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Obama Call to Use War Savings on Roads May Fail in Congress

By Carol Wolf - Jan 25, 2012

President Barack Obama's call to rebuild U.S. infrastructure with money saved by bringing troops home may not resolve Congress's struggles to set aside more money for roads and bridges, two analysts said.

"I'm not entirely convinced that reallocation of war funds will necessarily pick up enough momentum to gain traction in Congress," Patrick Hughes, an analyst with Washington-based research firm Height Analytics, said in a telephone interview yesterday after Obama's State of the Union address.

Obama is seeking to use half of the savings created by withdrawing troops from Afghanistan and Iraq to rebuild U.S. infrastructure, helping companies ship goods more efficiently, the White House said in a fact sheet yesterday. The plan would fix existing roads and invest more in high-speed rail, according to the fact sheet.

"Take the money we're no longer spending at war, use half of it to pay down our debt, and use the rest to do some nation- building right here at home," Obama said yesterday. He didn't specify how much the government expects to save.

The Highway Trust Fund, which pays for highway, bridge and mass-transit projects, will run out of money in early 2013, according to the Congressional Budget Office. The U.S. hasn't passed new legislation to pay for surface-transportation projects since 2005. Funding has continued through a series of extensions since 2009. The current deadline expires March 31.

Cutting Red Tape

Obama also said he plans to issue an executive order that would reduce regulations that slow down construction projects. The average U.S. transportation project takes 11 years to complete, according to the CBO.

Vulcan Materials Co. (VMC) and Martin Marietta Materials Inc., the two largest U.S. producers of sand, gravel and crushed stone, and cement maker Texas Industries Inc. (TXI) are among

companies that could benefit if war savings were used to fund a highway bill, said Keith Johnson, an analyst with Morgan Keegan & Co. in Memphis, Tennessee.

"Infrastructure spending could employ a lot of people quickly, but it's a matter of getting a bill through Congress," Johnson said in a telephone interview. Johnson has a "market perform" rating on Vulcan and Texas Industries and an "outperform" on Martin Marietta. (MLM)

Gasoline Tax

The U.S. needs $2.2 trillion to repair its infrastructure, according to the American Society of Civil Engineers. Proposals for new highway bills by House and Senate committees don't increase funding beyond the current legislation. Neither addresses funding for the highway fund's shortfall.

The federal fuel tax, which finances the Highway Trust Fund, has been 18.4 cents a gallon since 1993. Obama has opposed increasing the fuel tax.

In last year's State of the Union address, Obama outlined a goal to give 80 percent of Americans access to high-speed rail within 25 years. Obama's administration has allotted $10.1 billion for high-speed and intercity rail since 2009. Congress eliminated funding for high-speed rail in the 2012 budget.

The House and Senate committees both seek to expand the Transportation and Infrastructure Finance and Innovation Act to $1 billion a year from the current $122 million. The program provides low-interest loans to fund transportation projects.

Mica Proposal

"America needs to rebuild its infrastructure, but I do not support what appears to be the president's plan to finance that effort by downsizing the military," Representative John Mica, the Florida Republican who is chairman of the House Transportation and Infrastructure Committee, said in an e-mailed statement.

Mica's committee will introduce a proposal for a five-year, $260 billion surface-transportation bill on Feb. 2, Justin Harclerode, a spokesman, said by phone. Mica said yesterday his committee's transportation measure would be partially financed through increased U.S. energy production.

The Senate Environment and Public Works Committee, headed by California democrat Barbara Boxer, has approved a two-year plan with funding at current levels. With that version, the Highway Trust Fund's projected expenditure would exceed its incoming revenue by about $12 billion.

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