

Modernizing The U.S. Surface Transportation System

Wisconsin Transportation
Development Association
Annual Meeting

Monona Terrace

September 29, 2011



COVINGTON & BURLING LLP

BEIJING BRUSSELS LONDON NEW YORK SAN DIEGO SAN FRANCISCO SILICON VALLEY WASHINGTON

Washington Transportation Update

- SAFETEA-LU expired 9/30/2009
- 8th extension until 3/31/2012
 - Highway programs cut 7 percent
- HTF cannot support SAFETEA-LU levels
- House bill
 - NO GAS TAX INCREASE
 - 35 percent cut
 - 6 years
 - Looking for revenues
- Senate bill
 - SAFETEA-LU levels plus inflation
 - 2 years
 - Need \$12 billion



Washington Budget Update

- Deficit/debt & 2012 elections dominate
- Budget Control Act of 2011
 - Debt ceiling increase (\$2.1-2.4 trillion)
 - Statutory discretionary caps (\$900 billion)
 - Super Committee (\$1.2-1.5 trillion)
- Joint Select Committee on Deficit Reduction
 - November/December deadlines
 - Outcomes
 - Deadlock
 - Barebones compliance
 - Grand Compromise
 - Lines in sand
- President's American Jobs Proposal
- President's Deficit Reduction Proposal
- GLIMMER OF HOPE



Back To Transportation

But What If.....



Develop Alternative

- Consistent with core principles
- Credible
- Start a dialogue

Our Core Principles

- Transportation essential to our national security, our national economy and our way of life
- Critical to solving our deficit/debt problem
- Preservation and modernization of our national network is essential and an enormous undertaking
- Need for Federal program capable of making sustained investment across the national network
- Substantial increase in investment essential
 - Current level unacceptable
 - Reduced funding disastrous
- Gas tax best option now



Credible Alternative

- Federal Interstate User Fee
 - All vehicles
 - Finance all Interstate improvements
 - Subaccount in HTF
- Federal Motor Carrier User Fee
 - Commercial trucks off Interstate
 - Finance motor carrier-related improvements
 - Subaccount in HTF
- Existing Highway Trust Fund
 - Non-Interstate Federal-aid highway system



More Details

- Federal
- All-electronic
- Fees tied to cost to improve
- Adjusted annually by independent entity
- Fees could vary (type of vehicle, urban/rural, corridor, etc.)



Advantages

- Allows for increased investment across the entire Federal-aid system without raising the gas tax
- Allows for increased investment without borrowing money, increasing the deficit, or raising the debt
- User fee
 - Truer user fee than gas tax
 - More popular than gas tax



Advantages (cont'd)



- Linked to a vision
 - Modernizing Interstate Highway System
 - “Crown Jewel” “Envy of World”
- Big step in modernizing Federal financing toward post-gas tax era
 - Central role for Feds
 - Depoliticized
- Should score as an “off-setting receipt” rather than revenue
 - Will “reduce spending”

Advantages (cont'd)

- Fee would be adjusted annually—set at level necessary to reimburse states for work completed
 - Pay as you build
 - No diversion
 - No extra fees
 - No balkanization
- Take two or three years to implement



Disadvantages



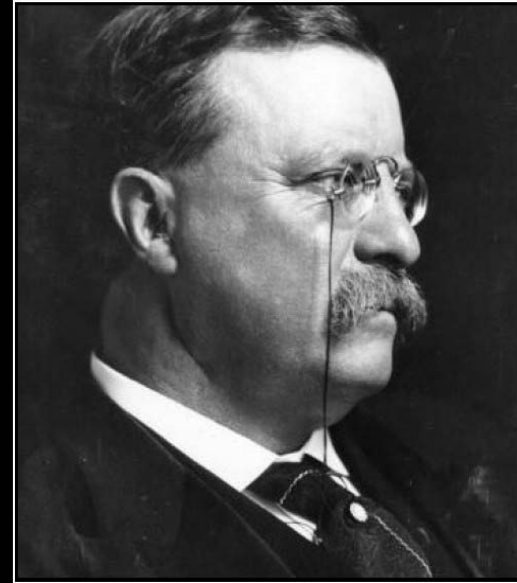
- Could still be branded as tax
- Tolling existing free lanes controversial
- Paying double on Interstate
- Too constrained for some
 - Cash cow
 - Demand management
 - Diversion
- Administrative costs/enforcement issues
- Still requires political backbone

Closing Thoughts.....



BOLDNESS

"Our difficulties and our dangers will not be removed by closing our eyes to them."



RESOLUTION

"In any moment of decision the best thing you can do is the right thing, the next best thing is the wrong thing, and the worst thing you can do is nothing."

When all else fails.....DO THE RIGHT THING!!!