



AST

FARM
62

ROAD



16
TEXAS



EAST

FARM
624
ROAD



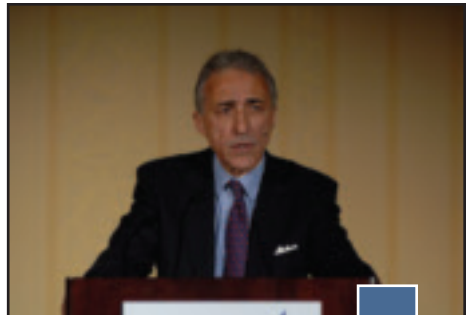
Texas Transportation Forum Review

By Coby Chase and Christina Currier

Many states around the nation—including Texas—are facing significant challenges to their transportation systems. Growing populations, shrinking budgets and an increase in demand for transportation infrastructure have transportation leaders from around the state and nation in a search for real solutions.

That's why more than 1,300 participants from local, state, and federal agencies and the private sector participated in the first annual Texas Transportation Forum held in Austin, Texas on June 8 and 9, 2006. Not only did the event celebrate the 50th Anniversary of the Interstate Highway System, it provided an opportunity for attendees to discuss the innovative options available for addressing transportation challenges in Texas and across the country.

The relevance and necessity of a conference like this was highlighted by its focus on the challenges facing the Lone Star State. While Texas is not the only state having difficulty meeting its infrastructure demands, its status as a large state with rapidly growing urban centers exemplifies the problems being felt all around the country. Texas' transportation system simply has not kept pace with the needs of the state. Compounding the problem is an \$86 billion gap between the cost of the state's infrastructure needs and the projected funding available to address those needs. Not content to



simply recognize and debate the problem, the Texas Department of Transportation (TxDOT) has developed a plan to address it, which centers on achieving five important goals:

- Reduce Congestion
- Enhance Safety
- Expand Economic Opportunity
- Improve Air Quality
- Increase the Value of Transportation Assets

The Forum, sponsored by TxDOT, Associated General Contractors of Texas, the Texas Transportation Institute (TTI), and the Texas Good Roads Transportation Association, brought professionals from the public and private sector together to discuss the key issues and opportunities shaping transportation today. One of these issues is the need to look at innovative financial options. In an effort to share information about these options and how they can work to address specific transportation needs, TxDOT rolled out the agency's new "TxDOT: Open for Business" initiative. The initiative stresses TxDOT's willingness as an agency to work closely with local communities and the private sector to achieve greater capacity and an improved transportation system. To increase awareness of the options available, the department created an informational booklet (available online at www.txdot.gov) that explains how it plans to utilize Regional Mobility Authorities, toll roads, pass-through toll financing, state infrastructure bank loans and Comprehensive Development Agreements to solve the problem of congestion in Texas. The "TxDOT: Open for Business" booklet is full of options for other states to consider as they seek to solve similar challenges.

Opening Session

The Forum began with a welcome from TxDOT Executive Director Michael Behrens and a video on the history of the Interstate System developed by the Texas Transportation Institute. Officials from TTI, American Association of State Highway and Transportation Officials, Associated General Contractors of America, American Road and Transportation Builders Association, and the International Bridge, Tunnel and Turnpike Association gave their remarks. Then, a video presentation discussing the agency's transportation plan for Texas for the next 50 years was shown. This video focused on how the Texas plan addresses the state's transportation challenges as well as the agency's "TxDOT: Open for Business" initiative.

Secretary of Transportation Norman Mineta

A Forum highlight was a keynote address by then United States Secretary of Transportation Norman Mineta. Secretary Mineta spoke about the significance of congestion, saying, “Traffic congestion in the United States today affects virtually every aspect of people’s lives—where people live, where they work, where they shop, and how much they pay for goods and services.” Secretary Mineta also emphasized the newly announced National Strategy to Reduce Congestion on America’s Transportation Network. The plan focuses on urban congestion through partnership agreements with cities willing to invest in tolling systems designed to spread traffic throughout the day. This type of congestion pricing has been used in London, Stockholm, and Singapore, with significant reductions in traffic congestion and increases in mass transit use.



Mineta also recognized Texas for embracing innovative approaches for building and managing today’s highway infrastructure. “When we offered to use waiver authority to help states overcome barriers to public-private partnerships and private investment in public transportation projects, Texas was among the first to step up to the plate and apply. And we have accepted the Trans-Texas Corridor projects into the SEP-15 (Special Experimental Program 15) with its flexible approach to oversight and project delivery,” he stated. Secretary Mineta concluded by suggesting that the Central Texas Turnpike is “an excellent example of innovative financing at work to improve the flow of traffic and freight, and it will provide relief along a key NAFTA corridor.”

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Earlier that morning, Secretary Mineta joined Governor Rick Perry and Texas Transportation Commission Chairman Ric Williamson in announcing that the \$3.6 billion Central Texas Turnpike Project is running ahead of



schedule and that 40 miles of the new toll road system will open a year earlier than expected and about \$400 million under budget. The project was paid for with a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan, bond sales, tolls, and right of way donated by local governments.

Keynote Addresses

During an evening keynote address, Governor Rick Perry continued the emphasis on congestion and the Texas solution to the challenge, stating, “Over the last five years alone, our population has increased nearly 10 percent, meaning we have more than 2 million new Texans traveling our already congested highways. And while we may not all be on the road next to you on your morning commute, sometimes it sure seems that way. That is why Texas is pouring concrete faster than any other state in America, and why we have developed the financing tools that will keep Texas ahead of the pack for the foreseeable future. We passed toll equity to accelerate construction and complement our traditional method of transportation financing. We expanded on the models of Houston and Dallas by creating the concept of Regional Mobility Authorities and we created a second constitutionally dedicated account for transportation called the Texas Mobility Fund. And voters approved these new tools at the ballot box because they want to get Texas moving.”

The Governor also explained the Trans-Texas Corridor, which will be a statewide network of transportation routes that incorporate new and existing highways, railways, and utilities to help meet the state’s transportation needs, reduce air pollution, and improve opportunities for economic development and job creation in Texas.

A speech by Texas Secretary of State Roger Williams strongly emphasized economic development. Texas recently sponsored a Comprehensive Development Agreement workshop in New York City, where more than 200 people representing American and international firms learned how they can do business with TxDOT. The current TxDOT public-private partnership program includes seven transportation projects totaling approximately \$27 billion in development opportunities and another \$10 billion in projects open for competition.

Also speaking during the opening session was Hudson Institute Vice Chair Dr. Joseph Giglio, who highlighted the need for innovative funding strategies to deal with the rising costs of mobility projects. Giglio pointed to the Texas variation of the traditional concession model for the proposed Trans-Texas Corridor as the type of creative thinking needed in government to modernize and expand our national roadway system. He said that Texas' decision to partner with private firms to build and operate toll roads sets an example that other state and local governments should consider to meet their own transportation needs.

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Breakout Sessions

Nine different breakout sessions were held during the Forum and included sessions on transportation economics, legislative agendas, the future of transportation finance, and the future of road building. One well-attended session, entitled "The National Tolling Conversation" and moderated by Stephen Mayer, Immediate Past President of the International Bridge, Tunnel and Turnpike Association (IBTTA), featured Marshall Crawford, the Managing Director for JPMorgan, and Dave Kristick, Director of Operations for E-470 Public Highway Authority in Denver.

Mayer began the session by stating that tolling is not the answer to all transportation problems, but that it is "one of the arrows in the quiver." In the past five to ten years, public perception toward tolling has started to change in favor of more widespread use of tolling, Mayer stated. In 1997, at the IBTTA annual meeting in Denver, some members suggested the organization change its name from IBTTA to the World Tolling Association. Mayer reported that many members rejected this idea because they did not want to publicize the organization's focus. Mayer added, "Now, elected officials and the public are realizing that tolling is a viable alternative. Surveys show that people aren't really opposed to the cost of tolls, but to stopping to pay tolls."

Marshall Crawford spoke about the history of tolling in the United States and mentioned that in the 1800s, because the government did not have enough money to fund roads, there were more than 2,500 private toll road companies operating more than 30,000 miles of toll roads in the United

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States. Crawford said that the vast majority of the current 5,100 miles of toll infrastructure in the United States are operated by public authorities, but that there's an increased interest in public-private partnerships. Based on a list of currently proposed projects in the country, JPMorgan estimates that \$50 billion of additional capital will be added to the national transportation system through new toll road construction in the next few years. Total infrastructure purchasing power from private sources is estimated to be in excess

of \$200 billion. One important reason that private sources choose to invest in infrastructure is the possibility of long-term stable investment returns. Kenneth Mead, former U.S. DOT Inspector General, asked a question about rate of return on toll projects for private investors. Crawford estimated the rate of return would be between 9 and 15 percent, depending on the risk profile and the economic environment.

Dave Kristick wrapped up the "National Tolling Conversation" session by explaining the collaboration between the E-470 Public Highway Authority, the Northwest Parkway, and the Colorado Tolling Enterprise in Denver. Working to overcome a shortage in state and federal funding for new capacity, the three agencies work together to reduce congestion and to expedite bringing new capacity to the market. The E-470 Authority, established in 1985, has experience in tolling, so it shares a toll collection contract and customer service centers with the other two agencies, Kristick reported. The outcomes of their alliance include a shared customer base, standardized business rules, transparency between agencies and facilities, and unmatched customer service. More information on E-470 is located on their website at <http://www.e470.com>.

Another session that generated interest was the one entitled "You Bet Your Assets: Leveraging Existing Infrastructure," which was moderated by Commissioner Ted Houghton of the Texas Transportation Commission. Speakers included Judge Robert Eckels of Harris County, Texas, Geoffrey Segal, Director of Government Reform for the Reason Foundation, and Greg Carey, Managing Director of Goldman Sachs & Company.

Judge Eckels explained that by 2025 the population of Houston will increase by 3 to 5 million people, which will significantly increase the need for additional infrastructure. The Houston area is looking at congestion

pricing on several parts of its transportation system and is looking at converting 100 miles of HOV lanes to toll lanes. The public seems more receptive to this concept than turning non-HOV lanes into toll lanes, Eckels stated.

Geoffrey Segal spoke of Texas as a model for other states that are interested in private investment. He talked about a current public-private partnership revolution in America that includes managed lanes (value pricing), development of new toll roads, and leasing of existing toll roads. The advantages of public-private partnerships, according to Segal, include large-scale sources of new highway funding, new capacity that will be in place many years sooner, the transfer of construction risk and revenue risk to investors, and changes in design incentives. If states embrace public-private partnerships involving toll roads, Segal said,

there are alternatives to regular toll lanes, such as truck-only toll lanes and high-occupancy toll lanes. Segal noted that in [The Mystery of Capital](#), economist Hernando DeSoto writes of an enormous well of untapped “dead” capital in the world. States are starting to realize that they have “dead” capital that can be leveraged to their benefit. Finally, Segal highlighted some of the advantages of public-private partnerships, stating that through this mechanism, states can obtain financing without many of the usual legislative roadblocks, transit users will benefit from faster trips since buses are exempt from tolls, and motorists will escape congestion.



Greg Carey spoke about the financial aspects of leveraging assets. He said that when bankers look at investing in infrastructure, they review financial implications, but also political implications, labor issues, and the construction community. He said this is an evolution and a change in the way people deliver transportation infrastructure. Carey observed that the United States is a huge growth area for international companies and that Texas has “a bunch of money chasing only a few projects.” Goldman Sachs just announced a \$3 billion equity fund to invest solely in infrastructure projects. Funds are being made available to support not only highways, but also airports, parking facilities, and ports. Carey said that infrastructure has become an “asset class” because of the volatility of stock markets over the last 10 years. Pension funds and other investment pools are searching for steady returns. Carey warned that infrastructure investments are for “patient” investors who are willing to wait for up to 30 years before pulling their funds out. Goldman Sachs foresees local and state pension funds investing in their own state’s infrastructure systems in the future.

Overall, the Texas Transportation Forum was an outstanding gathering that provided informative speeches by transportation officials, educational breakout sessions, and networking opportunities. Texans know there is a mobility problem, and the Forum was an opportunity to discuss options



for decreasing congestion, increasing transportation funding through innovative means, and increasing public and private involvement in the transportation process. Texas has learned that it can't wait on the Federal government to solve our problem, making it a model for other states that seek to rise to the challenge and find innovative solutions that will deliver the system of infrastructure that citizens and economies depend on.

For more information, copies of breakout session PowerPoint presentations and audio from all sessions are available online at www.texastransportationforum.com. Videos of the keynote addresses and of TxDOT's "The Next 50 Years" video are also available. The Forum will be an annual event and the website will be updated to reflect future Forum dates.

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