

July 18, 2011

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## **Highway Bill: Senate Moseys Along; Mica Tees Off on U.S. Chamber**

- Rumors persist that the Senate draft of the Highway Bill may be on hold until after the August break, despite a hearing this Thursday where we hope (but do not expect) to see new details presented.
- This is important because an actual Senate bill with demonstrated support would shift the negotiations over a one-year spending extension this fall. If the only solid point in negotiations is a bill passed by the House with substantial spending cuts, the odds are more likely that the final bill will resemble the House bill.
- An unusually sharply-worded [letter](#) was sent from the House transportation chairman to the U.S. Chamber of Commerce last week. It highlights the unpleasantness we expect to see this fall in the debate over spending cuts. We continue to see funding cuts on the horizon, despite fierce lobbying from the Chamber, various trade associations, and the unions.
- Additionally: our updated transportation and infrastructure slide deck is available [here](#).

### **Could the Senate Bill Have Wandered...Into the Twilight Zone?**

Senate Environment and Public Works Chairwoman Barbara Boxer (D-CA) has scheduled a hearing for this Thursday. It's possible that she'll roll out a full Highway Bill proposal this week in advance of the hearing. However, it's more likely she'll simply give out a few more specifics about her plan and keep the hearing discussion vague.

We understand there to be several issues holding up Boxer's draft legislation, including:

- *Indecision over revenue.* Boxer's subcommittee chairman on transportation and infrastructure, Sen. Max Baucus (D-MT), is also the chairman of the Senate Finance Committee. The two

Ticker(s):  
GVA, URS, ACM, KBR, TPC,  
MLM, VMC, CAT, DE, TEX, IR,  
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senators have been huddling for months on the question of revenue, with little progress apparently being made. They will almost certainly *not* propose a gas tax increase, since it would fail while leaving them open to political criticism. We've been waiting for Boxer and Baucus to propose a further infusion of general revenue, but they are apparently resistant to that solution and are looking for another option.

- *Disagreement with the top Republican on the committee, Sen. Jim Inhofe (R-OK), over streamlining of environmental impact studies.* Given that it would be hard to find two senators farther apart ideologically on environmental issues than Boxer and Inhofe, this could be a problem. Streamlining is a top priority of business and state government interests, which regularly cite concern over the length of time it takes projects to get up and running. It's conceivable, however, that Boxer and Inhofe could agree on language that would represent some easing while still remaining vague enough to be open to interpretation.
- *Lack of urgency due to the debt ceiling debate.* One wag commented that transportation right now is "just a flea circus at a dog show" - making it difficult for Boxer to make the necessary big splash with a Highway Bill draft that could shift the debate away from House Transportation and Infrastructure Chairman John Mica (R-FL).

### **Chamber Non Grata**

Last Wednesday, Mica sent a letter (available [here](#)) to Tom Donahue, President and CEO of the U.S. Chamber of Commerce. The letter is unusually sharp in its wording, essentially accusing the Chamber of ignoring beneficial policy reform in favor of simply arguing for an increase in the gas tax. One pro-Mica source argued to us that the Chamber's coalition is so large that virtually any reform would offend some cohort, and so raising the gas tax is the only common denominator.

Mica's letter seems to reflect a suppressed frustration with the Chamber on the part of Republicans on and off Capitol Hill. One House GOP leadership aide commented to us, half-jokingly, that he experienced a "wave of love" for Mica and his staff, upon learning of the letter.

The upshot here is that the Chamber's influence among Republicans, at least on this issue, is significantly weaker than usual. It's also the case that the tax issue has substantially greater pull with Republicans than any common cause they might have with the Chamber. We note this due to the too-pat, common observation that the solidarity between Donahue and AFL-CIO President Richard Trumka should be powerful enough to force a deal.

### **Capital Alpha Thesis**

Infrastructure spending by the federal government is facing a significant reduction in coming years. A multi-year negotiation between fiscal hawks and infrastructure funding advocates is in the offing, with no additional revenue or tax measures likely to be enacted soon, and little if any general revenue to be used as a patch. Congress will likely not be able to pass a full reauthorization of the Highway Bill until 2013, after the winners of the November 2012 elections

are seated. Under that scenario, the government will use the annual spending process to sustain funding.

This uncertainty could weigh on a number of stocks, including **GVA, URS, ACM, KBR, TPC, MLM, VMC, CAT, DE, TEX, IR, ASTE**, and **OSK**. Relevant industries: Construction & Engineering, Industrials & Materials, Electrical Equipment, Construction Machinery, Transportation Infrastructure, and Environmental & Diversified Services.

The gas tax will not be raised in 2011 or 2012. It will be debated in 2013, but even then seems unlikely to be raised. We expect the concept of a Vehicle Miles Traveled Tax to creep into the debate this year as a possible replacement for the gas tax. It has no chance of enactment at the moment, but it has mindshare among policymakers and should be kept in mind as a long-term possibility.

### Recent Notes on This Topic

- [Highway Bill: Angst Over Funding Masks Emerging Policy Debate](#) – July 13, 2011
- [Highway Bill Proposal: TIFIA Grants, Positive Train Control, Harbor Maintenance Trust Fund](#) – July 7, 2011
- [Highway Bill: Mica Outline Focuses on Spending Cuts](#) – July 7, 2011
- [No Highway Bill This Year](#) – June 28, 2011

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