



Transportation systems

The outlook for reauthorization of the Surface Transportation Programs

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Session Discussion Topics

- America at a crossroads in transportation
- The current climate
 - The budget Federal\State is a driving force in future decisions
 - The Congress of the U.S. is stalemated on moving forward
 - The financial backbone of the surface transportation programs is all but broken
 - New factors such as climate change and livability are on the table
- What is the Federal government's role going to be in the future?
- How will the nation best generate the required revenue for investment?
- How will it impact the automotive industry?

The Current Climate:
Discussing the Issues

January 26, 2010



The Current Climate

- The good and bad news
- The good news: a high priority given to infrastructure by the new Administration
 - The creation of new law is underway and we have excellent Congressional leadership
- The bad news: The Highway Trust Fund has gone broke
 - There is no support for increasing user fees
 - There are many competing goals at the national level

Obama Administration's Direction

- The new administration took office just over a year ago
- The economic crisis led to the passage of an economic stimulus act
- Transportation funding levels in stimulus:
 - Highways \$27.5 billion
 - Transit \$8.4 billion
 - Aviation \$1.3 billion
 - High Speed Rail \$8 billion

Obama Administration's Direction

- The long-term proposals postponed
- Some key features will likely include:
 - Livable communities
 - Major emphasis on transit
 - Congestion reduction
 - Passenger rail revitalization
 - Climate change
 - No user fee increases in the immediate future

The Congress

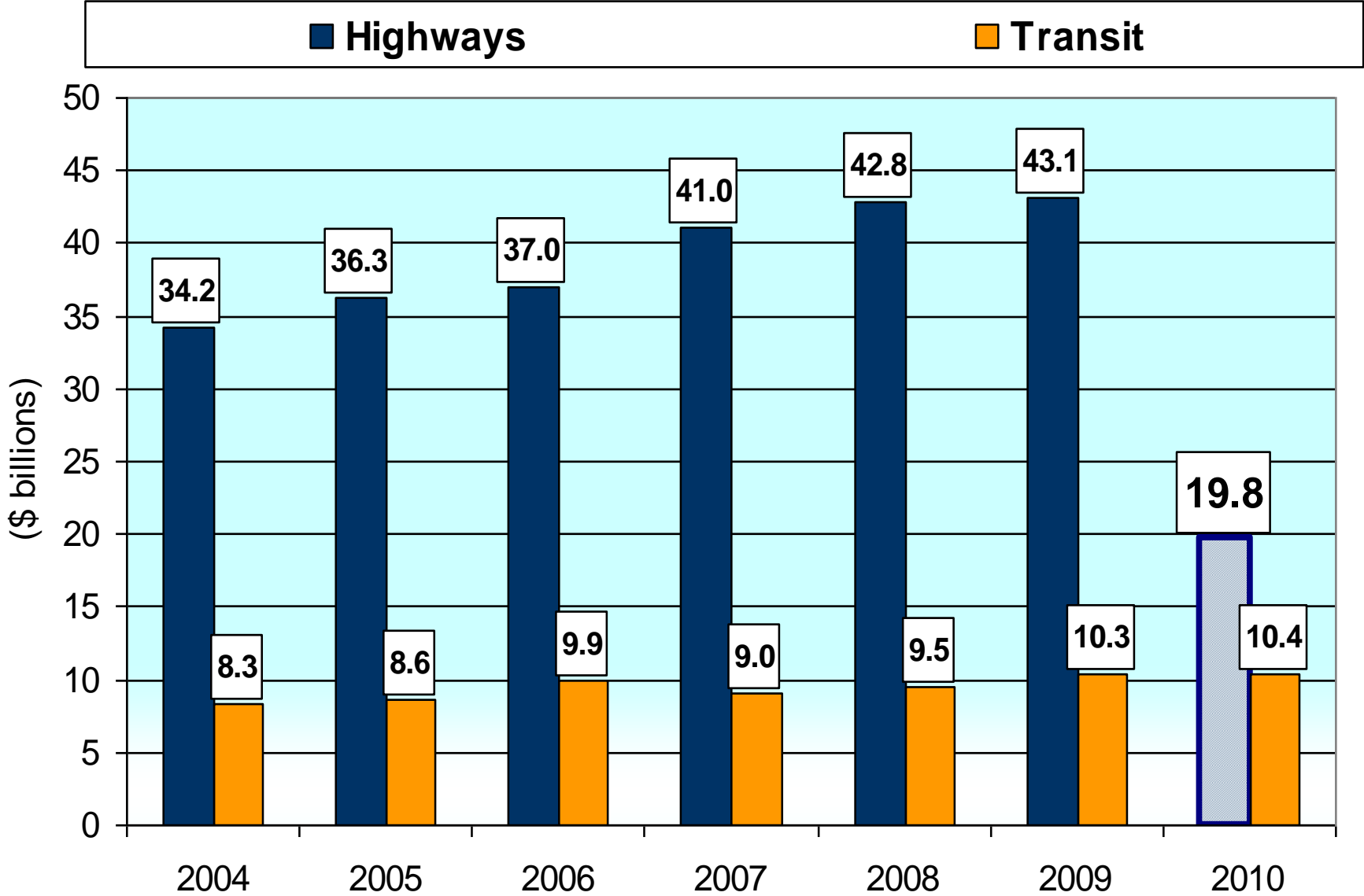
- Facing difficult choices
 - The House of Representatives-Transportation and Infrastructure Committee has developed a bill
 - The Senate counterpart (EPW) has not and wants to postpone action in favor of an extension
 - Funding is in critical condition
 - Other major legislation of higher priority
 - The road ahead is unclear
 - The House passed a jobs bill that would impact transportation

The Financial Backbone is All But Broken...

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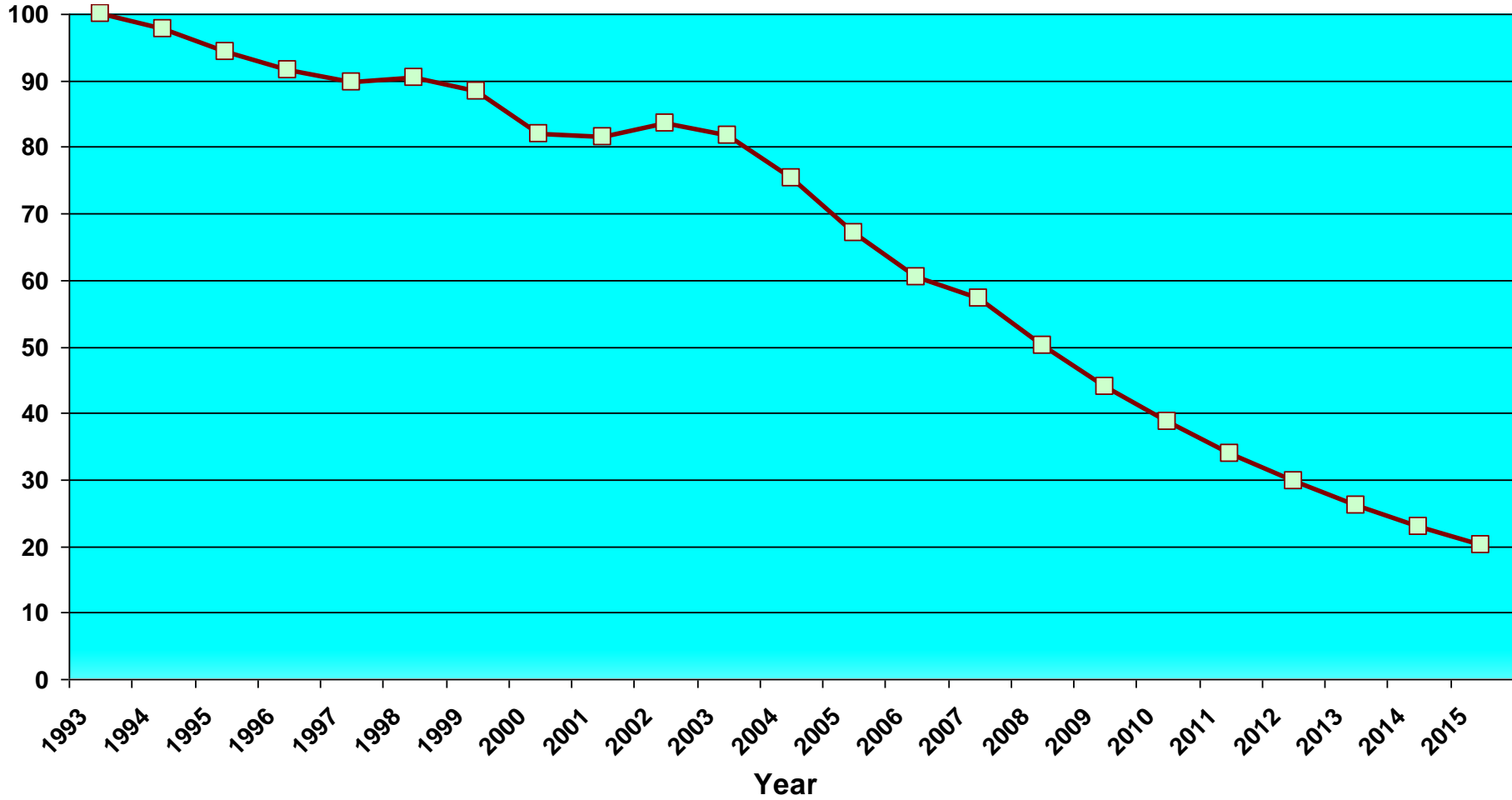
Reduced Highway and Transit Program Levels



Note: Baseline projection from FY 2010 Budget using CBO Summer 2009 baseline receipts estimates

Decline in Purchasing Power of Motor Fuel Taxes

(Based on Inflation since 1993)



Other Major Legislation

- Health Care Reform
- Climate Change
- Economic Recovery

Defining the Future Federal Government Role

- Will the national government continue to play a major role in surface transportation?
- Will the reshaped programs be acceptable to the States?
- Is the political will there to set major program directions?
- How will these directions impact the industry?

Financing and Funding
**A Vastly Expanded Funding
Proposal**

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Preamble

- Federal government must continue to play a **strong role** in investing and maintaining an integrated and multimodal national surface transportation system
- States and local governments should be provided with **maximum flexibility** to use federal revenues from existing core sources to meet systemic transportation needs
- Strong **accountability measures** must accompany substantially increased funding to ensure resources are spent as efficiently and effectively as possible

Preamble

- We need to restore purchasing power
- Investment levels over the long-term need to correlate with documented needs
- Investments in safety and research remain a compelling need
- The impact of inflation on commodities and construction costs must be addressed in setting investment levels

Legislative Principles

- **Maintain the current federal and state shares for highway and transit capital programs.**
- **Eliminate or drastically limit earmarking in federal transportation programs.**
- **Develop policies that support maximum flexibility to allow for use of both conventional and innovative funding and financing tools.**

Future Revenue Collection

- The current U.S system relies on fuel taxes
- We have seen a marked decline in revenues
- Two National Commissions have called for short and long-term solutions
- VMT collection systems have come to the forefront of options to consider

Future Revenue Collection

- In the short run, increase fuel taxes to fund a robust set of programs
- In the mid- to long-term, study the feasibility of alternatives, such as Vehicle Miles Traveled Fee
- AASHTO policy adopted in October 2008 calls for:
 - Adopt a long-range approach that moves to a distance based user fee system such as VMT
 - Fund a proof of concept test's) of a VMT-based funding approach at \$50 million per year for 2010 through 2012 with a report to Congress by 2013

What are the considerations?

- Adequate research on new systems
- Bridging the gap between the needs today and new systems
- Overcoming problems such as perceived privacy issues
- Undertake evolution not revolution
- Develop communications to prepare for change

Proposed Program Funding Levels to Restore Purchasing Power

Potential Program Name	2010	2011	2012	2013	2014	2015	TOTAL
TOTAL - Highways	\$50.00	\$55.00	\$60.00	\$65.00	\$70.00	\$75.00	\$375.00
TOTAL - Transit	\$12.5	\$13.7	\$14.9	\$16.1	\$17.3	\$18.5	\$93.00
TOTAL - Freight (Based on New Revenues Outside of Highway Trust Fund)	\$5.0	\$5.8	\$6.6	\$7.4	\$8.2	\$9.0	\$42.00
TOTAL - Intercity Passenger Rail	\$5.0	\$5.3	\$5.6	\$5.9	\$6.2	\$7.0	\$35.00
GRAND TOTAL	\$72.50	\$79.80	\$87.10	\$94.40	\$101.70	\$109.50	\$545.00

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QUESTIONS ?

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