

# Summary and Conclusions

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**T**he rather dry-sounding title of the policy discussion that is the focus of this issue of *TR News* disguises a wide-ranging and spirited debate about the future operations and management of government-sponsored transportation systems. Each of the contributors in fact questions the continued role of government in building and operating transportation systems for use by the public and private sectors. The story they tell is of an industry that

- Is disinvesting in itself.
- Has an aging capital plant—in some cases overbuilt and for the most part undermaintained.
- By its own admission is inefficient and slow to adopt rapidly advancing technology.
- Sometimes fails to understand its mission or know who its customers are.
- Usually does not know how well it meets the needs of its customers.
- Is facing increasing demands from its customers without their recognizing that there will be significant new costs associated with meeting those demands.

None of these characterizations is an exaggeration, and most are familiar. Yet the solutions to these conditions that are offered by the industry are described in rather vague and unsatisfying terms, repeated often during the debate captured here—marketization, commercialization, privatization, unbundling, dialogue, and communication. Further, there are many historical examples illustrating the pitfalls of those strategies. All the contributors agree that the pace of change is agonizingly slow in a world where economic challenges require an industry that is agile and responsive.

Stephen Lockwood makes a compelling case for change in the transportation industry. Internal challenges such as intermodal gaps and performance problems are matched by external challenges such as the sustainability of our communities and the “four D’s”—deficits, downsizing, deregulation, and devolution. Against these problems are arrayed some formidable barriers to their resolution. Institutions that were set up to focus on capital projects must now focus on management. Tax-based funding, once politically popular and plentiful, is drying up. An arm’s length relationship with the private sector, usually taken for granted in the public sector, frustrates private-sector participation in the financing and management of critical systems. Metropolitan networks, which are often the points of greatest inefficiency in the system, are fragmented by multiple owners and managers. Lockwood proposes a number of new directions to address government’s changing role in transportation systems, including refocusing on the customer, adopting an enterprise style of management, overcoming barriers inherent in current procurement procedures, commercializing systems and services, and reallocating the roles and responsibilities of government transportation providers.

Stephen Del Giudice points out that the political and economic conditions described by Lockwood and others are not unprecedented. Moreover, some of the recipes for change fail to acknowledge critical concerns and constraints, such as the increasing inclination of the public toward popular democracy, the “entitlement mentality” of both public and private customers of all government systems, and the continued propagation of inefficient land use patterns.

Others point out the potential to disenfranchise citizens whose income or travel patterns do not fit the commercial model. While Bernard LaLonde provides a glimpse of the enormous demands many customers will place on the transportation system, it is not clear that customers are willing to pay to meet those demands. LaLonde describes the new practices of inventory management, which amount to keeping goods constantly in motion to meet the growing demand for just-in-time delivery. In effect, while the private sector is increasingly using the public highway systems as warehouses, the costs of doing so are largely unrecognized by either the public or private sectors.

Norman Mineta recounts the budgetary pressures at the federal level, concluding with a prediction that the challenges facing the nation's transportation system would not likely be solved through larger federal programs. He also notes that metropolitan regions are significant system bottlenecks, but federal law does not really address metropolitan *transportation* systems in the same direct way that the National Highway System or the Interstate System relates to interregional highway systems.

Several broad themes emerge from the debate captured by these authors.

**Money.** No critical industry can absorb the kind of disinvestment described here while simultaneously improving performance. Successful industries must be willing to spend money and take risks in order to improve their competitiveness and future performance. Marketization and similar commercializing approaches are a way to raise more money from users (albeit while offering greater incentives for efficiency), yet we are not sanguine about our expectations that users will indeed accept the burden of paying for the true cost of service.

**Institutional change.** This is a deceptively non-threatening terminology that in fact suggests the need to consider some radical changes in order to rationalize the ownership, operation, and composition of the transportation system. We often use

casually the words "metropolitan transportation system," as if such a system actually existed in law or practice, but it does not. We also use solemnly the phrase "national highway system," which does indeed exist in legislation, but is in fact no more than a funding program, hardly a system. Public organizations are being asked to manage and maintain systems that make little rational sense. The private sector constantly sizes and shapes capital plant to work better, while creating capital to fix bottlenecks in production and other system problems. Public institutions are constrained from working that way. Because we have not been able to articulate the national interest in transportation effectively, devolution threatens to fragment further a transportation network that is desperately in need of systemwide attention.

**Political distractions.** Unfortunately, any publicly managed enterprise is subject to pressures that distract from more rational consideration of often complex economic and technical concerns. The current debate over the reauthorization of the nation's federal transportation programs is an obvious example. What should be a vigorous discussion of critical national policy in an era of daunting challenges to the transportation system has in fact been a quarrel about dividing up the funding pie among states, modes, and special interests.

It is certainly fair to ask whether, in the content and conclusions of this discussion, we are in fact overreacting to the frenetic pace of change in the global economy and technology. Is the public interest better served by the change-dampening effects of slow and cautious public management of transportation systems? Does a more risk-averse approach to decision making protect the interests of all citizens and result in institutions, societies, and physical assets that are more stable and durable? Will more rapid change serve and protect the public interest? Unfortunately, it would be difficult to argue that such questions have been explicitly considered in the making of national transportation policy.