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Lawmakers fail to break US transport bill deadlock

David Lawder and Roberta Rampton

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WASHINGTON (Reuters) - U.S. congressional leaders failed on Tuesday to break a deadlock on a long-stalled transportation funding measure, and Republicans now may need to find a new legislative vehicle to carry their plan to approve the controversial Keystone XL oil pipeline.

With a June 30 deadline for new transportation funds looming, many lawmakers and aides now see it as inevitable that the controversial Canada-to-Texas pipeline provision be removed to make way for a short-term extension of current transportation law.

House of Representatives Speaker John Boehner and Senate Majority Leader Harry Reid could not resolve differences in a late afternoon meeting over the road, bridge and rail bill that could create or save millions of jobs and give a lift to the struggling U.S. economy.

"Hope springs eternal," Boehner, the top Republican in Congress, quipped as he left his office in the Capitol.

Failure to reach a deal in Congress could trigger layoffs of nearly 3 million U.S. construction workers and increase unemployment less than six months before the November elections.

HOPES DIM FOR FULL BILL, KEYSTONE

Republican Representative Ed Whitfield, one of the negotiators trying to iron out House-Senate, said he feels that a short-term extension of current transportation funding is unavoidable at this point, and neither the Keystone pipeline nor a Republican provision aimed at ensuring that coal ash can continue to be used in cement for road projects would be included.

Whitfield said both provisions have been rejected by Democrats, adding, "It's really disappointing that we couldn't get this resolved."

But Republican House Transportation Committee Chairman John Mica said Boehner and Reid

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instructed negotiators "to redouble our efforts," and the Democratic-led Senate had offered a new proposal. He declined to comment on any discussions of a temporary extension, which would be the 11th since the most recent transportation bill expired in 2009.

"We're going to take it hour by hour, see if we can get the job done," Mica said.

Michael Steel, a spokesman for Boehner, said House negotiators were still working towards a joint bill.

"We believe it is crucial that we have real reforms in how we spend taxpayers' highway dollars, and we continue to support bipartisan jobs initiatives like Keystone," Steel said.

President Barack Obama has opposed fast-tracking approval for TransCanada Corp's Keystone XL oil pipeline project until an environmental review of its new route is completed.

The House lawmaker who authored the pipeline provision, Nebraska Republican Lee Terry, also said it is now unlikely to be part of a short-term, stopgap funding extension.

"He doesn't see it happening at this point," a Terry aide told Reuters, noting Terry continued to work with Boehner to see what other legislative vehicles could be used to advance approval for the oil pipeline.

A Senate Democratic aide said the Keystone provision might have another chance if lawmakers complete a highway bill this summer or autumn.

Republicans would "explore every option," for Keystone, said Whitfield, including attaching it to spending needed to keep the government running in the new fiscal year that starts on October 1.

Many observers believe that Obama will approve Keystone sometime after the election, possibly in 2013. But House Republicans are not ready to take that on faith, said Garrett Golding, an analyst with The Rapidan Group, a Washington-based oil consultancy.

"They really want the security blanket that legislative approval would bring," said Golding, who until recently was a policy advisor to the House Energy and Commerce Committee.

DOWN WITH FLOWER BEDS

Deep differences still remain on core parts of the transportation bill.

House Republicans have insisted on consolidating some federal transportation programs and streamlining environmental reviews of road projects in order to speed up their construction. They also want to drop a proposal to use gasoline taxes to help pay for ancillary transportation "enhancements" such as flower beds and other streetscape improvements.

Earlier this month, Boehner floated the idea of a six-month extension of current funding, which would remove the threat of a halt in road and rail construction until after the November 6 elections.

Democrats have balked at that idea, saying it would deplete the Highway Trust Fund because falling gasoline tax collections were insufficient to fund current projects.

They say U.S. states also would delay the start of new longer-term projects - and the hiring of hundreds of thousands of workers - due to the lack of funding certainty.

(Additional reporting by Roberta Rampton; Editing by Fred Barbash and Jackie Frank)

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