

The Connection



Special points of interest:

- New Port of Entry
- Perimeter Security
- Reauthorization
- Coalition Update
- Canadian News

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Canadian Oil (Tar?) Sands—Just Say Yes

When it comes to energy, America is lucky to be next to Canada, whose proven oil reserves are estimated by Oil and Gas Journal at 175 billion barrels. This ranks just behind Saudi Arabia (260 billion) and Venezuela (211 billion) and ahead of Iran (137 billion) and Iraq (115 billion). True, about 97 percent of Canada’s reserves consist of Alberta’s controversial oil sands, but new technologies and high oil prices have made them economically viable. Expanded production can provide the U.S. market with a growing source of secure oil for decades. We would be crazy to turn our back on this. In a global oil market repeatedly threatened by wars, revolutions, and natural and man-made disasters — and where government-owned oil companies control development of about three-quarters of known reserves — having dependable suppliers is no mean feat. We already import about half of our oil, and Canada is our largest supplier, with about 25 percent of imports. But its conventional fields are declining. Only oil sands can fill the gap. Will we encourage this? Do we say yes to oil sands? Or do we increase our exposure to unstable world oil markets?

Those are the central questions raised by the proposed \$7 billion Keystone XL pipeline connecting Alberta’s oil sands to U.S. refineries on the Texas Gulf coast. The pipeline requires White House approval, and environmentalists adamantly oppose it. To be sure, there are dangers. Pipelines do crack; there are spills. Moreover, converting into oil the “bitumen” found in oil sands is messy. Some processes have required up to two barrels of water for every barrel of oil. Because energy use is also high, so are greenhouse gases. On a per-barrel basis, emissions have sometimes been double and triple that of standard oil production.

dent Obama to approve the pipeline would be regarded by his environmental supporters as a complete betrayal. Actually, the reality is more complex. If Obama rejects the pipeline, he would — perversely — increase greenhouse gas emissions. Canada has made clear that it will proceed with oil sands development regardless of the American decision. If the United States doesn’t want the oil, China and other Asian countries do. Pipelines would be built to the West Coast. Transporting the oil by tanker to Asia would almost certainly create more emissions than moving it by pipeline to closer U.S. markets. Next, oil sands’ greenhouse gases are exaggerated. Despite high per-barrel emissions, the cumulative total is not large: about 6.5 percent of Canada’s emissions in 2009 and about 0.2 percent of the world’s, according to Canadian government figures.

By all logic, the administration’s Keystone decision, overseen by the State Department, should be a snap. Obama wants job creation. Well, TransCanada, the pipeline’s sponsor, says the project should result in 20,000 construction and manufacturing jobs. Most would be American, because 80 percent of the 1,661-mile pipeline would be in the United States. Continued development of oil sands would also help the U.S. economy; hundreds of American companies sell oil services in Canada. Finally, production technologies are gradually reducing environmental side effects, including greenhouse emissions. The United States and Canada are each other’s largest trading partners and closest allies. Oil markets are subtly changing, as more countries — led by China — seek preferential access to scarce global supplies. In the future, security of supply may matter as much as price. The more we can reduce oil demand and increase supply stability, the better off we’ll be. On oil sands, we should just say “yes.”

Courtesy The Washington Post

Environmentalists are outraged. For Presi-

Wellesley Island Port of Entry

The journey south on Interstate 81 commences at the U.S. port of entry on Wellesley Island. Back in March of 2009 I wrote in this newsletter that a new port of entry was likely to begin construction in 2010. Well, it is now approaching the end of the third quarter of 2011—where are we now?



According to the Watertown Daily Times, construction of a new, larger port of entry facility on Wellesley Island — a \$173 million project that was included in the Obama administration's proposed 2012 budget is "unclear" at this point. We have gone through mental highs and lows over the last 18 months as this badly-needed port project has been a go and then a no-go. For the past few years, Thousand Islands Bridge Authority officials have insisted that more inspection lanes were needed at the Wellesley Island crossing with increased security measures implemented since the 9-11 terrorist attacks. U.S. Customs has beefed up its Wellesley Island staff over the past year to keep all lanes open, but border backups still force Canadian visitors and U.S. citizens entering the country to wait as long as two hours on summer weekends.

Congressman Bill Owens made the following comments: "Clearly, we are trying to make sure that we can get the border stations up to speed. We monitor the dwell

times at the border crossings on a quarterly basis to try to make sure we're not seeing spikes. You're going to see some normal spikes, obviously, in the summertime with more traffic coming into the tourist area, but we are monitoring that and we're hoping to improve the processing and the physical facilities at as many of the border stations as we can in the district."

So what is the prognosis for a new port? At a recent meeting in Washington with Deputy Commissioner of U.S. Customs and Border Protection, David Aguilar, CBP advised that all capital infrastructure funds have been "zeroed" out from the 2011 and 2012 budgets. It is not expected to see funding available (even for approved projects) for years. The budget crisis will likely result in a review of the way CBP does business, meaning that staffing at ports may also be adversely affected. It is now time for the Office of Budget and Management to reassess how it looks at leases. Currently the full capital cost of the lease must be amortized in year one. If normal lease amortization schedules were allowed, any number of private operators, like the Peace Bridge, the Niagara Falls Bridge Commission, and the Thousand Islands Bridge Authority would probably be willing to build the much-needed new Customs plazas and lease them to the government for a fair price. Now, doesn't that make sense?

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Beyond the Border

Secretary of Homeland Security, Janet Napolitano, and Public Safety Minister, Vic Toews, recently met in Winnipeg to discuss the next steps in the two country's shared vision for perimeter security. During the meeting, Secretary Napolitano reiterated the nations' shared responsibility for the safety, security, and resilience of the United States and Canada by addressing threats at the earliest point possible, facilitating trade, economic growth, and jobs, and collaborating on integrated cross-border law enforcement.

Minister Toews commented: "Canada and the United States enjoy a strong and productive partnership aimed at strengthening security at our shared border, while keeping our countries open to the legitimate movement of people and goods. We are pleased with progress being made on a joint action plan that will further promote security and support trade and economic growth."

Over the past two years, the Department of Homeland Security (DHS) has made critical security improvements along the Northern border, investing in additional inspectors, Border Patrol agents, and infrastructure.



Transportation Reauthorization

(Reuters) - The Senate should take up legislation laying out how much money the country will spend on roads, bridges and highways when it returns from its month-long recess, Majority Leader Harry Reid said recently. A short-term patch to fund transportation programs expires on September 30 and the Senate had hoped to consider a long-term spending blueprint before July. But the battle over raising the U.S. debt limit pushed many issues to the side.

Speaking before the Senate voted to approve a debt limit deal, Reid said: "I'm optimistic and hopeful that the spirit of compromise that has taken root in Washington over the last several days will endure. "We have a highway bill that's due," he also said. "I've spoken to the chairman of the Finance committee today. There are ways we can fund that."

Funding has proven the biggest obstacle to long-term transportation legislation. The primary source of money for highway and transit repairs, a gas tax charged at the pump, chronically runs short. The federal government must regularly provide extra funds.

President Barack Obama has trumpeted infrastructure investment as a way to create jobs, but since the November election, when Republicans took control of the House of Representatives on promises of

cutting the deficit, Washington has had little appetite for a large highway bill. States cannot plan large capital works with short-term patches and have called on Congress to make more permanent spending decisions. The last long-term authorization expired nearly two years ago.

Senator Barbara Boxer, the Democrat who chairs the Public Works committee, and Senator James Inhofe, the most powerful Republican on the committee, have outlined a bipartisan proposal for a two-year authorization. But Inhofe said the bill creates a \$12 billion shortfall and "it is unwise to push an unfunded proposal to spend over \$100 billion at the same time the nation is singularly focused on cutting trillions of dollars in spending." The Finance Committee will ultimately resolve funding issues. Last month, the Republican leader of the House Transportation Committee suggested a bill limiting funding to gas tax receipts, putting the annual price tag at \$35 billion.

Transportation groups, Democrats and the business community called foul, saying the country would struggle covering infrastructure costs. According to the American Society of Civil Engineers, the country will need to invest roughly \$220 billion annually to keep U.S. infrastructure in "minimum tolerable conditions."



"Funding has proven the biggest obstacle to long-term transportation legislation."

I-81 Corridor Coalition

The I-81 Corridor Coalition continues to make significant strides. Ray Pethel of the Virginia Tech Transportation Institute, has been appointed the interim director of the coalition. Ray has a tremendous amount of experience in the transportation field and is an ideal candidate to fill this role. Ray will now begin the process of hiring an administrative assistant, start to advertise for a full-time Executive Director, organize the coalition files and generally set up the coalition offices at VTTI.

Ray has completed an initial scope of work that has been approved by the steering

committee. Some of his initial tasks will be to organize the 2011 annual conference (Oct. 31 and Nov. 1 in Blacksburg VA.), develop a work zone safety committee, re-design the coalition web site (www.ship.edu/I81), collect and develop a complete understanding of short and long-term I-81 corridor planning studies completed and underway, and look for new and sustainable funding sources. This last item will be key if the coalition is to offer enhanced safety programs along the corridor and provide valuable information for stakeholders.





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News from Canada

There is more good news for the residents in Cornwall, Ontario as Target have recently announced the city as the location for their new distribution center. The city is developing the sewer and water network in the Business Park to accommodate this project as well as future projects. Target will need the 1.3 million SF center to service their stores that are expected to open in 2013. Cornwall is quickly becoming one of the most important logistics hubs in Central Canada.

The Canadian Trucking Alliance recently hosted a meeting with Canada's public safety minister, Vic Toews, and a number of trucking stakeholders to discuss border and trade issues. Among issues raised during the discussions were: repositioning of foreign, empty trailers, harmonization of trusted trader programs between the U.S. and Canada, flexibility in the application of FAST lane policies, integration between the Canada Border Services Agency and other departments, and the need for infrastructure improvements to expedite traffic flows. Meetings between high-level government officials and border stakeholders can only help to clarify border issues.

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Notes From The Director

As summer draws to a close, our elected officials in Washington will be getting back to work. This year, they have much to do. In addition to looking at viable ways to lower the federal deficit, they must address the highway reauthorization bill. This bill expired in September 2009 and the highway fund has been kept solvent with transfers from the general fund. Naturally, this cannot continue. States need assurance that money will be in place longer-term so they can properly budget for the myriad of highway projects that need their attention.

Over many issues of The Connection, I have commented on the various ways that our government can raise money for our roads and bridges. The federal highway tax of 18.4 cents on gasoline and 24.4 cents on diesel fuel has not been raised since 1993. If an inflation factor had been applied, we probably would not be in the huge mess we currently endure. As cars become more economical and the government adds incentives

for electric vehicles, the situation will only continue to worsen. Personally, I am a believer in increasing the federal gas tax as it is easy to collect and an increase of a few cents a gallon should not be prohibitive to motorists. A fairer increase could derive from the implementation of a variable mileage tax (VMT) but this tax is expensive to collect. It is definitely a fair tax from a user fee system but the startup costs may not prove to be manageable. The other alternative is tolling. While some stakeholders claim that the roads have already been paid for with taxpayer dollars, it is naïve to assume that there are not tremendous ongoing expenses in maintaining the interstate system. With the current budget concerns in Washington, I remain convinced that the only way that any new roads will be constructed will be with a public/private partnership and paid for with toll revenue. However, we still need to address the maintenance issues for our existing system.



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