



# **U.S. Transportation Market Outlook: The Road Ahead**

April 15, 2010



# Agenda

- Introductions and Background
- The Next Economy
- Surface Transportation – ARRA & Future Prospects
- 2010 Transportation Market Outlook
- Q&A

## About Onvia

*Onvia is the leading provider of gBusiness solutions in the United States*

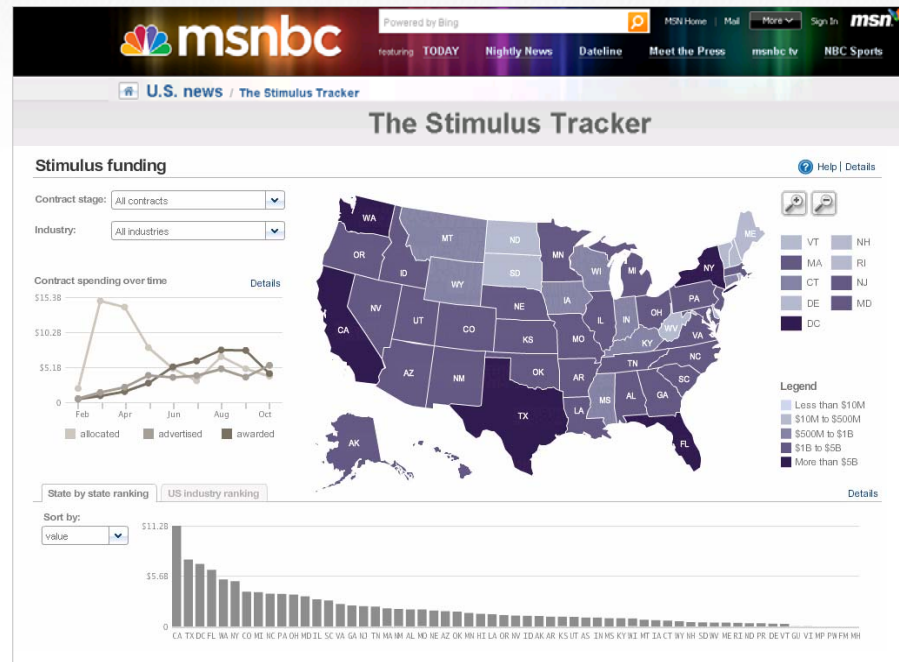
- 8,500 clients who sell to government, subcontract or supply
- Identify and qualify actionable business development opportunities
- DemandStar eProcurement Platform - 6,000 government users
- Largest public sector procurement database
- Primary markets served:
  - ✓ Energy/Environmental/Water
  - ✓ Architecture/Design, Engineering, Construction (Infrastructure)
  - ✓ Information Technology/Telecommunications
  - ✓ Medical/Healthcare
  - ✓ Vehicles/Equipment
  - ✓ Professional Services
  - ✓ Operations & Maintenance



## Trusted Data Source



Bloomberg.com



THE WALL STREET JOURNAL.

The Washington Post

The New York Times

# The Next Economy

## The Federal, State and Municipal Market

\$5.5 Trillion a **year**.  
\$105 Billion per **week**.  
\$15 Billion a **day**.  
\$625 Million an **hour**.  
\$10 Million a **minute**.  
\$175,000 a **second**.

“

The frontier between the state and market has shifted, the realm of the state has been enlarged.

— Daniel Yergin, *Wall Street Journal*, *After the Bailouts. Washington's the Boss.*  
December 28, 2009

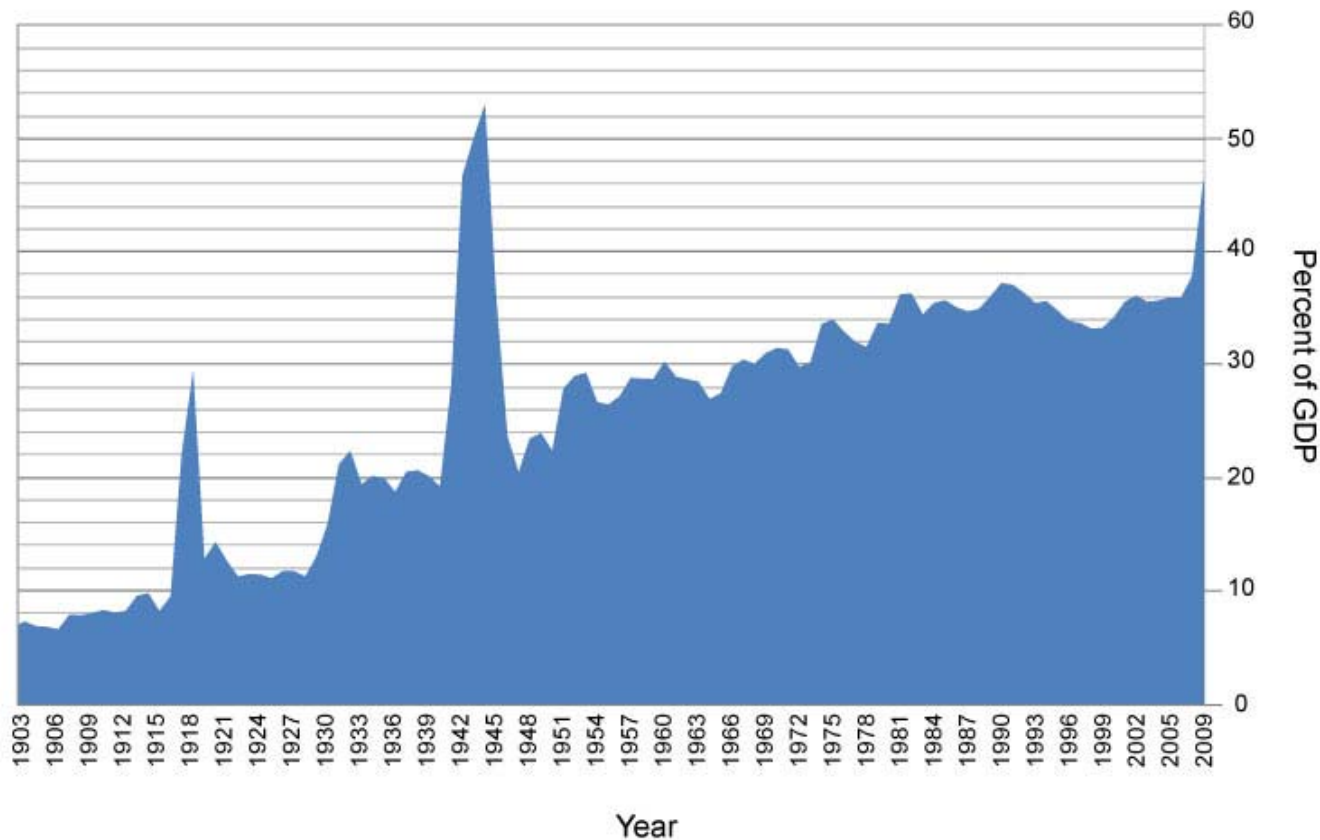
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“The government has moved in next door and it ain't leaving.”

— Jeffrey Immelt,  
*International Economic Forum of the Americas*,  
June 9, 2009

## The Next Economy (cont'd)

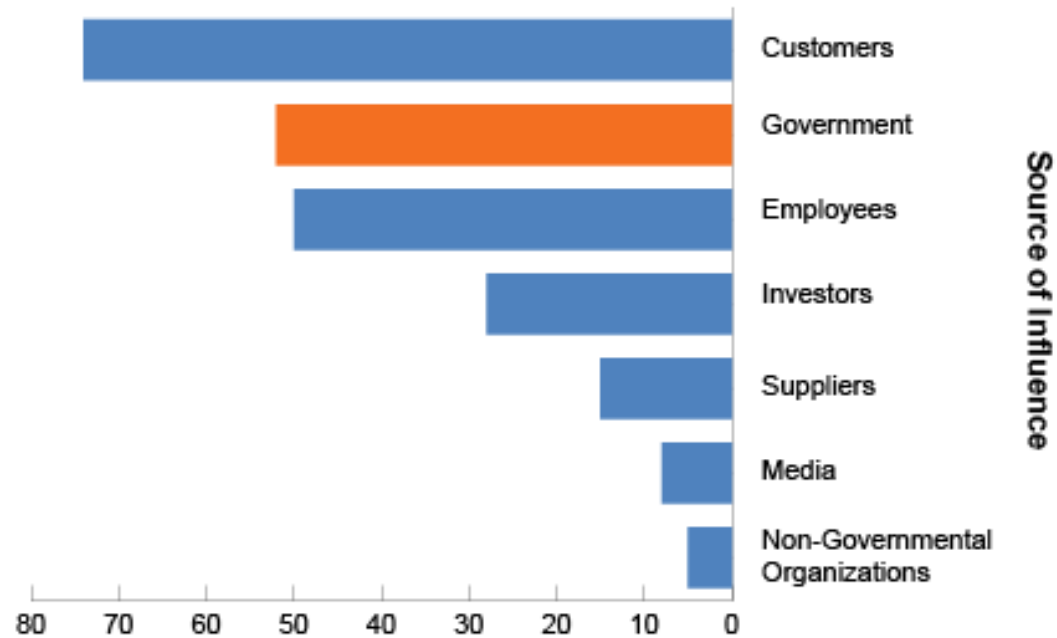
Government Spending is almost 50% of GDP



Source: [usgovernmentspending.com](http://usgovernmentspending.com)

## The Next Economy (cont'd)

### Businesses are Preparing for 'gBusiness' Arena



Source: McKinsey Quarterly 2010



# **Recovery Act Implementation and Future Prospects for Surface Transportation**

**Joung H. Lee**

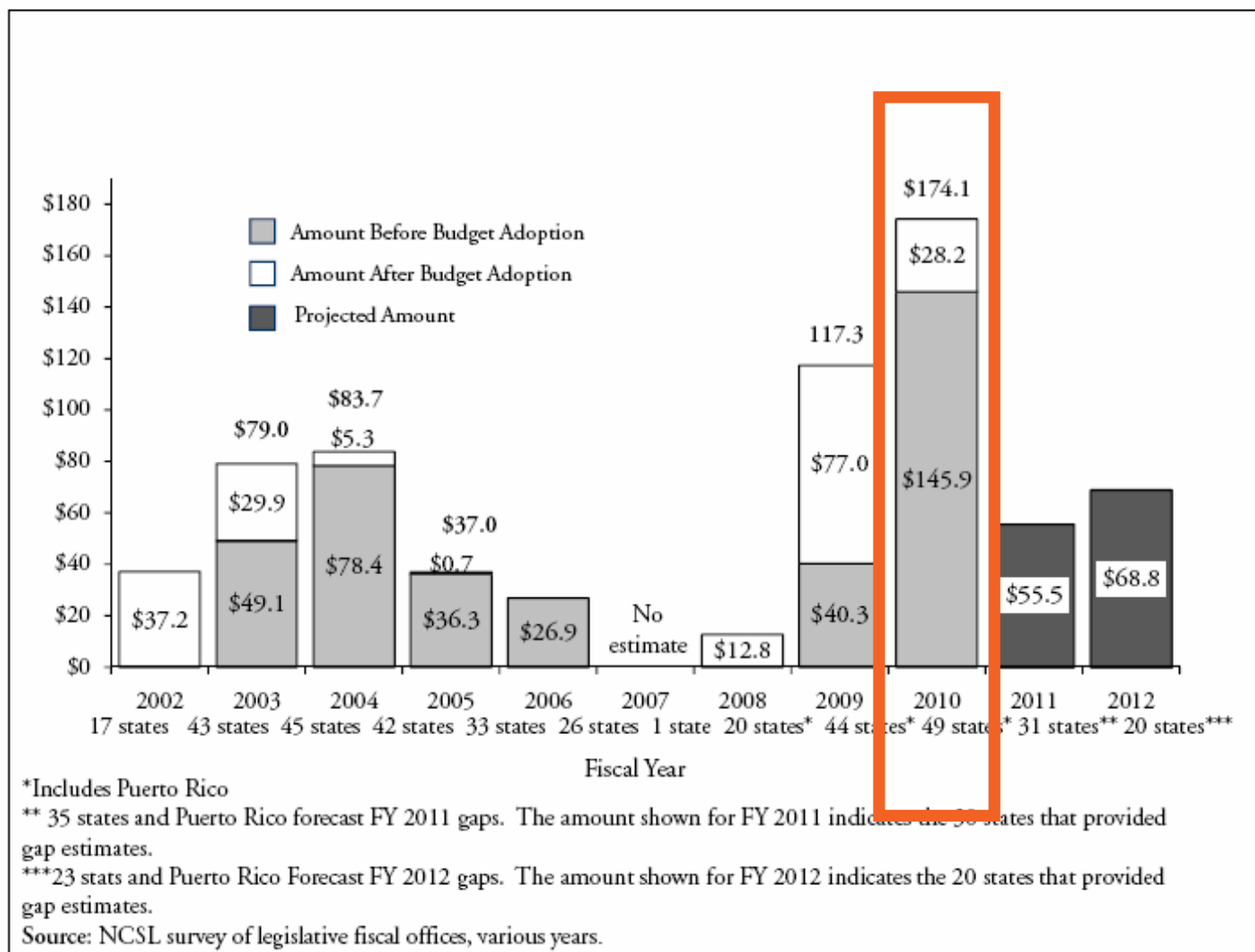
*Associate Director for Finance and Business Development, AASHTO*



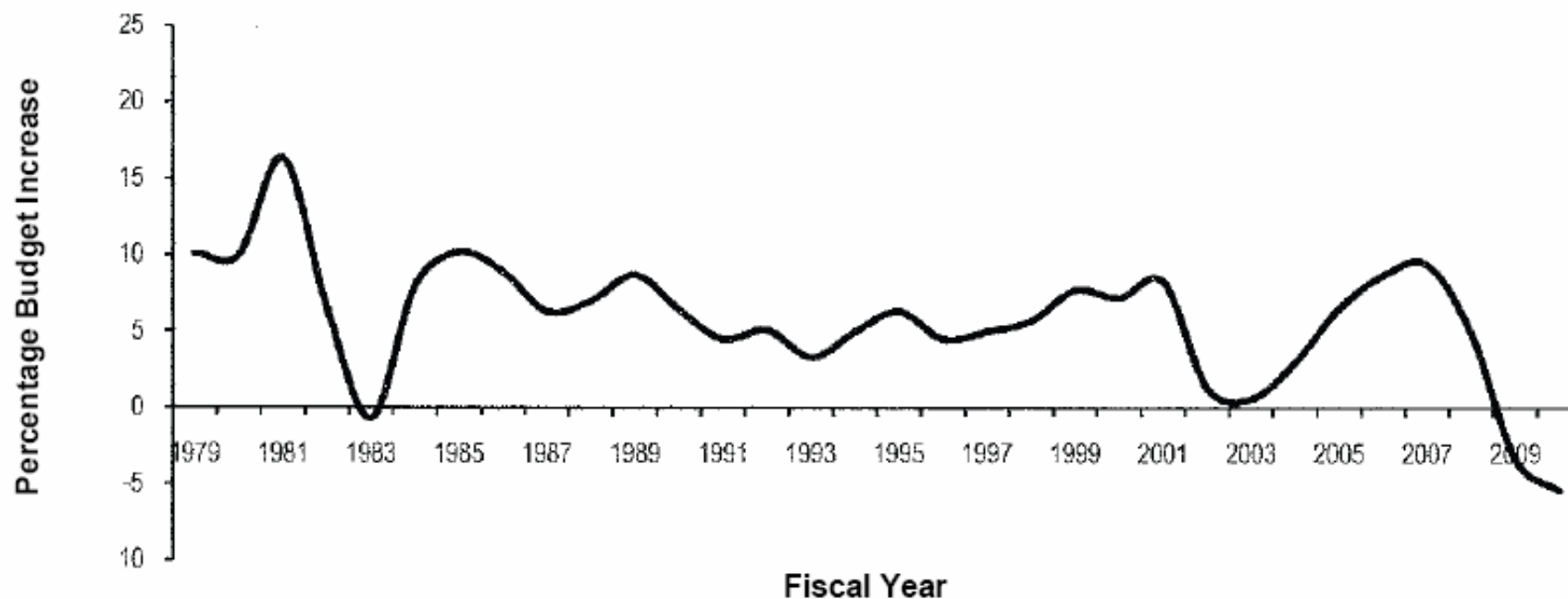
## Session Objectives

- To provide an update on state spending levels
- To report and show lessons learned from Recovery Act implementation
- To discuss the state of current surface transportation funding, including the Federal Highway Trust Fund conditions
- To provide AASHTO's funding framework for the future
- To give the latest update on current program extension and surface transportation reauthorization

Figure 1. State Budget Gaps: FY 2002-FY 2012 (projected)



**Annual Percentage Budget Changes, Fiscal 1979 to Fiscal 2010**



**SOURCE:** National Association of State Budget Officers.

## Transportation Spending Cuts in 21 States in FY 2010

- Arizona
- California
- Connecticut
- Florida
- Georgia
- Kansas
- Louisiana
- Massachusetts
- Maine
- Michigan
- Mississippi
- Nevada
- North Carolina
- New Jersey
- New York
- Ohio
- Pennsylvania
- South Carolina
- Virginia
- Washington
- Wisconsin

*Source: National Association of State Budget Officers*



# American Recovery and Reinvestment Act (ARRA) of 2009

## Overall Features

- \$48.12 billion to USDOT
- 100 percent Federal share
- Maintenance of effort required
- Periodic reporting of economic impact of stimulus spending
- \$1.5 billion in TIGER discretionary grants  
(Up to \$200 million for TIFIA credit assistance)

## Recovery Act Provisions

### Highways

- \$27.5 billion total
- Met statutory 100% obligation goal

### Transit

- \$8.4 billion total
- Met statutory 100% obligation goal

### Passenger Rail

- \$8 billion for intercity passenger and high-speed rail
  - Grants awarded 28 January 2010
- \$1.3 billion for Amtrak

### Aviation

- \$1.3 billion total

## **Recovery Act Progress Report**

### **Federal Highway Administration reports as of 29 January:**

- 11,100 highway projects have won federal approval to proceed
- 7,050 highway projects are under contract or ready to proceed
- 2,140 projects are already completed

### **Federal Transit Administration reported as of 4 February:**

- It had obligated \$7.2 billion of its recovery funding to over 700 projects, nearly 87 percent of available funding
- Another 220 project applications, valued at \$1.1 billion were under review

**Bids have come in across the country at 10% to 30% under estimates, leading to more work being accomplished**

## Recovery Act Progress Report

### As of 7 January 2010:

- 1,125 bridges had been improved, replaced or newly constructed
- 21,400 miles of pavement were either improved, resurfaced or widened
- 1,700 miles of safety traffic management projects were implemented
- Over 630 miles of bike lanes, sidewalks or environmental mitigation projects were underway
- 7,450 buses have been purchased and 1,637 bus shelters constructed



## Recovery Act Jobs Impact

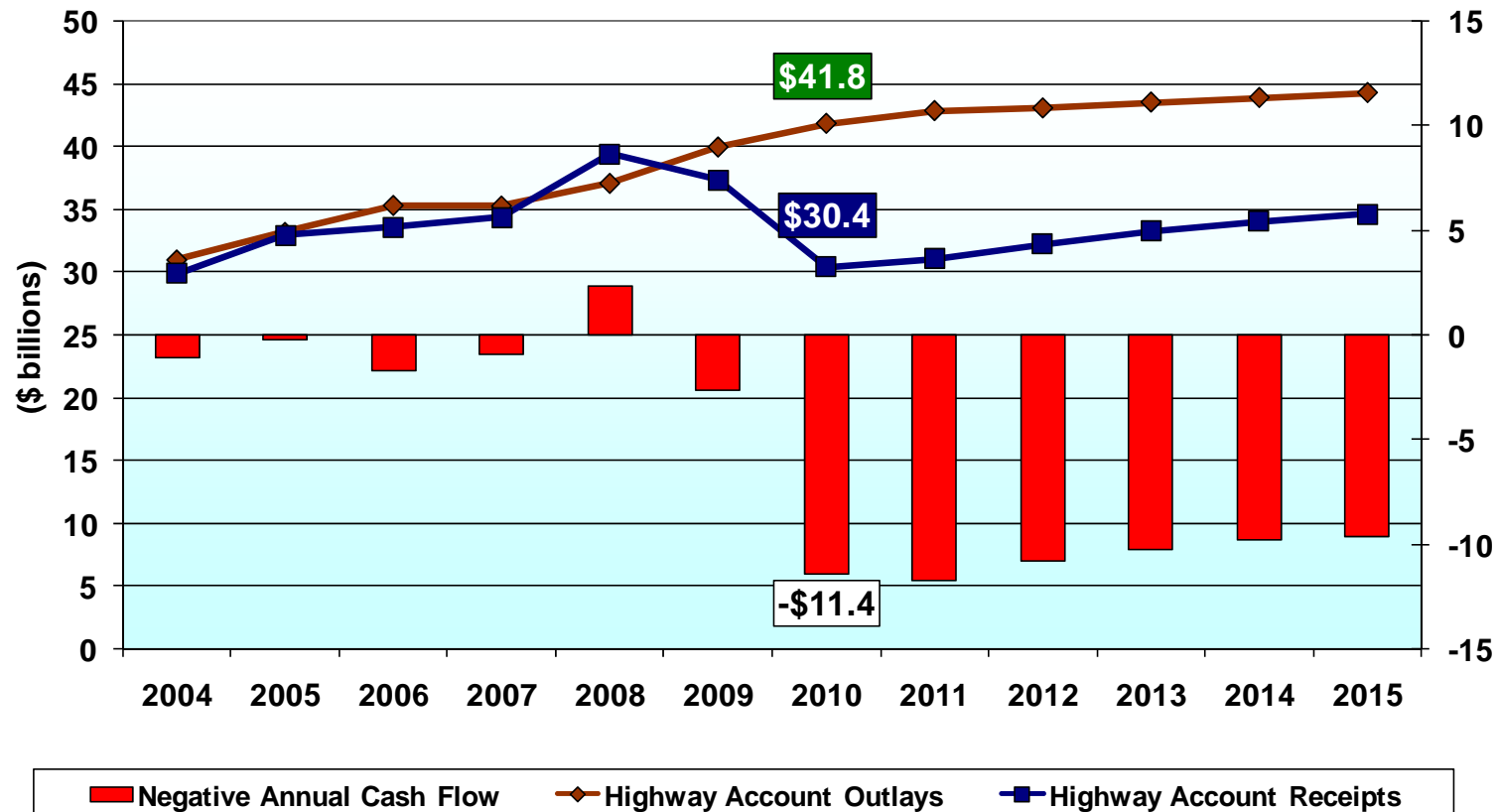
- 280,000 direct, on-project jobs have been created or sustained across the country
- Total employment from these projects, which includes direct, indirect, and induced jobs, reaches almost 890,000 jobs

# Economic Recovery

## Key Points

- State DOTs are **utilizing stimulus dollars quickly** and demonstrating **accountability**
- However, economic recovery plan **cannot be a substitute for long-term investment goals** that must be articulated and implemented in the full transportation authorization

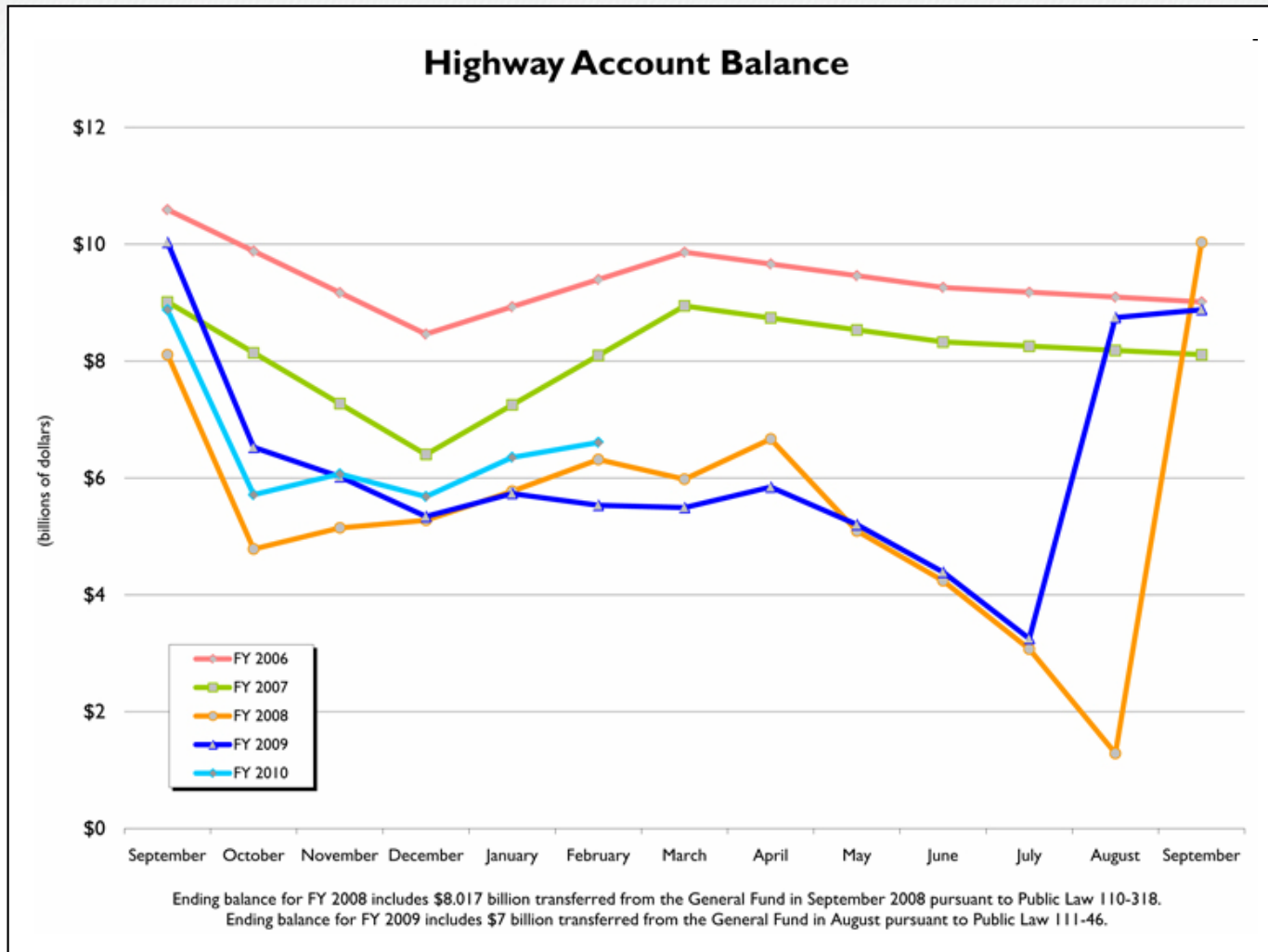
## Highway Account of the Highway Trust Fund: Receipts and Outlay Discrepancy



\*Excludes \$8.017 billion transfer from General Fund to Highway Account of HTF in September 2008.

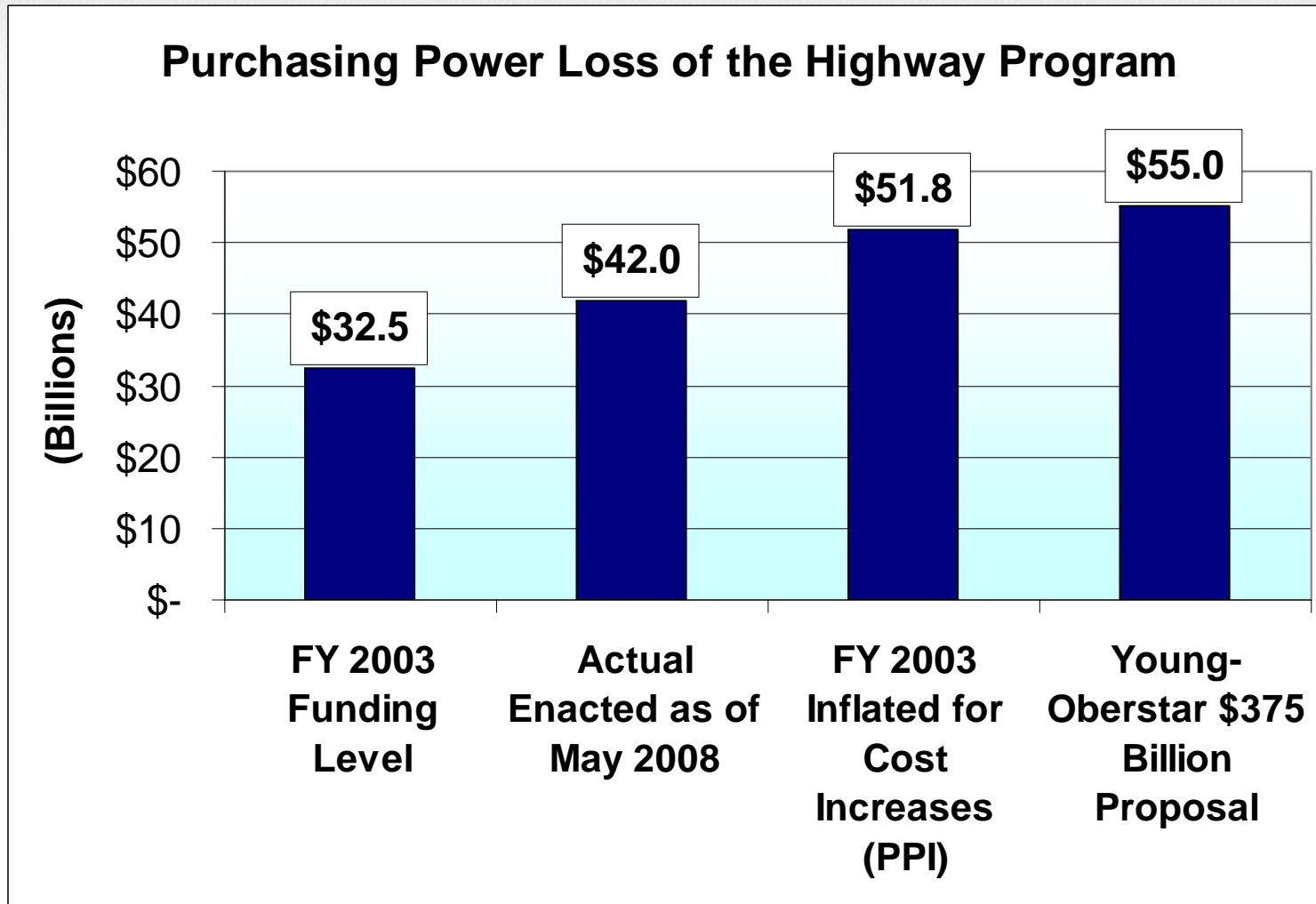
\*\*Excludes \$7 billion transfer from General Fund to Highway Account of HTF in August 2009.

## Ensuring Highway Trust Fund Stability



Source: Federal Highway Administration





Source: *Transportation Weekly*

# Surface Transportation Authorization Act of 2009

## Funding

- Total funding \$450 billion; a \$500 billion with High Speed Rail
- \$337.4 billion in Highway investment
  - \$100 billion for Capital Asset Improvement (NHS, IM, Bridge)
  - \$50 billion for Metropolitan Mobility and Access (MMA)
  - \$25 billion for Projects of National Significance
  - \$162.4 billion for other FHWA-administered programs (e.g. Highway Safety Improvement, Surface Transportation, CMAQ, Freight, etc)
- \$99.8 billion transit
  - \$87.6 billion from HTF
  - HTF share was 15.2% in SAFETEA-LU; it is increased to 19.5% in STAA
  - \$12.2 billion from GF
- \$50 billion high speed rail corridors
- \$12.6 billion Motor Carrier Safety

## Surface Transportation Authorization Act of 2009

- Specific authorizations are not included in the bill nor are the apportionment formulas
- While the top line numbers are in the bill there is no specific breakdown by category and no formulas or runs that would show state shares or return on contributions
- There is no revenue title to be bill yet

## Legislative Recommendations

**Between 2010 and 2015, in order to invest in a robust surface transportation program to meet significant national needs, Congress should fund a \$565 billion multimodal program comprised of:**

- **Highway program funded at \$375 billion**  
(2015 level = \$75 billion)
- **Transit program funded at \$100 billion**  
(2015 level = \$20.8 billion)
- **Freight program funded at \$40 billion**  
(2015 level = \$9.2 billion)
- **Intercity passenger rail program funded at \$50 billion**  
(2015 level = \$11.7 billion)



## Legislative Recommendations

- Federal government must continue to play a **strong role** in investing and maintaining an integrated and multimodal national surface transportation system
- States and local governments should be provided with **maximum flexibility** to use federal revenues from existing core sources to meet systemic transportation needs
- Strong **accountability measures** must accompany substantially increased funding to ensure resources are spent as efficiently and effectively as possible
- We need to **restore purchasing power** by making sure the impact of inflation on commodities and construction costs must be addressed in setting investment levels

## Legislative Recommendations

- Adopt a long-range approach to funding the surface transportation system that gradually moves away from dependence on the current motor fuels tax to a **distance-based direct user fee** such as a fee on vehicle miles traveled
- Assure that any **climate change** legislation that creates a new revenue source, either through a carbon tax or cap-and-trade, provides substantial funding for transportation
- **Eliminate or drastically limit earmarking** in federal transportation programs

## Proposed Program Funding Levels to Restore Purchasing Power

Potential Program Name	2010	2011	2012	2013	2014	2015	TOTAL
Preservation and Renewal	\$28.00	\$30.80	\$33.60	\$36.40	\$39.20	\$42.00	\$210.00
Highway Freight (Based on Existing Revenues)	\$2.40	\$2.64	\$2.88	\$3.12	\$3.36	\$3.60	\$18.00
Highway Safety Improvement Program	\$2.60	\$2.86	\$3.12	\$3.38	\$3.64	\$3.90	\$19.50
Operations	\$2.40	\$2.64	\$2.88	\$3.12	\$3.36	\$3.60	\$18.00
Transportation System Improvement/Congestion Reduction	\$11.10	\$12.21	\$13.32	\$14.43	\$15.54	\$16.65	\$83.25
Environment Program	\$3.50	\$3.85	\$4.20	\$4.55	\$4.90	\$5.25	\$26.25
<b>TOTAL - Highways</b>	<b>\$50.00</b>	<b>\$55.00</b>	<b>\$60.00</b>	<b>\$65.00</b>	<b>\$70.00</b>	<b>\$75.00</b>	<b>\$375.00</b>
<b>TOTAL - Transit</b>	<b>\$12.5</b>	<b>\$14.2</b>	<b>\$15.8</b>	<b>\$17.5</b>	<b>\$19.2</b>	<b>\$20.8</b>	<b>\$100.00</b>
<b>TOTAL - Freight (Based on New Revenues Outside of Highway Trust Fund)</b>	<b>\$4.2</b>	<b>\$5.2</b>	<b>\$6.2</b>	<b>\$7.2</b>	<b>\$8.2</b>	<b>\$9.2</b>	<b>\$40.00</b>
<b>TOTAL - Intercity Passenger Rail</b>	<b>\$5.0</b>	<b>\$6.3</b>	<b>\$7.7</b>	<b>\$9.0</b>	<b>\$10.3</b>	<b>\$11.7</b>	<b>\$50.00</b>
<b>GRAND TOTAL</b>	<b>\$71.67</b>	<b>\$80.67</b>	<b>\$89.67</b>	<b>\$98.67</b>	<b>\$107.67</b>	<b>\$116.67</b>	<b>\$565.00</b>

## Hiring Incentives to Restore Employment (HIRE) Act – HR 2847

- \$17.6 billion package
- Signed into law on 18 March 2010
- SAFETEA-LU Extension
  - Extends SAFETEA-LU at pre-rescission FY 2009 spending level until 31 Dec 2010
  - Credits Highway Trust Fund with \$19.5 billion in foregone interest payments
  - Allows Highway Trust Fund to accrue interest
  - Fuel tax credit for exempt fleet to be covered by the General Fund
  - Restores the \$8.7 billion contract authority rescission contained in SAFETEA-LU
- Build America Bonds expansion to cover other qualified tax credit bonds

## AASHTO SURVEY—READY-TO-GO PROJECTS

Mode	Number of States Reporting	Number of Projects	State Estimates
Highway	51*	7,497	\$47.26 billion
Transit	34	983	\$9.77 billion
Rail	20	234	\$3.49 billion
Port	11	80	\$0.58 billion
Aviation	16	528	\$1.81 billion
Intermodal**	9	266	\$6.63 billion
<b>TOTAL</b>	<b>50*</b>	<b>9,588</b>	<b>\$69.55 billion</b>

Committee on Transportation and Infrastructure  
 Transportation and Infrastructure Investment Included in  
 H.R. 2847, the "Jobs for Main Street Act, 2010"

*December 16, 2009*

Transportation and Infrastructure	Total Investment	Jobs Created
Highways	\$27,500,000,000	765,133
Transit	\$8,400,000,000	253,539
Amtrak	\$800,000,000	22,258
Airport Improvement Program	\$500,000,000	13,912
Maritime Guaranteed Loan Program	\$100,000,000	55,646
Clean Water State Revolving Funds	\$1,000,000,000	27,823
Army Corps of Engineers	\$715,000,000	19,893
<b>Total</b>	<b>39,015,000,000</b>	<b>1,158,204</b>



## Current State of Play

There is great uncertainty right now

- Still no solution on paying for a six-year bill
- Senator Voinovich received promise from Senator Reid to pass reauthorization by the end of the year
- Senator Boxer promises to mark up the EPW bill by the end of the year
- USDOT “principles” forthcoming
- Earmarks ban in the House

## Current State of Play

- Broader variables: unemployment situation and deficit-spending appetite
- It is important to pass the six-year authorization bill soon, as state DOTs and contractors depend on long-term investment time horizons
- Any action should not reverse the progress made through the stimulus legislation

# Thank You

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## **2010 Transportation Market Outlook**

**Michael Balsam**

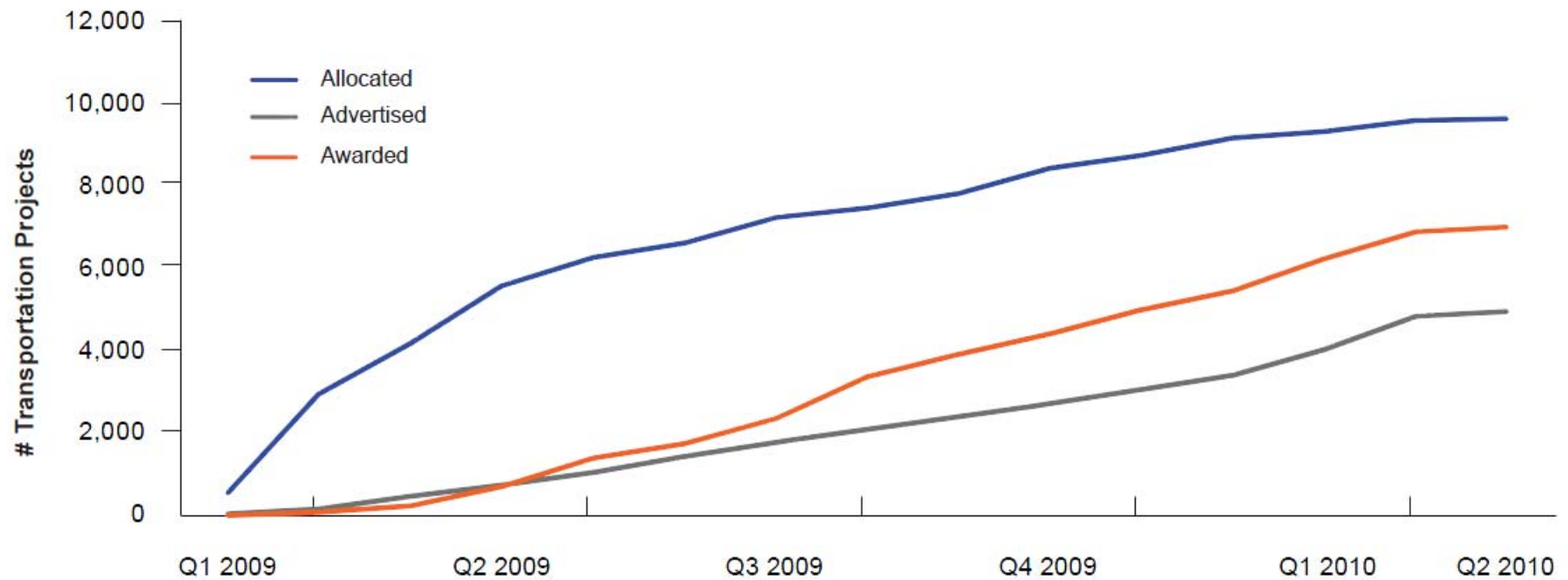
*Chief Strategy Officer, Onvia*

## 2010 Infrastructure

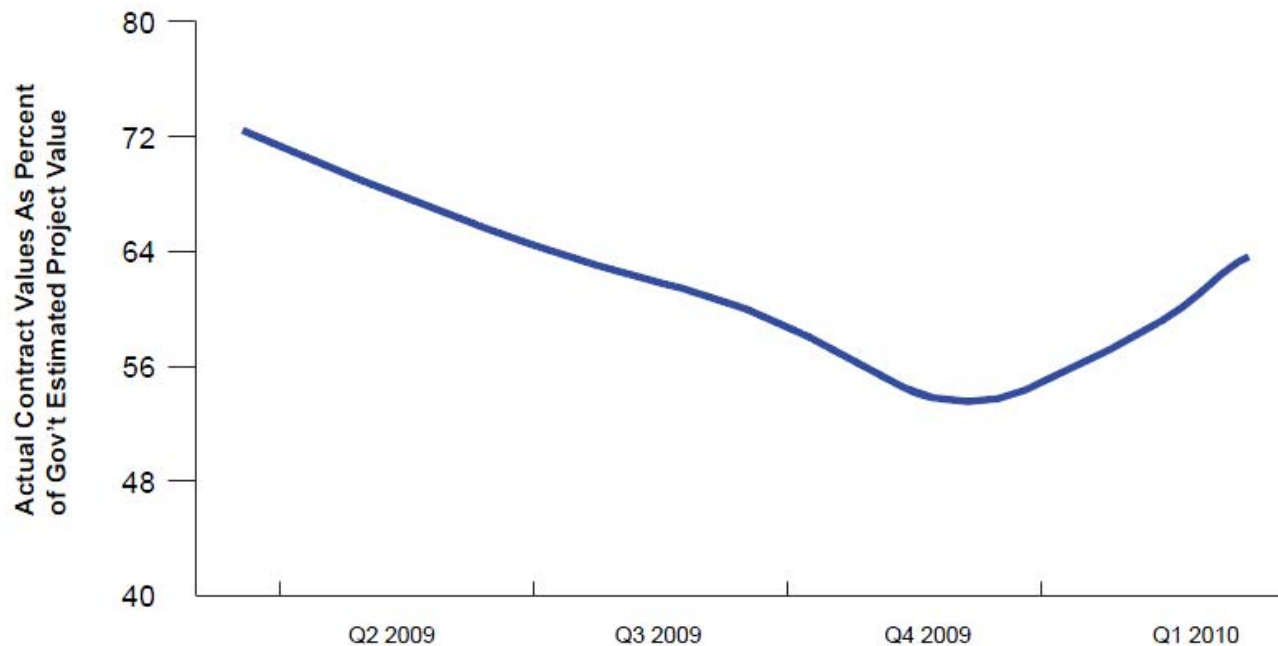
- Market expected to grow 8%+ fueled by unspent recovery funds
- New ARRA funded transportation projects
- HIRE bill will likely push out transportation spending bill
- Project costs beginning to rise
- Continued strong competition for projects



# 2,800 New Projects In Q1 2010



# Project Costs On The Rise



Q1 key road construction commodities such as asphalt paving mixtures were up almost 50% over February 2009, with overall inputs to highway and street construction up 5.4% for the same period..

## Strategic Considerations for 2010

- Competition/pricing pressure will vary in major metros vs. outlying areas
- Higher volume of smaller dollar projects
- Local preference changes
- Importance of getting registered
- Many stimulus jobs going to firms with existing contracts
- Differentiate rather than just quoting at lower margins
- Partner with minority-owned businesses
- Businesses must engage with government or be left behind the *Next Economy*

# Questions

# Thank You

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