Transportation and Partnerships

American Association of Port Authorities
National Association of Regional Councils

San Diego 2008

Fred Abousleman
Executive Director, NARC
Agenda

- Premise
- Future Trends
- Timeline
- NARC outreach and positions
Premise

• SAFETEA-LU Expires
  – Trust fund insolvent late 2008-early 2009
  – Diminishing state and local funding
  – Congestion costing U.S. billions
  – Project delivery slow if not impossible
    • Project cost overruns
    • Lack of material
  – Lack of modal integration
  – Goods movement consuming infrastructure capacity
Future Trends

- Political
- Construction Costs
- Post Katrina/Rita
- Future Funding
- Asia
- Freight
- Global Warming and Energy
Future Trends Overview

- Urban Land Institute Report cites U.S. as lagging behind Asia and Europe
- Inadequate investment over 40 years
  - by some estimates up to and over $1 trillion
- Investing in systems that are not integrated – stove piped – and legacy
- Not investing in the vanguard
Future Trends
Construction Costs

- Project cost overruns up to 60%
- Why?
  - No material in some cases
    - We, China and India have glutted the world’s cement stock. Production will not meet needs until 2010
      - Predicated upon a slowdown in Chinese and Indian construction.
    - No domestic cement supply
    - No capacity
  - No labor in others
    - In the SW – there isn’t enough labor to meet project demands
    - Contractors have stopped bidding
Future Trends
Disasters

• Post Katrina/Rita
  – $5 billion and counting
  – Total cost may reach $150 billion
    • Does not account for business and population displacement
  – CA fires, FL Hurricanes, Western droughts (may be species killer)

• Treasury solvency
• Only available money for recovery is in domestic discretionary accounts
  – i.e. transportation, housing, aging, education, social programs
• We are fighting to keep domestic programs funded
Future Trends:
Funding – Not Disaster Related

• War and Defense spending
  – “The cost of the wars in Iraq and Afghanistan could grow to a total of $2.4 trillion by 2017”, CBO Director Peter Orszag told House Budget
  – Interest payments alone on the debt related to the wars could reach $705 billion

• Entitlements
  – Social Security and Medicare/Medicaid

• Current recession?

• Debt and debt loads and ratios
  – If unfunded Medicaid, Social Security, etc. promises are added, to total debt loads this figure totals $59.1 Trillion
  – China holds over $1 trillion in dollar denominated assets
  – In comparison, $1.4 trillion represents M1 or the "tight money supply" of U.S. Dollars - the value of the U.S. Dollar could change dramatically should China ever choose to divest itself of a large portion of those reserves
  – the U.S. Treasury statistics indicate at the end of 2006, foreigners held 44% of federal debt held by the public. In total, lenders from Japan and China held 47% of the foreign-owned debt
Funding – Not Disaster Related

- What will our transportation funding look like over 20 years?
- Trust fund – insolvent – 2009
  - VMT, Fuel Efficiency, New Fuels, Gas Prices, more facilities then we can afford
- Transportation as a whole of the economy
- How much can business and the consumer absorb?
- Tied to other Federal Domestic accounts
- PPP’s?
Future Trends
Asia
• Chinese and Indian Competitiveness
• Purchasing power
• Goods production
• Shipments
• Ability of our system to absorb?
  – Thin
Future Trends: Freight
Basic Numbers

Chinese Freight Capabilities will grow by 35% over the next 10 years.

Ours – 7%

Our current system CANNOT meet expected global trade demands
The State of Goods Movement

- In 1970, trade was 12.4% of U.S. gross domestic product (GDP). Today, it is over 25%.

- Shipment of containerized cargo in and out of the U.S. will increase by more than 350% by 2020.

- To handle these increased loads, truck traffic, measured in vehicle miles traveled (VMT) will increase by 200 billion miles and rail shipments of freight are projected to grow by 1 billion tons.

- Nearly 12.7 billion metric tons of goods and raw materials valued at $8 trillion moved over the U.S. transportation system in 1997 (the last year for which statistics are available).
Only Getting Bigger

Largest Cargo Airplane
Antonov - AN-124 Ruslan

Up to 150 tonnes of cargo can be carried.

Largest container ship

The container ships with the largest declared capacity are the 9,200 TEU sister ships MSC Pamela and MSC Susanna. Bigger ships under construction.
Expansion

• Panama Canal Expansion: $5.25 billion. Double Volume by 2025
• $685 Million Vancouver Port Expansion (plus millions in other facilities)
• Hutchison Whampoa Ltd. expansion of Mexican port facilities
  – Hutchison Port Holdings (HPH) is the world's leading port investor, developer and operator that operates across Europe, the Americas, Asia, the Middle East and Africa
  – It operates in five of the seven busiest container ports in the world, handling 13% of the world’s container traffic
• U.S. is under-investing!
The Tie That Binds
Freight and Economic Competitiveness ARE national priorities.
Global Warming and Energy

• Carbon may be the tax of the future
  – Already being discussed in Congress

• Regions may have to account for the effects of global warming through new measures

• Energy is and will be in play
  – Are we energy efficient?
  – Are we sustainable?
  – Are we safe and secure?
Timeline

• SAFETEA-LU reauthorization 2009
  – Presidential Election 2008
  – Congressional Elections
  – Potential shift in power bases
    • Including domestic agendas
  – New Administration
  – New Secretaries
  – Can a bill be ready to move my 2009?
    • No
      » More like 2010 – 2011
    • What does this mean for funding?
      – Short term bills?
      – CR’s?
NARC Outreach and Positions

- Multiple regional meetings
- Spectrum of ideas
  - Devolution – stronger federal program
- Innovation – Empowerment - Streamlining
- Consensus on:
  - Limited but focused federal role
    - National projects
    - Limited federal funding
  - Program streamlining
  - Expedited project delivery
  - More authority/funding at regional and local level
  - Limit federal oversight
NARC Continued

– Continued support of COGs and MPOs in transportation planning and delivery – urban AND rural
– Dedicated freight funding
– Sustainable and long term funding sources
  • Income tax fix, national sales tax, vmt tax?
  • State/regional/local monies
– Integration
  • Across agencies programs, policies
– 1200 page bill to 200
Summary

• Many possible avenues to a new bill
  – Green
  – Freight
  – Integrated
  – No change at all
  – No bill – no program

• Willingness of leaders to accept and promote change

• Acceptance of trends

• Acceptance of need to raise revenue

• Let us know your ideas – get involved!