

Surface Transportation Today: Big Challenges & New Opportunities

Presentation by Ronald D. Utt
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CONTINUED FROM FRONT FLAP

Scott Key—to give readers an unforgettable experience of the War of 1812. If you are interested in American history, the history of the United States Navy, or just plain real life adventure stories, you owe it to yourself to read *Ships of Oak, Guns of Iron*.



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PRaise FOR
**SHIPS OF OAK
GUNS OF IRON**

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CONTINUED ON BACK FLAP

Financing: A Bigger Problem than Ever

- Federal Trust Fund is Broke and in Deficit
- Deficit Conflict in DC unsolved
- Taxpayer Resistance at all levels
- Federal Future: \$320 billion of Spending against \$240 billion in Revenues over 5 years
- Means \$80 billion shortfall
- Assumes no change in current \$53 billion per year in spending – which means a decline.
- Future Federal Spending may be Frozen or Reduced in a Sequester

Advice from the 1920s

There's a simple Solution to this traffic problem. We'll have business build the roads and government build the cars.

(attributed to) Will Rogers

Promising Alternatives from Washington (State)

- Washington State an Innovator, but not always an Implementer, in Transportation
- Public Private Partnerships (1993) and Performance Measures Based on Congestion Relief.
- Performance Based Investment (1997)
- But Idea Generation was not in Vain: **We are implementing them in VA**

Obstacles to Transportation Innovations in Washington State

- 1993: HB 1006, Public Private Initiatives Act
- Hobbled by Subsequent Amendments and Court Rulings
- 1997: State IG's Study of Congestion Mitigation in Seattle/Tacoma Region
- Found 10% to 15% Reduction at Projected Spending Levels
- Never Fully Implemented
- Both Approaches have been Embraced in **Virginia**

Virginia and Private Investment in Roads

- Virginia, a pioneer in Tapping Private Funds for Transportation
- Dulles Greenway: Opened in 1995 as a Private Toll Road, Based on 1988 Legislation
- Spurred the Enactment of VA PPT Act in 1995, and \$5 billion in Investment

Major VA P3s: Completed or Underway

- I-495 HOT lanes: Northern Virginia, West of DC
– Completed early 2013
- I-95 HOT lanes: Northern Virginia -- Underway
- Portsmouth Tunnel: Norfolk area: Underway
- Combined investment estimated at \$5 billion
- Four to One Leverage of Taxpayer Money

I-495 HOT lanes

- Fourteen miles of a new four lane highway built in median of existing beltway
- Cost \$2 billion, variably priced tolls, opened Early 2013
- \$409 million from Virginia
- \$589 million TIFIA Loan (Federal)
- \$589 million Private Activity Bonds
- \$350 million in equity from private partners

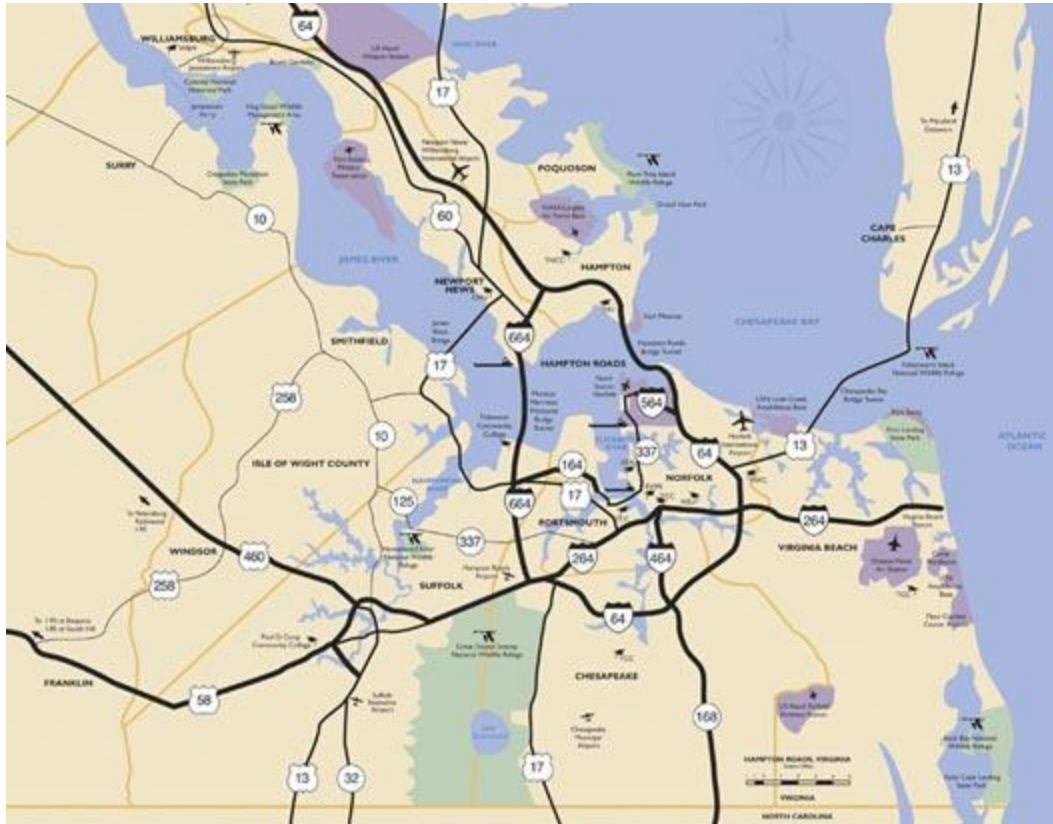
I-95 HOT lanes

- Converts two-lane, existing, reversible HOV lanes to three-lane reversible HOT lanes.
- Extends existing lanes an additional 11 miles south to complete a 28 mile system
- Cost estimated at \$940 million. 2014 opening.
- \$67 million from Virginia
- \$261 million in Private Activity Bonds
- \$300 million in TIFIA Loan
- \$386 million in Private Equity

Portsmouth Tunnel In Hampton Roads (Norfolk Region)

- Build third tunnel under the Elizabeth River
- Funded by tolls on new tunnel, and re-imposition of indexed tolls on existing tunnels for 58 years
- Total cost estimated at \$2.1 billion. Open in 2017
- \$408 million from Virginia
- \$675 million in Private Activity Bonds
- \$422 million from TIFIA loan
- \$272 in private equity

Hampton Roads



Law Suit Jeopardized Tunnel Project... and All P3s?

- Citizens group in area files suit in Circuit Court to stop February 2014 toll impositions
- Circuit Court rules in favor of plaintiffs, arguing that toll plan is unconstitutional
- Appealed to VA Supreme Court, where arguments were heard in September

Unique Issues in Tunnel Case

- Tolls added back on two existing tunnels. Had expired in 1986
- Tunnel deal supported by only 23 percent of residents
- No such problems on other P3s where existing free lanes and car pool privileges remain

Courts Rulings

- Circuit Court Ruled tolls a tax, not a fee for service
- Also Ruled that General Assembly exceeded authority in giving VDOT “unfettered power” to set tolls under 1995 PPT Act.
- And Ruled that February, 2014 tolling plan cannot go forward
- Virginia Supreme Court heard case in September
- Supreme Court Overruled Circuit Court

Other Problems for VA P3 and Toll Roads

- Growing political opposition to tolls and toll increases
- Mediocre Financial Performance of some VA toll roads
- Sometimes both

Dulles Greenway

- Has experienced financial difficulties since opening in 1995
- Needed toll increases meet with serious opposition
- Effort to nationalize it with tax exempt bonds.
- Renewed opposition from elected officials at the local, state and federal levels

Pocahontas Parkway (Richmond)

- Opened in 2002 as a Quasi P3
- Usage well below projections
- Inability to meet debt service led to its “sale” to Transurban in 2006
- Transurban turned it over to European creditors (who lost \$300 million) in June 2013

I – 495 HOT Lanes

- Opened in early 2013
- Financial docs projected 66,100 paying vehicles per day
- September Q ran at 37,600 per day. Record day = 47,000
- Will there be improvement as the economy improves? Impact on Debt Service?

Creating a Performance Based System Based on Congestion Mitigation

- Inspired by Washington's 1997 IG Proposal
- Had Consultants Present Plan at Heritage Foundation Forum (1998), and Several Others
- Endorsed by Current Governor
- Became the Law in 2012 for NOVA
- Speaker of the House has Endorsed Expansion to all of State (2013)

The 2012 Plan for NOVA

- VDOT Will Evaluate by way of an Objective, Quantitative Rating All Significant NOVA Transportation Projects (at least 25) According to the Degree to which the Project is:
 1. Expected to Reduce Congestion, and
 2. Improve Regional Mobility in the Event of a Homeland Security Emergency

Schedule of Products

- Jan/Feb 2014: Determine Project Nominations
- March 2014: Select 25 to 30 Projects
- June 2014: Evaluate and Rate Projects
- December 2014: Report Ratings

Potential Problems:

1. Problem No. 1: Transit vs. Roads
2. Problem No. 2: How Honest the Rating System?
3. Problem No. 3: No Requirement to Fund Projects
4. Problem No. 4: Surviving Terry McAuliffe

Speaker of the House Proposes that Concept be Expanded to Entire State

Speaker Proposes Three Goals to Evaluate Projects

1. Congestion Relief
2. Safety
3. Economic Development

Economic Development Goal Worrisome

Open for Questions

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Diversifying My Career

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