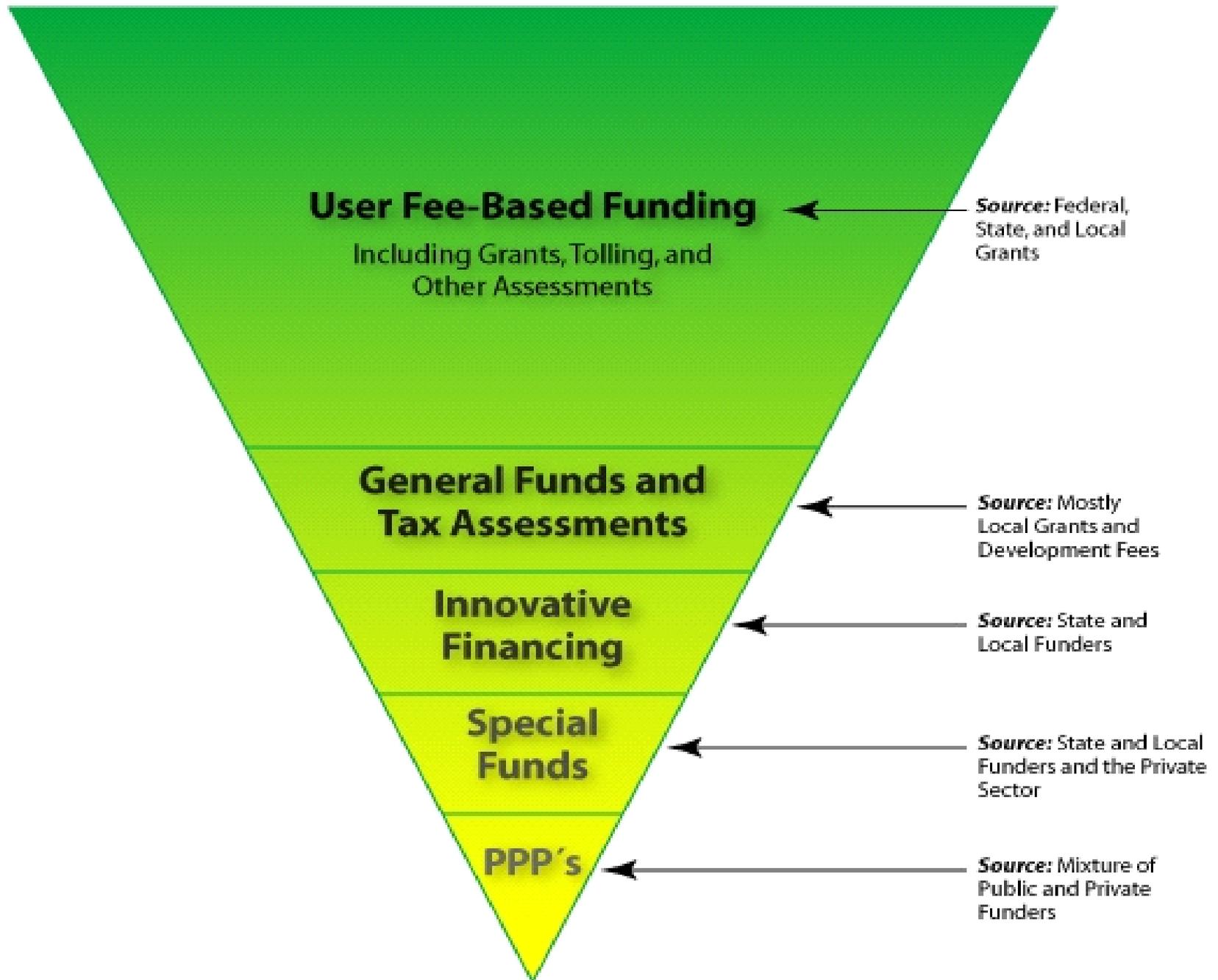
- OPTIONS

- 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 intermodal 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

Funding for Infrastructure Projects



Questions?

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