



Editor's Note: A recent Tom Warne Report article entitled, "Northeast Governors Blast Bush PPP Policy," inaccurately portrayed all five governors as being against such projects. Our faithful readers know we have published many stories that show that Governors Rendell and Corzine are both advocates of PPP projects regardless of how they feel about specific policies or positions of the administration. TW

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Vote on Penn. Turnpike Lease Looms

Wall Street Journal – August 26, 2008

DONEGAL, Pa. – As states struggle to find the money to maintain and repair their roads and bridges, Wall Street firms are eager to supply it. Pennsylvania lawmakers are expected to vote on the \$12.8 billion lease of the landmark Pennsylvania Turnpike next month, which, if approved, would be the largest deal of its kind in the U.S.

Morgan Stanley estimates that infrastructure funds have already raised more than \$160 billion, and despite the industry's core businesses in distress from the credit crisis, those funds have emerged as one of the most promising growth areas in years. The lucrative prospect of operating the 537-mile turnpike – nearly 3 times the length of Indiana's leased tollway – quickly drew the attention of numerous banks, funds law firms, toll road operators and other contractors.

Abertis USA Corp., Citi Infrastructures Inc. and their investors, the business consortium seeking to lease the tollway for the next 75 years, says its offer is far more valuable than the \$12.8 billion upfront payment offered to the state. The group says the deal also includes \$5.5 billion worth of capital improvements and paying at least \$3.3 billion in state corporate taxes from which the turnpike is exempt as a public entity.

Abertis USA President Jordi Graells says that raises the total value of the proposal to \$21.6 billion in today's dollars, and that number will increase significantly as the 40 mandated capital improvements are completed over the next decade as the value of the dollar declines. "It's a lease, not a sale," whose terms are outlined in a detailed agreement, he said. "Almost everything we do will have to be authorized by (the Pennsylvania Department of Transportation). The private company becomes the collaborator."

With Pennsylvania's transportation needs ranking among the highest in the nation, the legislature's count has found 47 House members in favor of the lease, 53 against, and the balance, about half, is still undecided.

Schwarzenegger Signs \$10B Rail Bill for Ballot

San Francisco Chronicle – August 27, 2008

Gov. Arnold Schwarzenegger has signed a measure to strengthen the wording on the \$9.9-billion statewide high-speed rail proposal on the November ballot, effectively reversing his pledge not to sign any more bills until lawmakers reach a budget deal. The new wording makes the measure more appealing to voters statewide by replacing a \$10 billion bond measure with a revised version that steers more of the funds toward a route between Anaheim and San Francisco. The current proposal emphasizes a route that ends in Los Angeles.

The proposed 700-mile rail system will run between Southern California and San Francisco at speeds up to 220 mph.

The governor's spokesperson, Aaron McLearn, said Tuesday that Schwarzenegger changed his position on the rail measure and his three other proposals that require voter approval because the time to place them on the November general election ballot is running out.

Additional changes to the measure include limiting how much of the money can be used for environmental studies and mitigation, property acquisition, planning, relocation assistance and administrative expenses. Other routes that the money could be spent on include Sacramento to Fresno, Oakland to San Jose, and Bakersfield to Los Angeles.

Study Finds Congestion Pricing May Not Harm Poor

Los Angeles Times – August 26, 2008

Critics of congestion pricing and toll lanes have long-argued that they are not fair to the low-income drivers since everyone is charged the same fee so the poor take the hardest hit. The Los Angeles Times reports that nearly every politician interviewed by the newspaper in the San Gabriel Valley raised that concern when discussing the proposal to convert the carpool lane on I-10 and possibly the I-210 into carpool lanes.

A recent study contradicts this belief, however, reporting that medium- and high-income earners typically use the toll lanes most, and are therefore the ones paying for the debt service on the

lanes. The study by UCLA's Transportation Studies Center and USC reports that tolls are not only a fair way to increase road capacity, but are also more equitable than many other funding mechanisms.

The study, based on the toll lanes on the 91 freeway in Orange County, also looked at a scenario where sales taxes collected throughout the O.C. would be used to fund the toll lanes. The study concluded that in that situation, low-income residents would be paying millions in taxes for something they would not use.

"Using sales tax to fund roadways creates substantial savings to drivers by shifting some of the costs of driving from drivers to consumers at-large, and in the process disproportionately favors the most affluent at the expense of the impoverished," they concluded. One of the study's authors, Lisa Schweitzer, an assistant professor of policy, planning and development at USC said that in her view, congestion pricing is a way to allocate a resource often in low supply – road space. She said she advocates it because those who use it pay for it, and that puts a direct cost on driving.



This is an interesting study on tax policy with its collateral social impacts. Some might say that the low-income drivers who can't afford to use the toll lanes are disadvantaged by their existence since they can't afford to use them. In the end, there is no completely fair system. When your kids grow up you still pay property taxes for the local schools. You pay for fire protection in your community through a variety of taxes even if you never need those services. You could say that the person who pays the toll in the HOT lane is still subsidizing the local transit service through their gas taxes even when they don't use that part of the community's transportation system. I would suggest that HOT lanes, funded through user fees like tolls, have the most direct relationship of fees to services you can find in the transportation business. TW

FTA gives OK to Begin Dulles Rail Construction

Washington Post – August 23, 2008

Federal authorities have given another sign that a \$5.2 billion Metrorail extension to Dulles International Airport is in line to receive federal funding by the end of this year after approval was given to project officials to begin construction in the center of Tysons Corner. In a letter last week, the Federal Transit Administration gave the OK for construction to start on the 23-mile extension from Arlington County through Tysons Corner and past the airport in Loudoun County.

The line is expected to benefit residents by reducing highway congestion in Northern Virginia and spur new urban developments in Tysons Corner, including an expansive suburban office park and the largest jobs center in the state.

The FTA letter does not promise full funding for the project, which is planning on \$900 million in federal assistance after suffering years of doubt as transit officials in Washington have had reservations about its rising costs. But the letter was welcomed by state and project officials, who said the project seems to have survived its near-demise earlier this year.

"This is a confirmation that the project's partners, including the FTA, believe that this project can

be successfully delivered,” said Mark Treadaway, a spokesperson for the Metropolitan Washington Airports Authority, which is overseeing construction. “It allows us to work on some activities in advance of the full funding agreement.”

State Leaders Urge TxDOT to Issue \$1.5B in Bonds for Roads

The Dallas Morning News – August 21, 2008

State government officials are calling on the Texas Department of Transportation to issue about \$1.5 billion in bonds immediately to help fund new roads, a move which both the governor and agency officials have avoided for several months. Gov. Rick Perry, along with his lieutenant governor and House Speaker issued a joint letter to take action to incur the additional debt by as early as September.

TxDOT CFO James Bass has cautioned that the borrowing would cost too much in interest over the next 20 years to be worth it in the long run, and transportation chairman Deirdre Delisi insisted earlier this summer that it would be irresponsible to issue the extra debt without what she called a long-term solution.

In the letter, in return for the governor’s support for immediate spending, the legislator promises to provide new funds to cover payments on the \$5 billion in bonds which voters approved in November, and give TxDOT the authority to issue the debt. Also of note, the letter vows that all parties end the legislature’s routine spending of some \$1.2 billion in gas tax money each session to pay for Public Safety. The letter does not specify how soon that diversion will end, or from where in the general fund the money for Public Safety will come from.

The three leaders also pledged their support for the creation of what they call a “Transportation Finance Corporation or similar entity that will allow public Texas based investment funds to invest directly in Texas transportation projects that offer a potential solid long-term return.”

Denton County gets \$191M for Rail-System Link to DART

Denton Record-Chronicle – August 26, 2008

Transportation projects in Denton County, Texas have had a recent boost in funding thanks to the \$3.3 billion State Highway 121 tolling agreement which allows the North Texas Tollway Authority to build and operate the highway as a toll road. Denton County projects received \$825.5 million in the most recent payout from the Authority, which will occur in phases.

The Regional Transportation Council recently approved the allocation of \$2.5 billion for transportation projects in Dallas, Denton, Collin and Tarrant counties, using money from the payout with the NTTA.

Denton County Transportation Authority has now received a total of \$191 million for their 21-mile regional rail system, which will connect Denton to the Dallas Area Rapid Transit system in

Carrollton. "That completes the funding that's required for us to open the line from Denton to Carrollton," said Scott Neeley, DCTA's executive vice president of rail development. "We're really excited about it."

DCTA plans to have rail service to Denton by the end of 2010. The transportation council approved \$57 million previously from the Highway 121 deal to help pay for 12 rail cars for the project. The most recent allocation requires a local match of 20 percent and will also help widen other highways across the county. In addition, the money will allow the planned extension of Loop 288 to the northwest part of the city to be built, among other projects.

"Clearly, it allowed the local governments here to advance mobility projects on a much more expedited schedule," said Mark Nelson, the city's chief transportation officer. "You're looking at a great opportunity to leverage local fund on an 80-20 match to get desperately needed transportation projects on the ground."



There is one school of thought that says that all funds generated by a project need to remain on that project. This is the current thinking of some on tolling the Interstate. Unfortunately, this approach misses the opportunity illustrated in this article, which shows that other projects can benefit from tolls collected on a major corridor in a community. Revenues gained through tolling the interstate can and should be spent on adjacent roads since it is the system that we are trying to improve and not just specific corridors. New revenues benefit that system no matter where they are generated from.
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Six Firms Invited to Bid on Alligator Alley Lease

Naples Daily News – August 26, 2008

NAPLES – All six teams that expressed interest in leasing Florida's Alligator Alley tollway have been invited to submit formal proposals. State department of transportation officials met this week to determine the financial and technical eligibility of the finalists. Based on appraisals by a six-member panel examining the criteria, all of the finalists are qualified to bid on the 50- to 75-year lease of the 78-mile toll road from Naples to Fort Lauderdale.

"Ultimately, the teams that were provided had the management and executive level experience with previous maintenance projects to handle the Alley," said committee member Sharon Harris, the maintenance engineer for DOT District I, in Collier County. The committee also concluded that more firms in the running would mean a healthier competition.

The six companies will now submit a Request for Qualifications. The Florida Department of Transportation will then compare their qualifications and potential revenue from private investors to revenue the state could obtain by issuing bonds. Bids are due Dec. 10.



Six companies in Florida. Fourteen in Pennsylvania for their turnpike. If that isn't a message to us about the level of interest in these projects, I don't know what is.

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Oregon Senate Democrats Nix Gas Tax Hike

NRToday.com, OR - Aug 27, 2008

SALEM, Ore. – Senate Democrats in Oregon will not support a gasoline tax hike next year, according to a top legislative leader. Although the state needs additional revenue to make transportation improvements, Senate Majority Leader Richard Devlin says current high prices at the pumps make the chances of the public supporting such an increase very unlikely.

“I do not have a single Senate member coming to me from either the Democratic or Republican side who believe that a gas tax is a viable option,” said Devlin at a news conference where Senate Democrats reviewed their legislative agenda for the 2009 session, which begins Jan. 12.

Gov. Ted Kulongoski has appointed a task force which is preparing a transportation package for the 2009 session which will include bridge and road improvements. Specific elements and funding have not yet been determined, however, Kulongoski’s administration says a gas tax increase should remain under consideration.

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