



Infrastructure: Hitting the Cost Wall

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GLOBAL INSIGHT



The Highway Trust Fund

- **The Driving Force in Building and Repair is the Highway Trust Fund**
 - **Funded by fuel taxes**
 - **Essentially depleted despite \$8 billion influx**
 - **2009 presents enormous challenge**
 - **Needs to be self-sustaining**
 - **Finding new funding sources**



Highway, Bridge, and Infrastructure Construction for 2009

Current Outlook Bleak, Despite These Pressures:

- Congestion, “Gridlock” is costing the American Economy & Productivity \$78 billion+ annually
 - 2.9 billion gallons of fuel wasted
 - 40 hours of gridlock each year (3X since 1982)
 - car & truck traffic will double by 2030
- “Freight Bottlenecks” cost the U.S. trucking industry \$8 billion in economic loss and 243+ million hours in delay and lost productivity annually
 - freight tonnage via roadway projected to double by 2035
 - global trade will add additional growth tonnage
- Global Competitors are gaining, surpassing U.S. in infrastructure excellence
 - China builds quickly, with excellence, i.e. Beijing Olympics, subway system and plans to build 42,000 miles of quality interstate highways by 2020
 - Russia to add 3X present interstate-like roads by 2020
 - India will add 25,000 miles by 2020
 - EU adding 10,000 miles of road and rail capacity by 2020



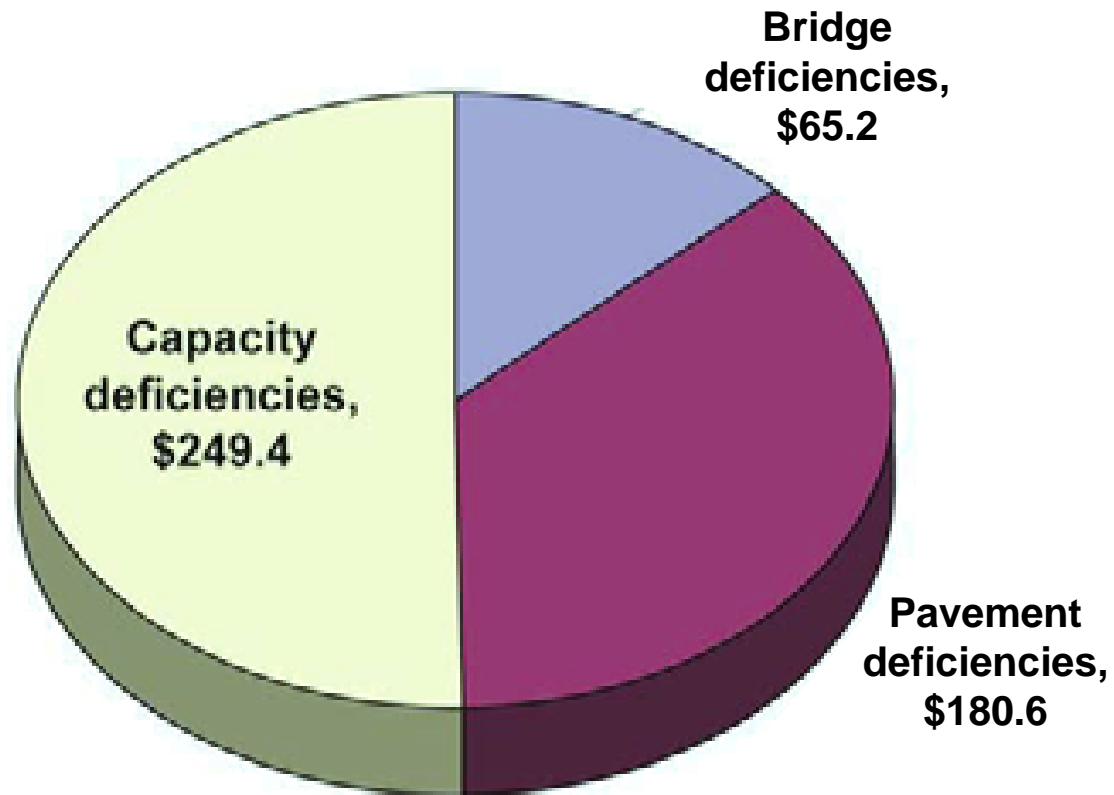
Simple Fact: The Infrastructure is Crumbling

- At end of 2007, almost 67,000 miles of federal-aid highways had *pavement* rated unacceptable
- 53,990 bridges nationwide are structurally deficient or functionally obsolete
- To simply *maintain* current physical conditions, levels of safety, and current traffic flow, the Nation's Highway Network will require nearly \$20 billion annually in new revenues



Proposed Investment

\$495 Billion Investment Needed Now to Remedy Backlog of Highway and Bridge Deficiencies

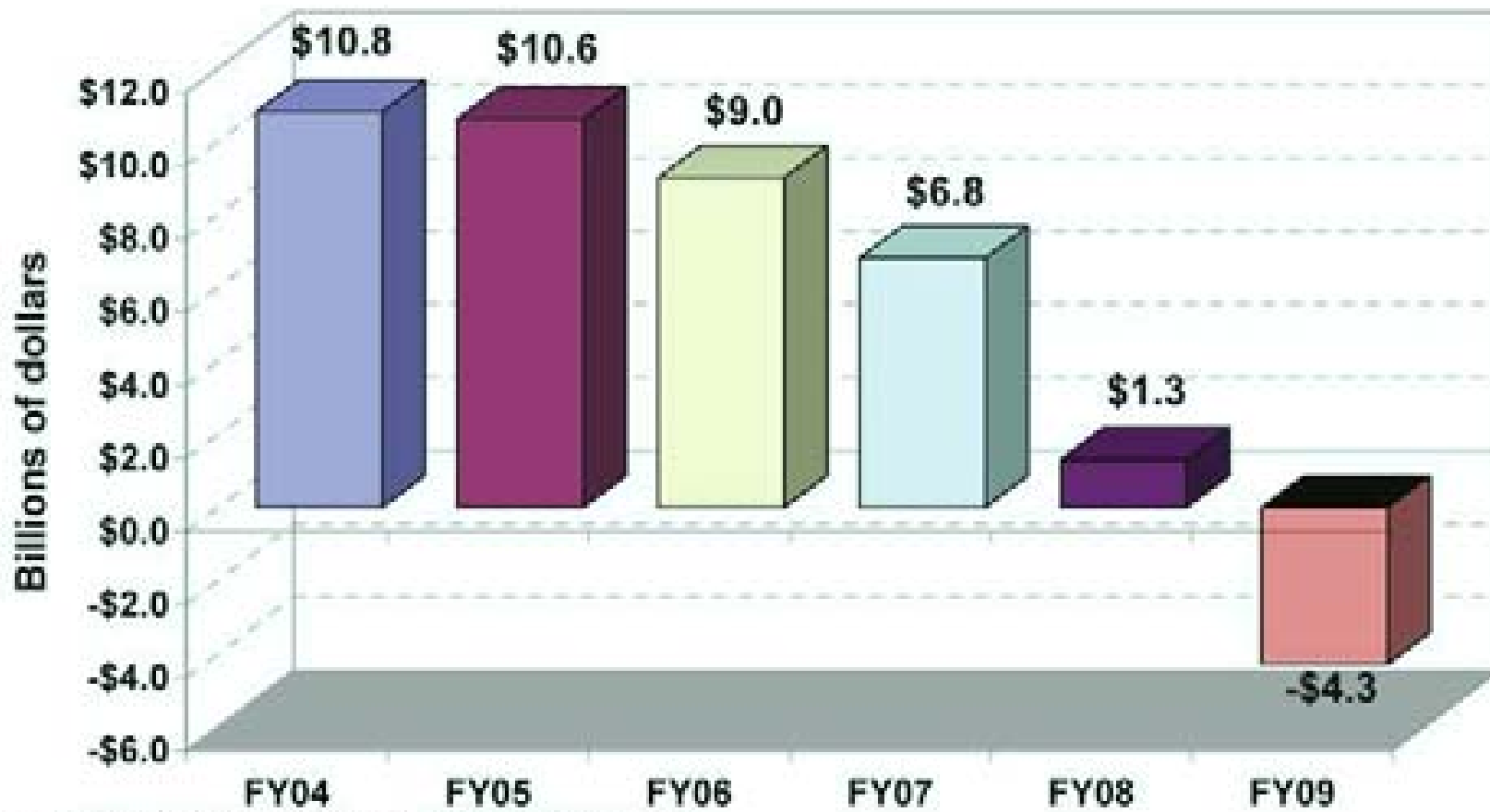


Source: U.S. DOT, 2006 Conditions and Performance Report, pages 7-15, 7-17



Balance in the Highway Account

Balance in the Highway Account Will Be Exhausted by End of FY 2009

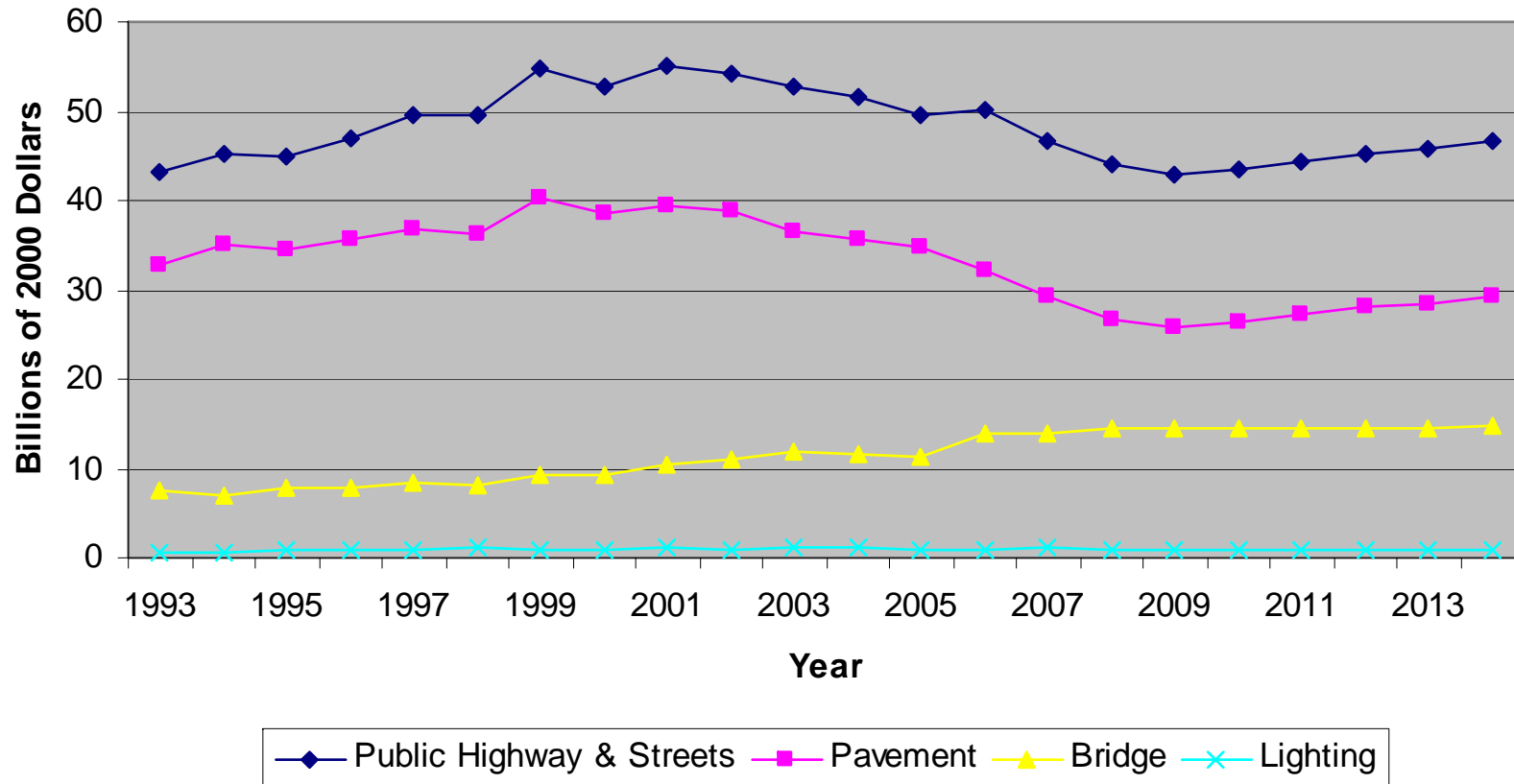


Source: FHWA calculations for Midsession Review of FY 2008 Budget



Infrastructure Construction Trends

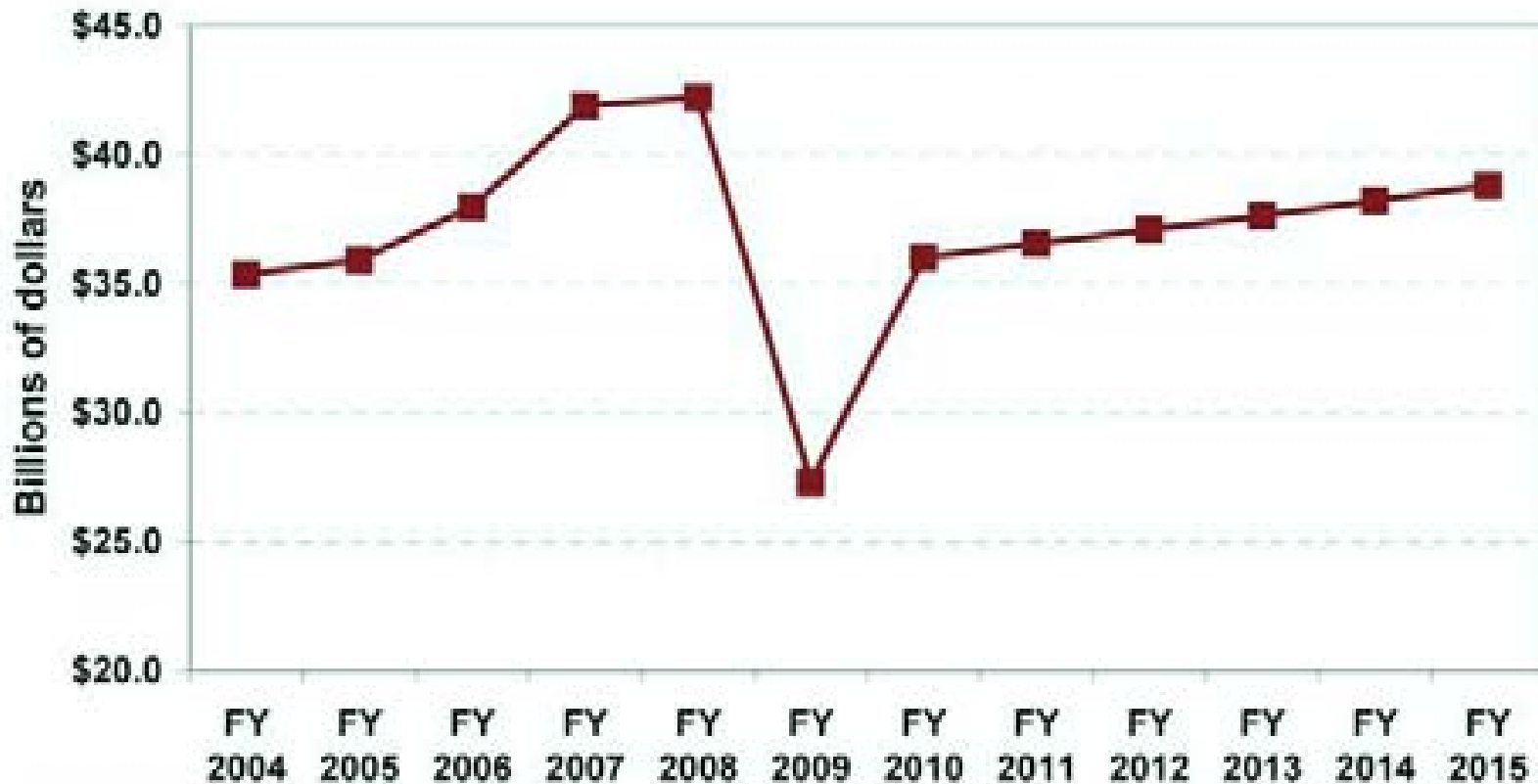
Infrastructure Construction Trends





Federal Highway Investment, 2004-2015

Federal Highway Investment Will Fall \$16 Billion in FY 2009 Without New Revenues

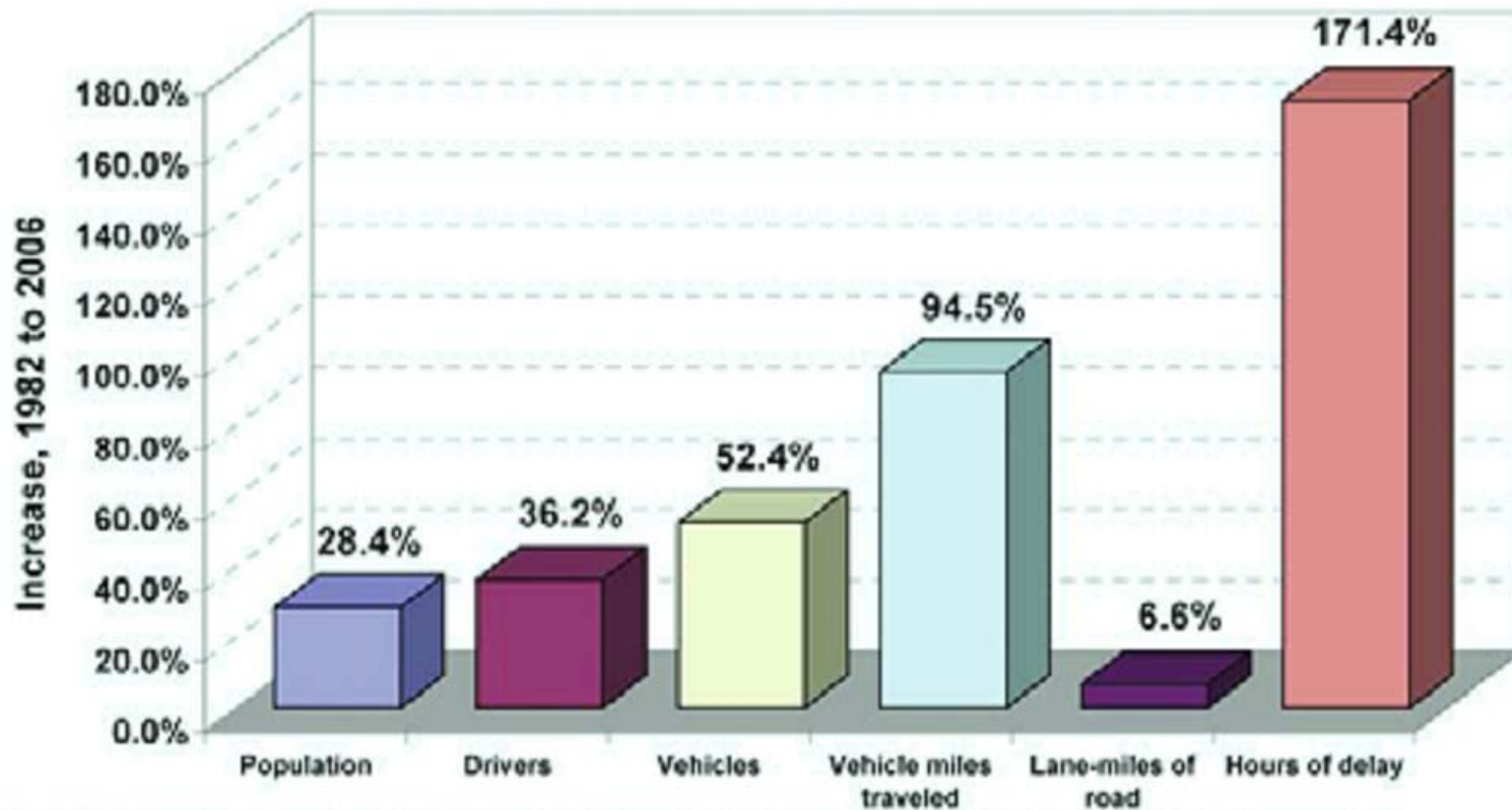


Source: ARTBA analysis of FHWA, U.S. Treasury Department data



Percent Growth of Highway Demand, Capacity and Congestion

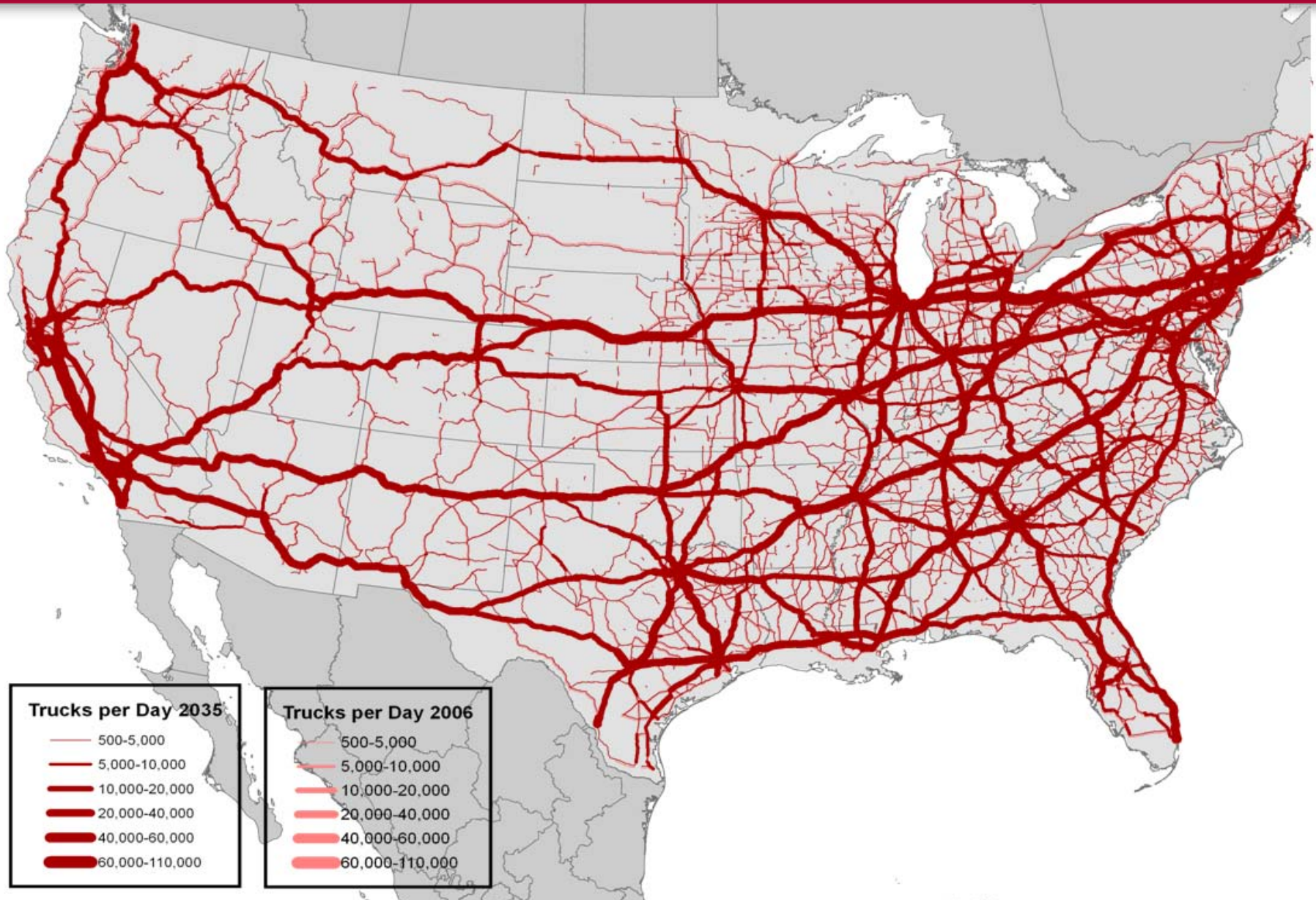
Growth of Highway Demand, Capacity and Congestion 1982-2006



Sources: U.S. Census Bureau, Statistical Abstract of the U.S., 2005; Federal Highway Administration, Highway Statistics, Various Years; Texas Transportation Institute, 2007 Urban Mobility Report



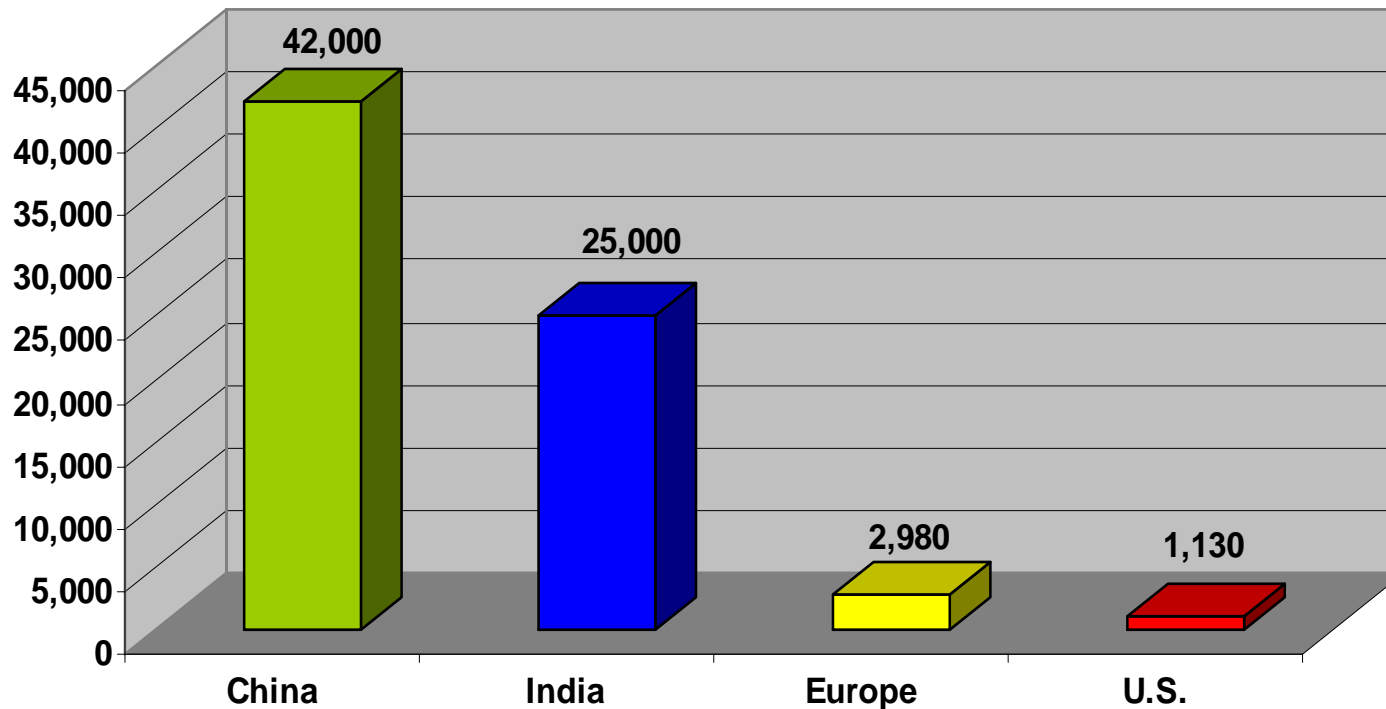
Highway Congestion Points Worsen and Multiply





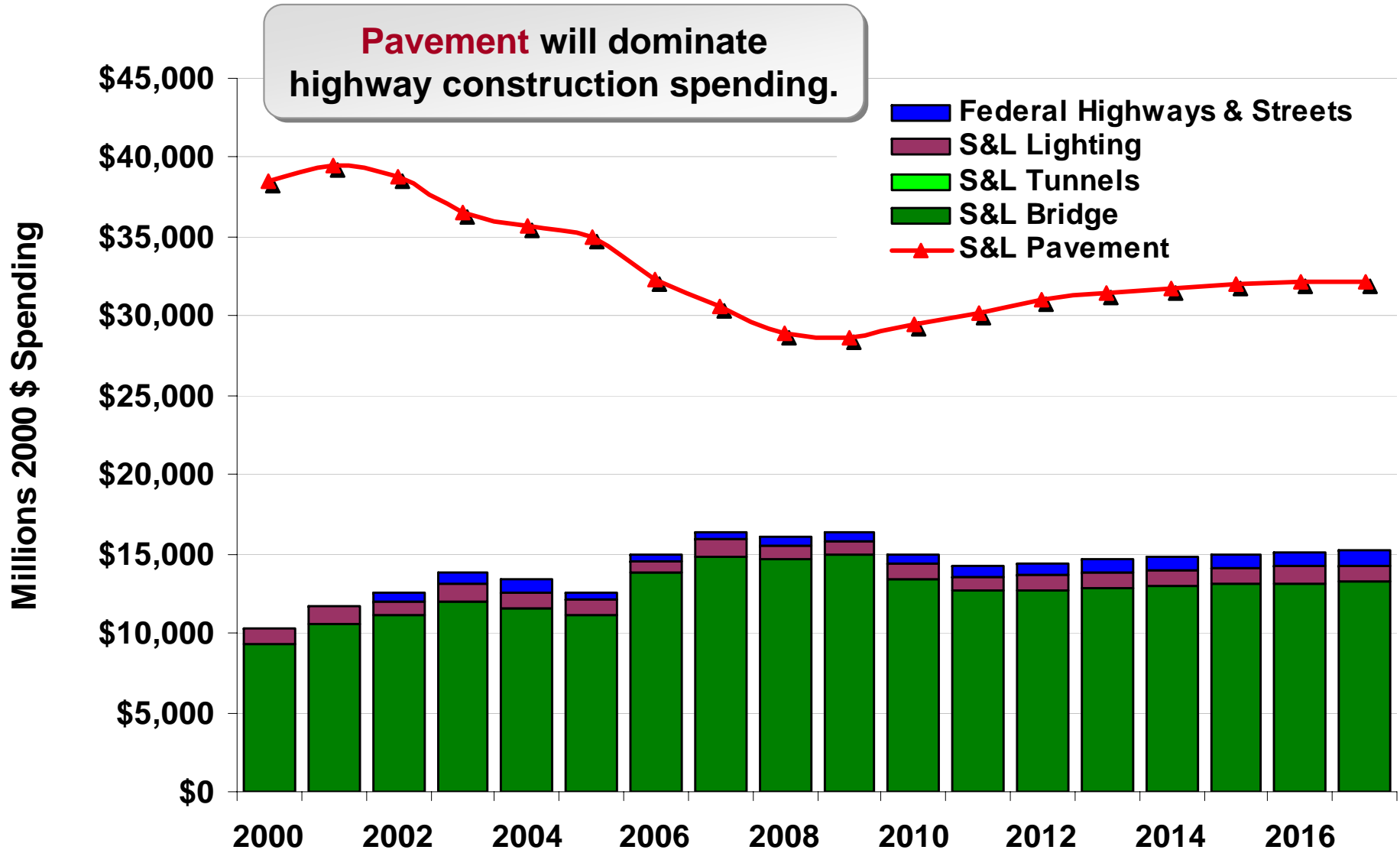
Foreign Highway Construction

Miles of New "Interstate" Highways to be Constructed, 2000-2020





Highways & Streets Component Outlook





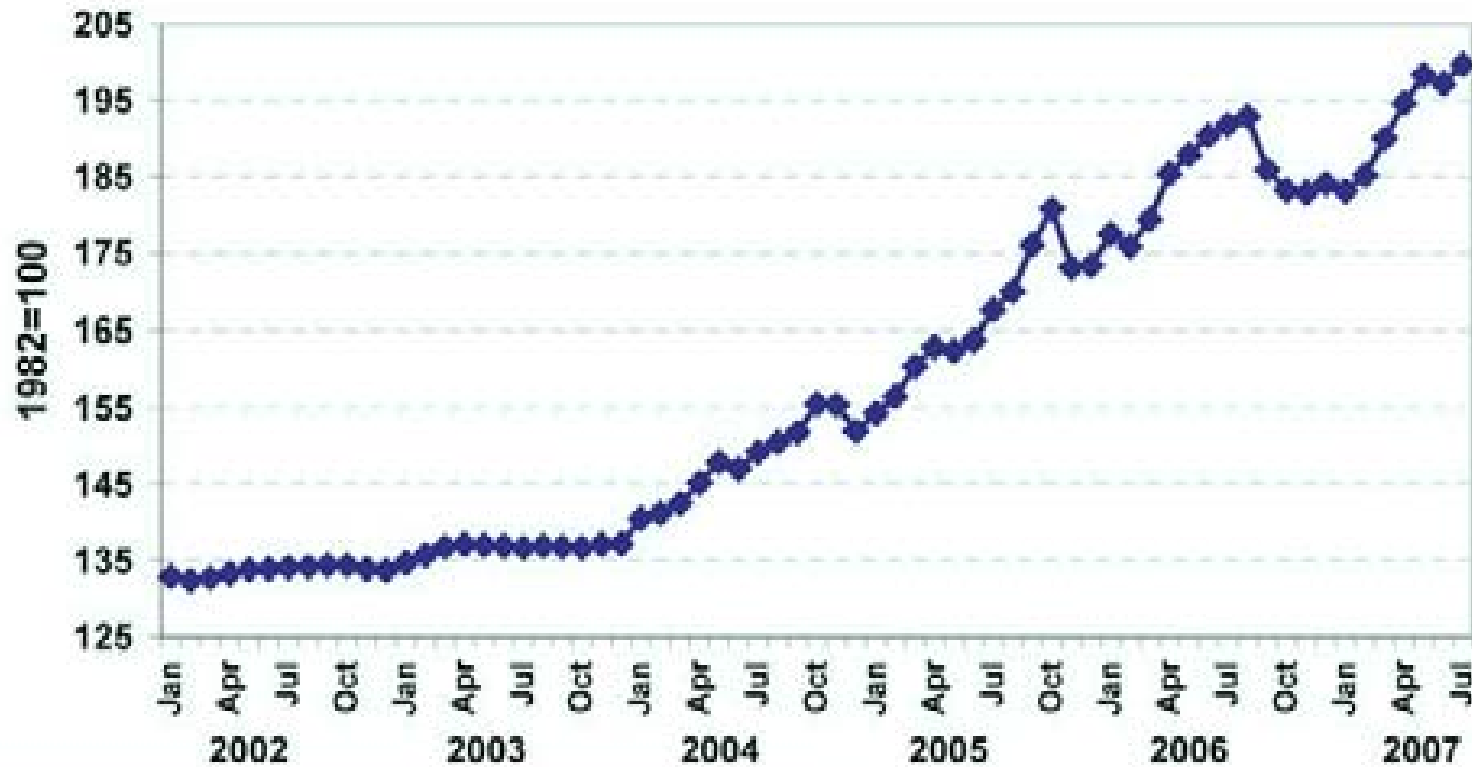
In the Meantime, Construction Costs Rise...

- **Material Costs rise 40%**
- **Limited supplies of construction materials**
- **Higher cost of fuels, Petroleum-derived products**



Cost of Construction Materials

Since 2003, Cost of Highway Construction Materials Has Risen 42%



Source: U.S. Bureau of Labor Statistics, Producer Price Index for Highways and Streets



Are There Solutions?

- **U.S. Chamber of Commerce President suggests higher gasoline, diesel user taxes**
- **Trucking Industry says OK, if.....**
- **Rail says, “we do our own, but could use some help”**
- **Ports say “We serve all this increased export traffic”, so we need \$\$\$’s also**
- **Air Freight facilities, airports also want to enhance and build/rebuild infrastructure**



Solutions

So, YES, there are way to meet these funding challenges, and Put Contractors and Road Builders Back to Work.....

- **“Taxes may help but later; after I have returned to profitability”**
- **Private Sector Investment**
 - **Buy and operate existing infrastructure assets, enable return dollars to urgent needs**
 - **Privatize existing assets like parking garages/decks , use proceeds for urgent needs**
 - **Public Private Partnerships**



Thank You

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