



03/10/2009

Transportation forum focuses on public/private partnerships

By: Mike Leiby , The Independent

PHOENIX - Some public officials in the United States are saying public/private partnerships could solve many of the issues facing transportation.

During a Feb. 3 forum at the Goldwater Institute in Phoenix, past and present public officials, along with transportation, experts voiced overwhelming support of using public/private partnerships (PPPs) to help alleviate problems like congestion, operations, maintenance and building of new highways and roadways.

Speakers at the forum included Mary Peters, former secretary of transportation under President Bush and administrator of the Federal Highway Administration from 2001 to 2005.

She also worked in Phoenix as national director for transportation consulting and policy for the major architectural, engineering and consulting firm HDR Inc. and for the Arizona Department of Transportation from 1981 to 2001 to which she was named director by Gov. Jane Hull in 1998.

"She was secretary and in her other roles earned a reputation as a true innovator, problem solver and a force for safety and for prudent use of taxpayer funds," said Tom Patterson, chairman of the Goldwater Institute.

Also in attendance was former Colorado Gov. Bill Owens; Mike Krusee, who until recently was chairman of the Texas House of Representatives Transportation Committee; and Gary Groat, director of project development with Fluor Enterprises and responsible for developing public/private partnerships with 35 years of experience planning major transportation projects across the U.S.

A couple of the biggest problems, according to speakers at the forum, is failing infrastructure and inadequate or inappropriately used funding.

Peters said current government policies (which date back to the 1950s) will not be sufficient to support the needs of transportation in the U.S. in coming years.

Peters said the problem is a philosophical one more than a funding issue. One of the reasons she chose to speak at the forum is because she shares many of the same views on the U.S. economy and how taxpayer dollars are used as The Goldwater Institute.

"I closely identify with the things that the Goldwater Institute stands for, among them the rights of all Americans to pursue economic freedom and the rights of businesses to succeed or to fail, and I think that is something that we have forgotten in the last few months," Peters said.

She said President Eisenhower was on the right track when he formed the Clay Commission in 1956 to create and fund a system of interconnected highways in the United States.

Eisenhower's original idea was to levy tolls directly on users of the highways, but the director of the Bureau of Public Roads at the time instead chose to pay for the new system with a gasoline tax levied against all taxpayers. Peters said the tax no longer provides enough revenue to sustain, improve and build new highways.

Peters said back in the late 1970s and early 1980s, when the majority of the nation's highways were completed, the country was enjoying what she called "one of the preeminent transportation systems in the world."

But in the nearly 30 years since then, Peters said, aging highways simply have not been able to handle steadily increasing transportation demands.

She noted that when President Ronald Reagan (1981-1989) suggested devolving the interstate program back to the individual states, giving states the opportunity to improve, maintain and operate the system while converting the gas tax to funding (which states could continue collecting or find sources of funding on their own) that could support state systems, Reagan - like Eisenhower - was also on the right track.

"Congress, unfortunately, would have none of that," she said. "Congress saw an opportunity to convert those funds to something else, something I believe was much more like a public works program than a national program that built our interstate highway systems as had been included in the first place."

Congress began converting the gas tax to other uses, but not before then House Speaker Tip O'Neill successfully got one more pet project (a central artery in the Boston tunnel popularly known as the "Big Dig") in under the wire of the Interstate Completion Program.

Peters characterized the project as "10-cent-on-the-dollar construction": 10 cents is contributed by the state or municipality and 90 cents is contributed by the federal government.

She said projects like the "Big Dig" and the current stimulus package, which infuse large amounts of government funding, typically run over budget and time and that is what the nation cannot afford during this critical economic period and even after.

She said the decisions of Congress in the '70s and '80s cut right to the heart of the problem, which according to Peters is not in how much funding is allocated to transportation needs in the U.S., but where and how that money is spent.

Peters made the comment in reference to the \$42 billion of stimulus money earmarked for transportation; \$30 billion is intended for roads and bridges and \$12 billion is scheduled to be used for mass transit projects, according to the latest figures.

Decisions on specific projects within a given state will be made by that state's governance.

Peters, and others at the forum, said that blindly pumping money into a failing transportation system is not the solution. She referenced the now infamous "bridge to nowhere" in Alaska as a prime example of how transportation money has been misused.

She said the 2005 transportation bill had over 6,000 earmarks (which included the bridge in Alaska), totaling more than \$24 billion.

"That (bridge to nowhere) became, if you will, a poster child of what was wrong with the way transportation funding is being allocated today," Peters said.

She said earmarks of transportation dollars in the past, like the Alaska bridge, have decreased public confidence and voter willingness to approve increased gas taxes and as a result, there isn't enough gas tax dollars available today to support the system.

Peters said it isn't that Americans don't want better roads, highways and commutes, it is because they don't have confidence that their tax dollars will be used in a way which would actually result in better roads and commutes.

"They know the current approach is failing, and failing badly," she said.

She said Americans increasingly deal with lengthier and lengthier commutes and daily gridlock, robbing American families of quality time together and costing businesses billions of dollars annually.

Former Gov. Owens (currently serving on the boards of several transportation-related companies as well as being involved in land development and international banking) attended the forum and agreed with Peters that lengthy commutes and gridlock plague American roads and highways.

He also supports the use of the private sector to help solve some of those problems. Owens, now working in the private sector, provided tangible examples of how he feels PPPs have helped Colorado cope with its own transportation issues in the past.

He said it is not uncommon in Colorado for the public to wait five to seven years for completion of transportation projects because of how the current funding policy works which leaves the state in a perpetual state of need.

"That's why in the 1980s I sponsored E470, a 52-mile toll road bill," he said.

He said it was very controversial when it was built, but that since then it has become a huge success.

"Everyone loves E470 (the main road to the Denver International Airport), so much so that we built a 12-mile extension called the Northwest Parkway which continues that road up north," he said.

He said the 12-mile extension was recently sold to a Portuguese company for \$600 million which paid off all of the debt, \$200 million of which will be used to complete the final part of the beltway, all with private capital.

Owens said one of the advantages of using PPPs is that government has greater control over those responsible for maintenance, operation and improvements with public/private contracts.

He said specific guidelines and regulations concerning tolls, striping, scraping and even removal of litter or dead animals means that if whoever holds a toll-road contract fails to meet those requirements, the city, county or state can simply fire them and contract another entity, unlike current policies.

Owens added PPPs typically cost far less than strictly government-funded projects and are completed in a fraction of the time, meaning return revenue can be collected sooner.

Another benefit of public-private partnerships in transportation, according to speakers at the Goldwater Institute, is that if drivers have to pay directly for the use of roadways, they would adjust their driving habits to be more conservative.

"When (PPPs are) done right, it can be a win, win, win: Good for the public sector, private sector and citizens," said Brad McLellan, co-chair of the Infra-structure and Public Projects Practice Group.

Another aspect of the current gas-tax system, which according to speakers, does not tax motorists fairly, is that everyone pays the same government gas tax. For example, a Nissan Sentra pays the same at-the-pump gas tax of 18.4 cents per gallon as a much heavier Hummer.

Peters said there has been no increase in the federal gas tax since 1993. Speakers said that what makes the current tax system unfair is that a Hummer creates more wear and tear on the same roadway than a Sentra.

Currently about 10 percent of the price of a gallon of regular unleaded goes to taxes, according to AAA Arizona.

Speakers at the forum said allowing PPPs to build, maintain, operate and collect tolls is a fairer way of taxing users while also allowing the free enterprise system to work as intended.

For example, assuming the toll on a road or highway is calculated at .1 cent per pound for a 2,000-pound Sentra, that driver would pay \$2. However a 4,000-pound Hummer at the same rate would pay \$4 because it extracts more wear and tear requiring more maintenance.

One of the points made by Peters in relation to the current federal system of gasoline taxation and transportation policy is that Arizona is a donor state.

That means gas tax collections in Arizona exceed the amount of gas tax dollars returned to the state despite the fact that it is one of the fastest growing states in the nation with ever-increasing urbanization and transportation needs, according to Peters.

She said in the greater Phoenix and Pima County areas delay times increased 138 percent between 1994 and 2005.

Phoenix is the 23rd most congested city in the nation with drivers experiencing an average of 38 extra hours in traffic, consuming 24 additional gallons of gas annually.

Tucson is the 28th most congested city in the U.S., with motorists enduring 42 extra hours in traffic while burning an added 26 gallons of fuel annually.

"We simply don't have to succumb to that and say 'well that's the way it's gonna be,'" Peters said.

She said by addressing three basic problems, the state - and the country, for that matter - can solve many transportation issues like the ones listed above and not be "destined to sit in traffic."

"First, we cannot continue to pursue pricing policies built on the naive hope that American consumers and American businesses will not chronically consume or overconsume services that they perceive to be free," she said.

Because the current system separates payment of gas tax and use of roads, the average American does not perceive that it costs more to travel at peak periods translating to overconsumption during those parts of the day, she noted.

"Second issue," she added. "We cannot continue to allocate massive amounts of capital resources based almost entirely on the whims of politicians and the special interests that support them."

She said some of that is happening in Washington right now with the stimulus package.

"When we succumb to the whims of politicians and special interests we get what we have today," Peters said.

She said there are currently 108 programs nationwide (like restoration of unused historic covered bridges) which "slice and dice" gas-tax dollar allocation.

"Third, our policy must come to grips with the obvious reality that rewarding innovation will produce more innovation and expanding the influence of government monopolies will produce less innovation," she said.

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