The Future Federal Role for Surface Transportation

Written Testimony of:

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Chairman Boxer, Senator Inhofe, other members of the committee, thank you for giving me this opportunity to discuss surface transportation priorities for the federal government. We are at a time ripe for completely rethinking the role of federal, state, and local governments in transportation policy not seen since the 1950s. This crossroads has been created by two overarching forces, one obvious and the other more hidden.

Two Driving Forces

The first force driving our need to rethink transportation is the obvious underinvestment in US infrastructure. While the Minneapolis bridge collapse was one of the more visible clarion calls to focus on our nation's infrastructure, estimates of the annual funding shortfall to maintain and improve our existing network range upwards of \$75 billion. The National Surface Transportation Policy and Revenue Study Commission estimates that a comprehensive upgrade and investment in our transportation network—road, rail, water, and air—would approach \$200 billion. Moreover, the Highway Trust Fund, the primary source of federal funding for surface transportation, is likely to end up in the red by 2009 (and the transit fund by 2012). If the highway trust fund were a private business, it would be nearing bankruptcy and its bond rating would be lurking near junk status.

The second force driving the need for a complete overhaul of federal transportation policy is the way our urban economies are evolving, both regionally and globally. Fewer than 15% of trips in urban areas are for commuting purposes. Many of these commutes are no longer traditional home to work trips, but "chain" multiple purposes. Even in peak periods, 62% of trips on our roadways are for nonwork purposes. Twenty two percent of all trips are primarily for family and personal business purposes. Another 20% are for shopping. Indeed, the largest share of trips is "other." Our travel patterns are so complex and diverse, we cannot even aggregate them in a meaningful way. Not surprisingly, more than 85% of the traffic on our urban interstate is, in fact, local traffic. When interstates

are effectively local roads, its time to rethink the way we manage and fund our transportation network.

Of course, the funding deficiency in and of itself calls for a dramatic rethinking of the way we approach transportation policy. But, this comprehensive reform needs to include more than just new opportunities for funding. It needs to consider how our federal priorities should be set and, more fundamentally, rethink and reframe the roles of federal, state, regional, and local governments in providing transportation services.

The Changing Federal Role in Transportation Policy

The funding challenges and changes to our urban economies have profound implications for the federal role in transportation policy. I believe four issues rank paramount as we move forward.

- 1. A national, coordinated plan for transportation is not feasible or workable. Unlike the immediate post-World War II period, a clear national vision for a national network of highways and interstates is no longer possible. The Interstate Highway System had a clear vision—link the nation's major urban centers. Our economy is far too complex for such a simple vision to work any longer. Traffic congestion is largely a local and regional phenomenon, and local policy strategies will have to be tailored to local needs and concerns. The federal government is simply not suited to determining where a new regional beltway should be located, or which intersections should be upgraded, or even what mass transit technologies will best meet the needs of local travelers.
- 2. Road pricing will play a crucial role in managing and financing urban transportation networks efficiently. Simply widening roads and laying more asphalt will not solve congestion problems or improve traffic circulation effectively. The right capacity will have to be put in the right place at the right time using the right technology. This will require harnessing the information generated by market-based mechanisms such as road pricing. Road pricing provides two essential functions for maintaining a well functioning and efficient transportation system:
 - a. It creates a sustainable funding source by linking customers and their willingness to pay to the physical provision of facilities. The Indiana Tollroad lease agreement, for example, requires that the provider maintain specific levels of service to ensure free flow conditions and high levels of road maintenance.
 - b. Pricing provides key information to road managers and drivers about the cost of using roads and other transportation facilities at particular times of the day according to the level of use. In short, road pricing allows us to manage our road networks and facilities more efficiently to optimize their use. Notably, the SR 91 Express Lanes in Orange County, California guarantee free flow (65 mph) speeds for all users and carry more than 40% of the corridor's traffic despite providing just 33% of the physical road

capacity. One lane on the express lanes carries nearly double the traffic of a regular lane, during the busiest rush hours. Pricing allows the toll road authority to achieve these performance levels.

- 3. Private capital will play an essential role in addressing our transportation network capacity problems in the future. The federal government should facilitate the use of private capital as a way to augment the resources of state and local governments looking for ways to upgrade their infrastructure. The Indiana Toll Road lease is again instructive. The State of Indiana faced a funding shortfall of nearly half of its 10 year transportation plan. The \$3.8 billion in upfront revenue generated by the lease allowed it to fully fund its plan and ensure the highest priority projects would be finished on schedule. Pennsylvania has the same opportunity with a potential \$12.8 billion upfront payment from the private sector for the lease of the Pennsylvania Turnpike. Of course, other nations, particularly Australia and France, have used public private partnerships to fully fund the construction, maintenance and operation of major infrastructure projects, particularly tunnels. Public private partnerships will be a critical ingredient of any state's (or urban area's) ability to meet its transportation needs in the 21st century. Private companies are successfully managing major road facilities worldwide. The longer the US delays the entry of experienced engineering and road management firms into domestic transportation markets, the more our competitive economic edge will soften and erode.
- 4. The federal role should be restricted to those activities with a clear interstate and/or international function. Rather than focusing on an overarching vision for transportation on the local and regional levels, federal transportation policy should focus on those elements of the transportation network that are truly national (or international) in nature. The US freight system is fundamentally interstate (and multimodal) and international in orientation. In commerce, we talk about global supply chains, not local ones, even in retail and local service industries. Focusing federal efforts on coordinating and upgrading key freight corridors will be essential for focusing federal funding and decisionmaking productively. Another key role the federal government can play is in facilitating interstate cooperation on key infrastructure projects, particularly bridges and tunnels that link key cities and parts of urban areas. A third critical federal focus should be on our nation's ports and airports to ensure we have the facilities to remain globally competitive and goods move efficiently to (and from) markets throughout the US.

The Eroding Force of the Gas Tax

Of all the elements of federal transportation policy, our current funding mechanism is probably the most vulnerable and obsolete. Any funding system that relies on oil-based fuel technology is at risk. The rising cost of gasoline (a 75% increase since 2005) is reinforcing current trends toward more fuel efficient vehicles as well as alternative energy power sources for automobiles. Vehicle miles traveled are down 2.3% over the last year, and fuel efficiency standards will reduce the yield from the gas tax even further.

(Fuel efficiency has already increased 54% since 1975.) Already, 21 gas-electric hybrid trucks and cars are sold on the US market, and 65 models expected to be available by 2010. The all-electric Tesla sports car is a harbinger of what will be standard technology within a generation, particularly as the market accelerates the move toward alternative fuels as oil is increasingly diverted to meet the growth needs of Brazil, Russia, India, and China. Indeed, Honda is already entering into limited production of the fuel cell powered FCX Clarity, a 4-door sedan that it hopes to have in mass production within 10 years.

These trends in energy use and substitution also raise the specter of the need to find an alternative funding mechanism for transportation projects of all sizes and types at the federal, state, and local levels. In the intermediate term, the technology exists to increase the share of tolling as a revenue stream for limited access highways and regional urban road systems. In the long run, we will likely to have to consider some form of mileage-based road pricing approach to fully fund our transportation systems.

Mobility in a Globally Competitive Economy

In conclusion, mobility is critical to the economic success and competitiveness of a modern economy. Mobility is particularly important in a services-based economy that relies on human capital. Moving human resources quickly and efficiently, meeting the myriad of transportation needs of business and residential life, is an essential element of maintaining a high quality of life as well as low production costs. Indeed, research has consistently shown that mobility is more highly valued in higher income nations, and households are thus willing to devote a larger share of their family budget to purchase it. Higher income nations also have the wealth and income to afford the changes in buying habits and products necessary to maintain this mobility. Thus, federal policy must retain its focus on increasing mobility (for goods movement *and* people) as a key component for transportation policy.

Part of this approach will be to recognize that some elements of transportation policy (e.g., congestion relief) are ripe for devolving to the state and regional level and others (e.g., freight corridors and ports) will require a more strategic focus from the federal government. We will also need to come to grips with finding alternative sources of funding in an age of dwindling oil resources and limited public capacity to fund needed improvement to the transportation network.

Thank you for your time and attention, and I look forward to you questions.