

Federal Funding and Other National Issues

NORMAN Y. MINETA



Norman Y. Mineta is senior vice president and managing director, Transportation Systems and Services, Lockheed Martin IMS. His career in public service includes 21 years in the U.S. House of Representatives, serving as chairman of the Committee on Public Works and Transportation from 1992 to 1994. As a coauthor of the ISTEA legislation, he played a major role in the most sweeping revision of the nation's transportation laws since the mid-1950s. Previously he was mayor of San Jose, California.

There are five issues I believe to be particularly important in any consideration of institutional arrangements in transportation are declining investment in transportation infrastructure, the need for a national transportation system, the need to direct resources to points of congestion, the need to maximize throughput on existing infrastructure, and new public- and private-sector roles in transportation.

DECLINING INVESTMENT IN TRANSPORTATION INFRASTRUCTURE

Although the importance of investment in transportation infrastructure has never been greater, the fact is that federal investment in transportation is going to decline.

During 1996, both the Congressional Republicans and the Administration Democrats came to a rough budget agreement. That rough agreement was reflected in the President's midyear budget and in the congressionally approved budget resolution. While there were some specific areas of disagreement, the broad outlines were the same; most important, there was agreement on balancing the budget within 7 years using the same economic assumptions. There was also agreement on almost identical budget numbers for transportation. Those numbers include cutting transportation by 20 to 25 percent in real terms over the 7-year period. In August 1997, President Clinton signed into law the fiscal year 1998 tax and reconciliation bills. Although the new tax act shifts the 4.3 cent motor fuel tax to the Highway Trust Fund, it does not pro-

vide a mechanism to increase the 5-year budget caps included in the 1996 budget agreement.

There is no way this kind of reduction can be achieved in transportation overall without significant cuts in the Trust Fund programs. With those cuts, the Trust Fund surplus will grow, and complaints about that surplus will also grow.

There will be a great deal of political discomfort over this situation. Some will say it simply supports the case for devolution, or turning back both revenue and program responsibility to the states. Yet the 1996 budget commitments by both parties are a trap from which neither is likely to escape. To meet the budget targets both have set, one must significantly cut transportation spending and continue to collect all the revenues now being collected. Both the spending cuts and the continued revenues have already been built into the budgets of both parties. Under these budgets, devolution is as impossible as avoiding spending cuts.

The bottom line is that the federal-aid system, on which our institutional framework for transportation has been built for the last 40 years, is for the first time going to be significantly reduced. Moreover, there will be no relief in the form of increased spending on transportation by state and local governments. The political climate will not allow increased state and local taxes for transportation. State and local governments may be able to avoid cuts as steep as those of the federal government, but they certainly will not be able to replace the lost federal funds. They will be doing well simply to maintain the status quo in their own spending on transportation.

Thus the system on which we have relied for financial investment in transportation for the past

40 years—a system of increasing user tax revenues led by a growing federal-aid system—is in for significant change as the public sector cuts back on the amounts it invests in transportation, but not on the taxes it collects from transportation.

NEED FOR A NATIONAL TRANSPORTATION SYSTEM

The need for a truly national transportation system, which is what prompted us to launch the Interstate highway system 40 years ago, is even greater today than it was then.

To substantiate this point, we need only look at how the way we move freight in this country has been completely transformed. The trucking industry was primarily local and regional 40 years ago, and moved only a minority of our freight. Today it is truly national in scope, and moves nearly 80 percent of all our freight by value and more than 50 percent by weight.

Virtually every shipper and every consumer in our economy relies on this system of nationwide truck transportation. Our economy could not survive today without the efficiencies made possible by just-in-time delivery and the ability to serve almost any point in the nation.

This system evolved because back in the 1950s we did *not* say, “We will spend highway money only in places where people are already driving and producing gas tax revenues.” Rather, we said we would spend the money where it was needed to build a national system.

For example, my home state of California certainly had enormous local needs, with a great deal of traffic producing substantial gas tax revenues. But California also needed to be linked to the rest of the nation. It needed I-80 across Nevada and Wyoming, and it needed I-40 and I-10 across Arizona and New Mexico. It needed these highways to connect California businesses efficiently to their suppliers and to their customers throughout the national economy. The fact that very few people lived in Wyoming, Nevada, Arizona, and New Mexico, and that those states generated not nearly enough gas tax revenues to build the necessary roads to and from California, was not something we allowed to stand in the way of California’s getting what it needed, which was a national system.

So California became a donor state, and those other states became donee states. The system got built, the economy surged, and the political issue of donor and donee states was born. And yes, as a Congressman from California, I did sometimes have to work to explain to my constituents why this was not a terrible thing.

I certainly expect that the political shouting about donors and donees will dominate the transportation debate for most of this year. But the fact that gets lost in all this shouting is that *states* do not pay user taxes into the Trust Fund—*users* do, and so do shippers and ultimately customers. And those users, shippers, and customers need roads that lead to their destinations, their suppliers, or their customers, which often are not in their home states.

We must not lose sight of the fact that we need a national transportation system to serve a national economy as it competes internationally. And this is the answer to the question, “What is the federal role in transportation?”

The issue here should not be one of state-by-state accounting, but of making the best use of gas tax revenues to meet the needs of those who have paid the taxes, wherever those needs might arise. We should judge these programs by how well they direct the available resources to the needs of users, shippers, and customers, not by whether the taxes collected in each state exactly equal the amount expended in that state.

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NEED TO DIRECT RESOURCES TO POINTS OF CONGESTION

To keep the national system contributing to the efficiency of the national economy, we must direct the most resources to the points of greatest congestion and inefficiency. These bottlenecks of congestion are the points that lower the efficiency of the entire system.

There are studies examining where the congestion is, but we can get the same answer just by asking a trucker. Truckers will report that they do not get bogged down in traffic on I-80 across Nebraska or on I-40 across the Texas Panhandle. Most of the congestion nationwide comes from the relatively minor portion of the Interstate system in the metropolitan areas. The system slows down when one hits the Chicago or Los Angeles metropolitan area, or other major population centers.

It does not matter whether you live in Chicago or pay your gas taxes in Illinois. If you are trying to ship a product from Cucumber, West Virginia, to Rice Lake, Wisconsin, it is congestion in the Chicago area that is going to slow you down. That congestion is the bottleneck creating the inefficiency in the system. So just as I have argued to my constituents in California that they are well served by having some of their tax dollars spent to meet their transportation needs across Nevada and Wyoming, I would argue that today it makes sense for users, shippers, and customers everywhere to spend some of their dollars on solving the problem of metropolitan area congestion bottlenecks.

This is not just an issue of where we spend the money. It is also a question of *what* we spend the money on and *who* participates in the decision about spending that money. The problem we have in the metropolitan areas is that our interstates are being used both as local main streets and as national throughways. These two kinds of traffic combined add up to more than the concrete can handle.

In some cases it is simply a question of adding more lanes, or even adding a new route. But often, even with money available, local resistance to solving the problem with more concrete can simply be too great. If we are going to make any progress in many of these metropolitan areas, we are going to have to take greater account of local points of view as we seek solutions, and we are going to have to be more open to including a mix of alternative solutions with the additional concrete. If I am that trucker trying to get from Cucumber, West Virginia, to Rice Lake, Wisconsin, I should not care whether the congestion delay in Chicago is relieved by an extra lane, or an improved transit system that gets some of the local traffic out of my way, or an HOV lane that accomplishes the same purpose. I should be willing to count as a highway improvement anything that reduces the congestion delay I experience.

Indeed, the Intermodal Surface Transportation Efficiency Act was an attempt to create a role for local input and to focus some money on these metropolitan bottlenecks that affect the entire system. There are those today who want to undo exactly those features of ISTEA, who want to turn back the clock to the days when transportation meant only governors making decisions and only concrete getting poured. Ironically, some of those advocating such a position would be those most hurt by the failure to deal with the metropolitan bottlenecks that now set the level of inefficiency for the entire national system.

NEED TO MAXIMIZE THROUGHPUT ON EXISTING INFRASTRUCTURE

Given limitations in funding, in local willingness to see highways constantly expanded, and in the land area that can be made available for transportation infrastructure, we are simply going to have to find ways of getting more throughput out of the physical infrastructure we already have and the limited additional infrastructure we are going to be able to build in the future.

As in so many areas, accomplishing this objective will mean greatly expanding the use of electronic technology to improve efficiency and output. The term we use in the transportation arena is intelligent transportation systems, but this is a broad term covering a great many possibilities, some of which have already demonstrated their effectiveness, and some of which may or may not prove useful in the future.

Some of the technologies that have been most useful so far are electronic toll collection, ramp metering, weigh station bypass, better coordination of traffic lights and other traffic controls, variable message signs, and other forms of traffic information. What will prove most useful in the future is yet to be determined. But it is clear that we cannot come close to meeting the transportation needs of our economy without a major boost from electronic technologies.

Let me give an example. On toll roads with traditional toll booths, acres of concrete are poured to create all the lanes necessary for the lines of cars at the toll plazas. With a toll booth, each lane of concrete can handle as many as 300, maybe 400 cars per hour. Install an automatic coin basket, and the same lane of concrete can handle 500, maybe 600 cars per hour. Install electronic toll collection, in which cars equipped with transponders can bypass the toll booths entirely at highway speeds, and that same lane of concrete can handle more than 2,000 cars per hour. This figure represents a 500 percent increase in throughput from the same piece of concrete. And this is not a futuristic technology—these systems are being operated today in states such as California and Georgia.

The increased reliance on electronics will involve more than a change in technology; it will also require institutional changes as regards which entities provide additional transportation capacity. New kinds of transportation capacity providers will enter the equation—not just the construction contractors, but also the electronics providers. In some cases, new financing will result, as when electronic toll collection has made new highway construction

possible by supporting bond issues. An example is our Transportation Corridor Agency (TCA) toll road in California; electronics helped create a situation where the construction was accomplished with bond financing, instead of user tax funds.

NEW PUBLIC- AND PRIVATE-SECTOR ROLES IN TRANSPORTATION

A combination of factors, including reduced tax dollars for transportation investment and increased reliance on electronics to increase capacity, is going to alter the mix of public- and private-sector roles in transportation. For the past 40 years, we have, more than any other country, built our transportation system overwhelmingly on public-sector user taxes. That approach will continue to be important, but it will not expand, and it will not be anywhere near sufficient to meet transportation demand. Other kinds of private investment and public-private partnerships are already playing a growing role in transportation, and that trend will accelerate. This is going to be an area of major institutional change. People who have spent a lifetime getting used to one approach are now going to have to adjust to a variety of other ways of doing business.

Our TCA electronic toll project in California is a good example here as well. These are roads that were to have been built by public user tax dollars, but those dollars simply were not available and were not going to be for the foreseeable future. Yet traffic congestion on the Interstate was horrible. The result was that even in the land of freeways, the toll road—with electronic toll collection that means no waiting to pay one's toll—became well accepted.

An even more remarkable example is our weigh station bypass service, which, like electronic tolls, is transponder based. It allows a truck to be weighed and have its credentials checked while it is still out on the highway moving at highway speeds, before it arrives at the weigh station. If the computer finds a truck to be in compliance, that truck gets a bypass signal in its cab and can pass the weigh station without ever stopping. Obviously this service offers a great efficiency advantage for truckers and their shippers. However, it also offers an efficiency advantage to state law enforcement agencies, which can now focus their attention on those trucks which might have a problem, rather than wasting their time processing compliant trucks.

Given these advantages, rational self-interest should make both the trucker and the state eager to cooperate in putting this technology in place. But the historical relationship between the trucker and

the state has often been one of enforcer and enforcee. The two have not been used to cooperating in many cases. There really has been no institution to serve as a mechanism through which these two groups could work together for their common good.

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In California, creating the technology turned out to be easier than creating the institutional bridge between these two wary groups. But in fact they have come together to form a nonprofit corporation, called HELP, Inc., which is governed by a board composed equally of state agency and trucking industry representatives. HELP has implemented a weigh station bypass system in several western states, and we operate the system for them. This system is called PrePass, and both the states and the truckers who use it are very pleased with what it has done for them.

This is a case, then, in which a new institution had to be created to implement a new technology. The new institution has not made all the suspicions go away. There are still some truckers who want nothing to do with the system because they are concerned it might be used for electronic snooping purposes. And there are states that do not appear to understand the truckers' concerns about privacy and data protection. Truckers want the system used for its intended purpose of weigh station bypass, and not for other purposes. Yet some states want to run their own systems without a partnership such as HELP, and to use the data generated by the system however they wish. Truckers are saying they will not take a transponder if that is the way the system is going to be run.

Although the success of HELP, Inc. has not eliminated all the suspicions built up over a lifetime, it

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