

Myths and Facts about The Ohio River Bridges Project

By Vaughan Scott

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Myth:

We don't need new bridges.

Fact:

Both the Kennedy Bridge and the Sherman Minton bridges, our only two interstate bridges, are nearing the final third of their estimated life. Both are in need of significant repair.

The cars and trucks crossing the Kennedy Bridge total 50% beyond what the bridge was designed to carry. This excess in itself accelerates the aging process. Engineers say this consistent overuse could result in the Kennedy Bridge becoming "structurally deficient" in the future. As in the case of the Milton-Madison Bridge up river, this situation could possibly require the establishment of weight limits, which would prevent semis and other trucks carrying cargo from crossing. Such limitations would cripple commerce and economic development throughout our community – an unimaginable scenario. Our community cannot afford to take the risk that we might have but one interstate bridge.

Myth:

The East End Bridge is all we need.

Fact:

Although the East End Bridge is a vital component of our transportation needs (and will be completed first), it is not a solution by itself. At best, the East End Bridge will divert 30,000 to 40,000 vehicles per day. Even with an East End Bridge, traffic on the Kennedy Bridge is projected to be higher than it is today. Additionally, the Kennedy Bridge is already seriously beyond its intended capacity. Designed for 80,000 vehicles per day, it now handles more than 120,000 vehicles per day.

Myth:

We really only have to have one bridge – we can choose one or the other.

Fact:

Through an extensive public process and in accordance with the requirements of the National Environmental Policy Act (NEPA), the Federal Highway Administration (FHWA), the Indiana Department of Transportation, and the Kentucky Transportation Cabinet evaluated many options including the one-bridge versus two-bridge options. In September 2003, the FHWA published a Record of Decision that clearly states that the "Purpose and Need" of the project is best met with a two-bridge solution. While cost-saving revisions to a two-bridge solution fit into the parameters of the Record of Decision, anything that moves away from the central focus of two bridges and the rebuild of the Kennedy interchange would require a complete do-over, starting with an environmental impact statement that could take years – years we don't have. With an expedited review, trying to move to a one-bridge solution would require us to start the 5-8 year "Purpose and Need" evaluation all over again, and we may or may not get a one bridge record of decision the second time around. We cannot afford to gamble this region's future on the existing bridges for even one extra day, potentially waiting 5-8 years is completely irresponsible.

Myth:

Tolls have already been set at \$3 or \$5 per trip.

Fact:

Incorrect. No action has been taken regarding tolls. The Louisville and Southern Indiana Bridges Authority is charged with identifying a financial plan for the project. A key step in the near future for the Authority is to establish a tolling policy, which simultaneously works to identify and assess the financing structure that will provide the best value for the states, the taxpayers, and motorists.

In addition to the financial structure yet to be determined, the Kentucky Transportation Cabinet and its partners at the Indiana Department of Transportation continue to look for ways to reduce the costs of the project. On January 4, both Governor Beshear and Governor Daniels along with Mayor Fischer announced ideas that could cut \$500 million from the project. The transportation departments are working to exceed this dollar figure. Of course, reducing costs would lower the amount of private capital needed for the project and the amount of tolls required to retire that debt. Additionally, the local metropolitan planning agency in 2010 conducted an air quality study regarding transportation. It required estimated dollar amounts in order to assess the potential diversion of traffic from tolled bridges to those not tolled. Three dollars was selected as the toll amount for this modeling activity because it was seen as offering a conservative forecast of potential diversion. That's it. Again, the Bridges Authority has yet to act on tolling policy or toll schedules beyond targeting \$1 tolls as a policy target for frequent users, a target affirmed by both governors.

Myth: Toll – Fairness (UNDER INVESTIGATION)

People in Indiana are paying for the Kennedy Interchange ("Spaghetti Junction").

Fact:

Each state is responsible for paying for its own approaches; the actual bridge costs are split 50/50. Because the Kentucky approaches, especially Spaghetti Junction, are more complex and involve more extensive construction work, Kentucky's share of the overall project cost will be larger than Indiana's.

Myth:

We have never paid tolls for bridges in this area.

Fact:

The George Rogers Clark Memorial Bridge, commonly called the Second Street Bridge, was a toll bridge when it opened in 1929 – and it remained a toll bridge until 1946 when the bonds used to finance construction were paid off. The initial toll was 35 cents, which adjusted for inflation would be approximately \$4.57 today.

Furthermore, a proposal was made in 1955 to reinstitute tolls on the Clark Bridge to pay for what would become the I-65/ Kennedy Bridge. The proposed toll became unnecessary when the federal government agreed to incorporate the bridge into the new interstate highway system and pick up 90 percent of the new bridge's cost.

Myth:

The gasoline tax can take care of all of our federal highway needs.

Fact:

The federal gas tax, the primary source of revenue for federal transportation projects, is not indexed for inflation. The tax has remained at 18.4 cents per gallon since 1993, while highway construction and maintenance costs have continued to grow. The problem is worsened by the fact that Americans have been driving less since 2008, according to the Federal Highway Administration. As motorists cut back on driving and buy more fuel-efficient cars, the government is taking in less money from the federal gasoline tax.

As a result of these trends, according to U.S Transportation Secretary Ray LaHood, increasingly, alternative sources of funding – including user fees – will be needed to fund large transportation projects. President Obama called for private capital to support infrastructure in his State of the Union Address in January. Governors Beshear and Daniels and Mayor Fischer are on the same page. The agreement among our elected leaders in this matter is remarkable.

Myth:

Once tolls are part of the financial plan for the bridges, no alternative solutions can be explored.

Fact:

The Federal Highway Administration requires that a viable financial plan be presented and approved before construction can begin; however, other funding options can be explored and implemented as the project progresses.

Importantly, I am convinced that both states are seriously committed to driving the cost of the project down and with it the amount that will require private financing supported by tolls. Furthermore, tolling will not begin until the structures are open and available for use.

Myth:

Toll Booths will create new bottlenecks.

Fact:

Toll Booths are relics of the past. With today's electronic, open-road tolling systems, motorists don't even have to slow down. In addition, electronic tolling can build in special rates for frequent users, senior citizens, students who commute to schools across the river, residents in low-income areas and other special cases.

Different rates can also be charged for different times of the day to encourage traffic during off-peak hours.

Myth:

Companies that install toll systems collect 50 percent of the revenues.

Fact:

Revenue-sharing arrangements vary based on the final design-build plan, regardless, the "delivery model" adopted by the bi-state authority and the states will spell out clearly the financial details. I am convinced of the authority's and the state's commitment to finding the best deal for taxpayers and commuters alike.

Just as the intent on the part of the team is to keep tolls to a minimum, the intent here is also to keep the amount of revenue sharing to a minimum; thereby insuring that any debt we incur can be retired as promptly as possible.

Myth: (UNDER INVESTIGATION)

Some wealthy people in the East End lobbied to get their land protected by the National Historic Registry, so now we all have to pay for a tunnel to go under it.

Fact:

The tunnel is being built because the Drumunard Estate, designed by Frederick Law Olmsted, the “Father of American Landscape Architecture,” was eligible for the National Historic Register. Eligibility is the only requirement needed to force the FHWA and KYTC to find alternative solutions to disturbing property. Again, the engineers tell me the work underway to find ways of reducing costs, including the east end bridge and its approaches, will also reduce the cost of the tunnel.

Myth:

The bridges project will only create temporary construction jobs.

Fact:

The same argument was made about the Louisville airport expansion 30 years ago. Yet in fact, the airport project transformed Louisville into a logistics hub that has attracted hundreds of new companies and created more than 55,000 permanent new jobs. In addition to the new jobs that will be created during the construction phase, the bridges project will open new areas of the region to development, such as the River Ridge Commerce Center in southern Indiana. This will potentially create permanent new jobs that will employ residents on both sides of the river.

Here is what I’ve concluded from my investigation of the Ohio River Bridges project:

1. We must build two bridges. The Federal Highway Administration's approval of this project makes complete sense.
2. The FHWA, KYTC and INDOT are looking for the fastest, most cost effective solution/s to getting the two bridges built.
3. Failure to begin construction of the two bridges as scheduled will have devastating and lasting consequences to our region’s economy that will be evident within the next 10 years.
4. We must stop activities that delay construction of the bridges.
5. We must find a sustainable funding source to repair, maintain and continue development of our cross-river infrastructure
6. Including tolls in the financial plan is the only way to get the FHWA to allow us to move forward by the targeted construction start date of August 2012.
7. We must understand that as with any project, many things will change and evolve over time, but we must keep moving forward. When completed, the two new bridges and reconfigured Spaghetti Junction interchange will improve traffic flow, increase safety, create new jobs and enhance the community’s economic competitiveness as a transportation and logistics hub.

The Project's Financial Advisors Estimate That...

Every month of delay adds more than \$10 million to the final price tag. Conversely, accelerating construction will save \$10 million per month – just like paying a mortgage off early. The Ohio River Bridges project has been on the drawing board for decades. Forty years of discussion, hundreds of public meetings and millions of dollars spent on studies are enough. It’s time to start turning dirt.

Please consider thinking about it like this:

Tolls are not taxes – they are premium payments on an infrastructure insurance policy that secures our Region's future.

Vaughan Scott is a financial advisor serving small businesses and individuals throughout the Region.