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Issue: 43



Welcome to the Change Challenge Newsletter

Welcome to the December issue of *The Change Challenge*. I hope you and your family had a joyful Thanksgiving. Recently, I was stuck in Washington Beltway traffic for an hour on a trip that usually takes 15 minutes. So I applauded when Governor O'Malley announced the first gas tax increase since 1992 to repair and expand Maryland's roads. That is the subject of the feature article titled "**Political Courage**."

This month's *Leading Change* article "**Visualize Victory**" says that world-class athletes and peak performers in business and government visualize their results - and you and I should too. The *Personal Change* article "**Feeding the Calves**" points out that when the government (or you and I) borrows, it increases today's consumption but reduces future consumption by more because the loans must be repaid with interest.

Your feedback and recommendations to improve this e-letter are always appreciated via email or *The Change Blog* at www.dickstieglitz.com.

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This Month's Articles

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[Feeding the Calves](#)

[Buying & Selling a Company](#)

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Buying or selling a

Feature Article

POLITICAL COURAGE

I spent an hour on I-495 recently for a trip that usually takes 15 minutes, so I wasn't surprised when the Urban Mobility Report said the Washington area has the worst traffic congestion in the country. Their report said that DC-area residents spent an average of 74 hours in 2010 stuck in traffic and used 37 gallons of extra gas - at a cost of \$1,500 per commuter for wasted gas and time. The report said: *"The current pace of transportation improvements is not sufficient to keep pace with even slow growth. Vehicle-miles are growing faster than capacity."* So I applauded when Governor O'Malley of Maryland had the political courage to support raising the gasoline tax to repair and expand the state's highways and bridges.

Specifics of the Increase. The governor's recommendation, which the Maryland legislature will consider early in 2012, would increase the tax by five cents in each of the next three years from 23.5 cents to 38.5 cents per gallon. O'Malley said: *"The fact of the matter is, it costs more today to paint the Chesapeake Bay Bridge than it did to build the first span (in 1952)."* Maryland set the tax at the current rate in 1992 when gasoline was \$1.10 a gallon - at the time, 23.5 cents per gallon was a 21% tax. Today, with gas at \$3.50 per gallon, Maryland's gas tax has dropped to just 6.7%. Assuming gas prices don't change over the next three years, the new tax would be 11% when fully implemented. The increase would raise \$491 million annually to be spent entirely for transportation repair and construction projects. By comparison, the federal gas tax was set at its current 18.4 cents per gallon in 1993. At that time the federal gas tax was 17% - today it has dropped to 5.3%. It's no surprise that our national transportation system is literally falling apart, and the DC-area has the country's most congested roads.

The Opposing View. The Governor's announcement got blasted from both ends of the political spectrum. Pro-business advocates say the trucking industry and businesses that rely on transportation will see increased costs at a particularly inopportune time. And liberals say the proposed increase would strain workers who are already struggling with high unemployment and falling home prices. There hasn't been a "good" time to increase federal or state gas taxes in nearly 20 years!

Why It's a Good Idea. The short-term hardship of higher gas prices must be balanced against an urgent need for massive transportation improvements. The consequences of not investing in infrastructure will have even greater costs in terms of declining highway safety, dirty air, reduced global competitiveness, and continued high unemployment. Infrastructure is part of the debate about what we expect the government to do, and how we are willing to pay for it.

Our Collapsing Infrastructure. According to a study by the Urban Land Institute (ULI), the U.S. is falling behind the world in rebuilding its deteriorating and overloaded transportation system because of often-postponed maintenance. The Surface Transportation Act, which provides federal funding for bridges and highways, expired in 2009 and Congress is gridlocked (what's new?) over how much to spend and how to pay for it. Specifically, according to the ULI, the U.S. is not keeping up with three economic competitors: China, India and Brazil. China is spending \$1 trillion over five years (3.4% per year of its \$5.9 trillion GDP) on highways, high-speed rail and other infrastructure. India is near the end of a 5-year, \$500 billion (6.3% per year of its \$1.6 trillion GDP) infrastructure investment program and will double that by 2017. And Brazil will spend \$900 billion (10.7% per year of its \$2.1 trillion GDP) on infrastructure projects by 2014. Incidentally, their economies are growing two to five times faster than the U.S. rate of 1.7% (Brazil=3.6%, India=6.1% and China=9.0% annualized GDP growth) according to *The Economist*?

How Much is Needed? The ULI says the U.S. needs to invest \$2 trillion over the next five years (2.8% per year of its \$14.3 trillion GDP) to rebuild roads, bridges, water and sewage systems, and dams that are near the end of their projected lives - which probably would require the federal gas tax (currently 18.4 cents per gallon) to double. Where will a bankrupt federal government find that money if not through increased gas taxes which historically pay for highway projects? Whether we fund infrastructure investments through gas taxes or pay more because of worsening traffic delays and potholes is a choice. Governor O'Malley said:

**business can be a
lucrative but risky
transaction**

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MISTAKES**
WHEN BUYING & SELLING
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...AND HOW TO AVOID THEM IN YOUR DEALS



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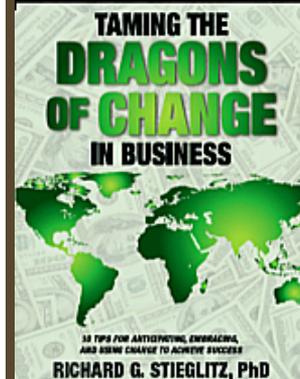
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"Bridges aren't like trees - they don't grow stronger with age - they become brittle and crumble. That's why they need to be repaired before moms and dad die on their way to work when they collapse in rivers;" - the later remark referring to the 2007 collapse of an interstate highway bridge near Minneapolis that killed 13 people and injured 150 others.

Higher Prices Force New Choices. Increasing the gas tax is a simple way to rebuild our infrastructure and deal with energy issues and global warming at the same time. Of course, higher gas prices will be painful economically - and that's a good thing in the long run because it will change behaviors. When gas costs more, people will buy more hybrids and fewer gas-guzzling SUVs. They will drive less, and use public transportation and carpools more. With higher gas taxes, drivers will pay the real cost of the roads they drive on, highways will be less congested, and carbon emissions will drop. Companies will be incentivized to build more efficient cars and trucks, develop synthetic fuels, and manufacture goods closer to their U.S. buyers. It's no mystery that cars in Europe get better gas mileage and their public transportation is vastly superior - their high taxes make filling up twice as expensive as in the U.S.

How to Get There From Here. With gas near \$4 a gallon, you might say we can't afford to pay more - and many people can't. Furthermore, in these anti-tax times, passing an increase will be controversial. But by phasing in a tax increase over three to five years, families and businesses would have time to adjust their lifestyles and business practices. As people change their driving habits, oil imports would drop, which would keep money and jobs in the U.S. instead of sending them to unfriendly suppliers in the Middle East and Venezuela.

Boost the Economy and Produce Jobs. Thomas Donohue, President of the U.S. Chamber of Commerce, said that increased spending on infrastructure was *"not just transportation for transportation's sake. Without robust growth, the U.S. will not create the 20 million jobs we need to replace those lost in the recession."* For example, the \$491 million Governor O'Malley expects to raise annually to fund transportation projects will create about 5,000 new jobs in Maryland. Without highway improvements, businesses will be forced to divert resources to pay for vehicle repairs and transportation delays caused by bad roads - wasting money that could be invested in expansion and new jobs.

Doing Nothing is Very Costly. While Congress debates the country's transportation needs, crumbling roads, bridges, railroads and transit systems cost the U.S. \$129 billion a year according to the American Society of Civil Engineers (ASCE) - \$97 billion per year in additional vehicle operating costs and \$32 billion in productivity losses due to traffic jams. Slashing infrastructure investments as Congress has done recently will have an enormously adverse impact on the economy - especially middle class workers. The ASCE said that if investments in transportation infrastructure are not made soon, the wasted costs will grow to \$430 billion per year within ten years.

Come On, Congress - Find Some Courage! I'm usually against tax increases of any kind - but I'm definitely for this one. Allowing our infrastructure to deteriorate by refusing to raise the gas tax for nearly 20 years has been fiscally irresponsible since the tax is the primary revenue source for the Highway Trust Fund. Historically, the federal transportation program has been specified in legislation that budgets money for a 6-year period in order to give states time to design and complete construction projects. It looks like Maryland is finally addressing its state-owned infrastructure problems. Come on, Congress...find the courage to make a smart change about our interstate highways and other transportation systems - fund improvements and create jobs with an increase in the gas tax.

Leading Change VISUALIZE VICTORY

World-class athletes and peak performers in business and government visualize the result they want. They see victory long before it occurs and ignore failure. They hold a clear picture of the future in their mind's eye. They feel the excitement of progress, and the satisfaction of a completed milestone. They experience the outcome many times before actually living it. They taste victory long before the celebration dinner.

To lead your organization toward world-class performance, provide a vision of the future. Before each key event, each important meeting, each volatile confrontation, and each new initiative, visualize the possibilities and mentally

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The recession, layoffs, budget shortfalls, new technologies, acquisitions, and out-sourcings have produced a world of constant change. Today, ideas travel at the speed of light. You can communicate with anyone, anywhere, at any time, on any subject. To stay on top, you must do more than react. You must anticipate, embrace, and use change to your advantage

THAT'S WHAT THIS BOOK IS ALL ABOUT!

QUICKLINKS

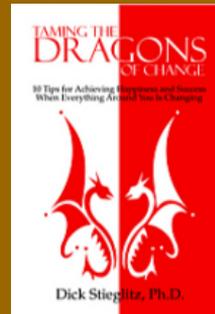
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choose the future clearly, vividly, repeatedly. It's like visualizing that you hold the winning ticket to a multi-million dollar lottery in your hand when you walk to the counter to buy a ticket. Feel the rush of knowing it has already happened. Call your significant other to tell her or him of your good fortune. Know where to cash the ticket, and the safety precautions you would take. When you actually win the lottery (it will happen), you won't be anxious because you'll know exactly what to do - you have visualized it a hundred times.

A winning attitude affects everything you do positively. Winners are committed to solutions, while losers spend their energy complaining. Winners offer new possibilities for each problem, while losers find a problem in every solution. Winners have a plan to succeed, while losers blame someone or something else. Winners say "*Let me do it*", while losers say "*That's not my job. Find someone else.*" Winners say "*It will be tough, but I'll try*", while losers quit before the deadline and say "*It may be possible, but it's too hard.*" Winners develop new answers when old ones don't work, while losers think that nothing will work. Visualize the future with a winning attitude, enjoy the exciting experience, and positive results will surely follow.

Personal Change

FEEDING THE CALVES

When I worked on a dairy farm as a teenager, my job was to round up the cows in the field, herd them into the barn, and help with milking. While we attached milking machines to the cows, the farm's owner spent his time feeding the calves rather than helping us or working with the lone bull. One day I asked him why, and he said: "*The calves are the future. You milk the cows while I invest in tomorrow.*" His message is highly relevant today in today's global economy.

Individually and as leaders of organizations, our natural tendency is to enjoy and expand today's success - we milk the cows and often neglect the calves. Most organizations train and incentivize people to improve short-term results. Everyone from executives to the admin department looks for improvements in today's tasks. It's challenging for businesses - and nearly impossible for government agencies - to move away from things that produced success in the past in order to invest in the future.

However, the life span of success in today's economy is shorter than ever. Therefore, you must continuously identify and feed new ideas that can be the source of tomorrow's successes, even as you milk the products and services that produce today's abundance. Turn off your laser-like focus on today long enough to invest in things that will deliver tomorrow's success. Make no mistake about it, looking ahead to tomorrow is difficult. The fear-of-failure warns of the risk of channeling resources to ventures that may be worthless. Do you have the extraordinary discipline and creativity required to do that?

When we invest in tomorrow, we defer some current consumption to increase future consumption. The consumption may involve resources, time or even relationships (we consume relationships by exploiting people for gain). Consider the national debt as an example. When the government borrows, it increases today's consumption but reduces future consumption because the bonds must be repaid with interest. Investments in the future involve risk - but consuming today also involves risk. Our consumption level today is the result of investments we made - or didn't make - in the past. By investing to expand infrastructure, improve education, and fund research we are building higher future consumption levels! Consume now and pay more later, or invest now and consume more later - that's the choice we make.

Friends & Colleagues,

If you are wondering which investments are best for the future of your organization, contact me to discuss the possibilities. If you found this e-letter to be interesting and useful for yourself, forward it to a friend. If not, let me know why at dick@dragonsofchange.com.

Until next month,

DICK



Try it FREE today.

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