

# Report of the National Surface Transportation Policy and Revenue Study Commission *Transportation for Tomorrow*

January 2008 | Executive Summary



## Preamble

A modern, smooth-functioning national surface transportation system is essential for economic success in a global economy and is also a key determinant of the quality of life enjoyed by citizens throughout America. Yet for too long — since substantial completion of the Interstate Highway System in the late 1980s — this country has lacked a clear, comprehensive, well-articulated and widely understood strategic vision to guide transportation policymaking at the national level.

In its last major transportation bill, Congress addressed the need for such a guiding vision directly. Noting that “it is in the National interest to preserve and enhance the surface transportation

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system to meet the needs of the United States in the 21st century.”

Congress established the National Surface Transportation Policy and Revenue Study Commission to undertake a thorough review of the nation’s transportation assets, policies, programs and revenue mechanisms, and to prepare a conceptual plan that would harmonize these elements and outline a coherent, long-term transportation vision that would serve the needs of the nation and its citizens.

This Commission has worked diligently to fulfill this charge, meeting and holding public hearings across the country during an intensive 20-month study period. Our findings and recommendations — calling for bold changes in policies, programs and institutions — are contained in our report, *Transportation for Tomorrow*. Here we offer an executive summary of key aspects of the report. The full report can be found on the Commission’s website at [www.transportationfortomorrow.org](http://www.transportationfortomorrow.org).

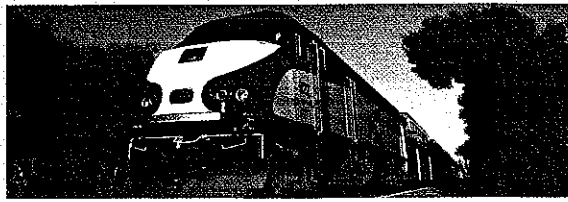
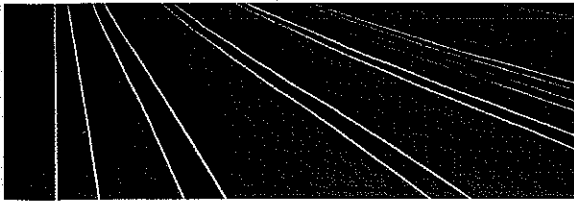
## A New Vision

Just as it helps to know your destination before starting off on a trip, our Commission believed at the outset that it is important to have in mind a vision of what the national surface transportation system might look like — or at least how we’d like it to function — in the middle of the 21st century. But before we even began to sketch this futuristic picture of the system, we agreed among ourselves that our fundamental motivation should be to help the United States to *create and sustain the pre-eminent surface transportation in the world*. We decided to aim high, in other words, and that pledge has sustained us through many long and sometimes contentious meetings — and has in the end allowed us to reach agreement on a surprisingly wide range of often sweeping policy proposals.

Our report, *Transportation for Tomorrow*, attempts to chart a course with this lofty goal as a destination. It is an action plan aimed at an ultimate achievement — to be the best — and we offer it with full faith that this goal can be reached and the vision realized.

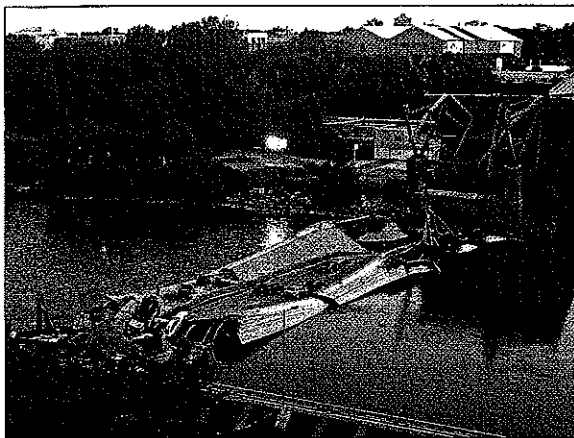
In our view, the United States could lay claim to best-in-class status in surface transportation when all of the following statements hold true:

- Facilities are well maintained
- Mobility within and between metropolitan areas is reliable
- Transportation systems are appropriately priced
- Traffic volumes are balanced among roads, rails and public transit
- Freight movement is an economic priority
- Safety is assured
- Transportation and resource impacts are integrated



- Travel options are plentiful
- Rational regulatory policies prevail

Speaking more broadly, we envision a surface transportation system where funding and function are inextricably linked. When making investments — and we do believe that substantial new transportation investments will be required — we must demand results, the kind of results that can be estimated in rigorous benefit-cost analyses and tracked by means of performance-based outcomes. We envision a system where needed transportation improvements can be designed, approved and completed quickly, and without unnecessary delays. We see a system that is fully integrated by mode (rail, road and highway), and which provides mobility to all users (urban commuter, rural resident, freight hauler). The transportation system we seek is environmentally sensitive, energy-efficient and technologically up-to-the-minute. And, above all, we envision a transportation system that fosters economic development and spurs



The collapse of Minnesota's Interstate 35W bridge on August 1, 2007, illustrated the fragile nature of the nation's surface transportation system. "The country's new and long overdue look at underinvestment in bridges, roads and transit should illustrate that government can't build and maintain infrastructure overnight," noted Minneapolis Mayor R.T. Rybak. "It takes long-term, consistent investment, even when there isn't a constituency lobbying for more money."

output and productivity growth at levels never seen before in history.

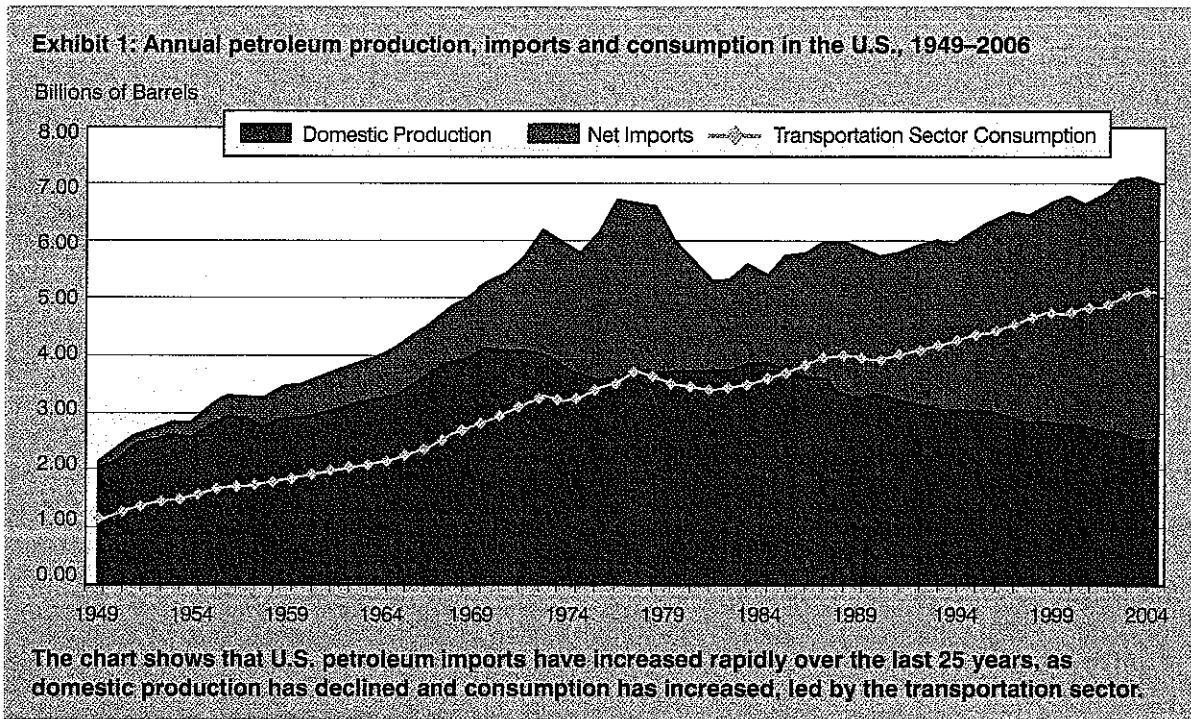
In other words, and as we said initially, we think it should be the goal of this nation to *create and sustain the pre-eminent surface transportation system in the world.*

## Today's Problems

Conditions on America's surface transportation systems — our roads, bridges and highways, our passenger and freight rail facilities, our public transit networks — are deteriorating. In some cases, the physical infrastructure itself is showing the signs of age. In almost all cases, the operational efficiency of our key transportation assets is slipping, and we have no agreed upon methods or solutions to restore them to an optimal level of utility.

Highway congestion, especially in our larger metropolitan regions, exacts a heavy toll on commuters and their families, and on the businesses that rely on highways to get their products to market. In figures compiled by the Texas Transportation Institute, congestion cost the American economy an estimated \$78 billion in 2005, measured in terms of wasted fuel and workers' lost hours. Congestion caused the average peak-period traveler to spend an extra 38 hours of travel time and consume an additional 26 gallons of fuel. Yet, we do not yet have a clear, nationally sanctioned strategy for breaking gridlock's chokehold on our economy and quality of life. Contributing to the scale of the problem is a deeply entrenched over-reliance on the personal automobile for travel in urban corridors. Strategies to shift more trips to public transit will play a large role in any forward-thinking efforts to reduce congestion. Similarly, intercity passenger rail offers opportunities to reduce the reliance on the auto for longer-haul trips. In many places, we also will need new highway capacity as well.

Travel on the nation's surface transportation system is far too dangerous. Highway travel, in particular, must improve its safety record. In 2006, over 42,000 people lost their lives on American high-



Source: Energy Information Administration

ways, and almost 2.6 million were injured. Highway travel accounts for 94 percent of the fatalities and 99 percent of the injuries that occur on all surface transportation facilities. Although fatality and injury rates have fallen on a total-miles-driven basis, these numbers are still unacceptably high.

Energy security has become a critical transportation issue. The nation's mobility is largely dependent on gasoline and diesel fuel, and the transportation sector as a whole accounts for two-thirds of U.S. petroleum use (see Exhibit 1). The steeply rising cost and unreliable supply of oil puts great strains on American households and businesses, and the greenhouse gases emitted when oil products are burned are now recognized as a chief contributor to global warming. Transportation policy must work in tandem with energy policy to reduce reliance on petroleum fuels and promote research on alternatives.

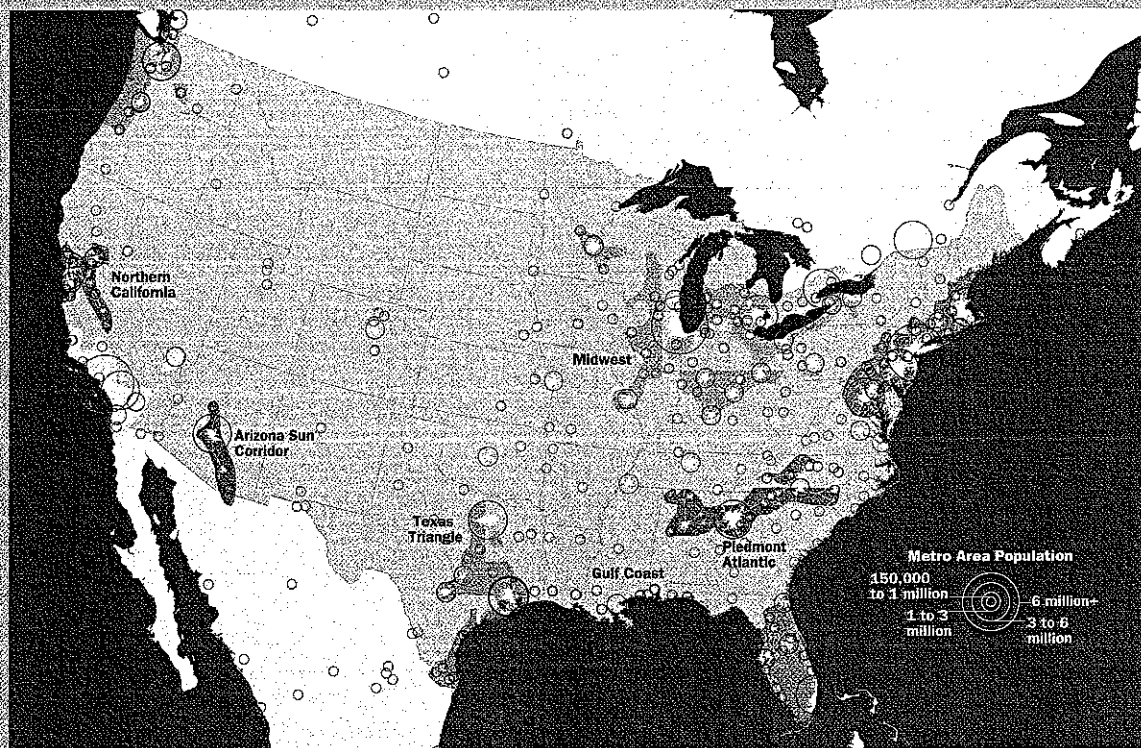
Because the nation lacks a clearly articulated transportation vision to guide investments — and an objective, performance-based method of assessing

individual projects — investment decisions are often made for political rather than good planning reasons. Congressional earmarking of transportation improvements increased from 10 projects in 1982 to more than 6,300 projects in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU, for short), passed in 2005. Similarly, private sector transactions that affect the nation's publicly owned transportation network must be accomplished in a transparent manner, so that the public is confident their interests are protected.

## Future Challenges

Over the next 50 years, the population of the United States will grow by some 120 million people, greatly intensifying the demand for transportation services by private individuals and by businesses. Most of that growth will occur in metropolitan areas (see Exhibit 2). Because it is unlikely that the transportation supply side can keep up with all of this growth, congestion will

## Exhibit 2: Emerging megaregions in the U.S.



Economic activity in the U.S. is becoming increasingly concentrated in closely linked groups of metropolitan areas, referred to as "megaregions." This will intensify pressures on already congested commute and freight corridors.

Source: Regional Plan Association

increase and spread beyond the traditional morning and evening rush hours to affect ever-lengthening periods of each day.

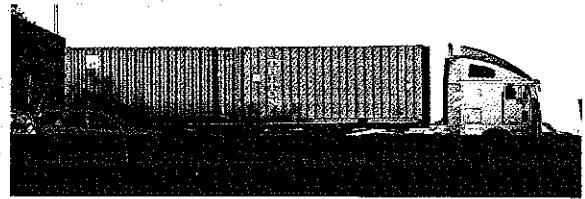
If, as expected, the world economy grows and becomes more globally integrated during the next half-century, the U.S. will experience higher trade volumes and greater pressures on its international gateways and domestic freight distribution network. Economic forecasts indicate that freight volumes will be 70 percent higher in 2020 than they were in 1998 (see Exhibit 3). Without improvements to key goods-movement networks, freight transportation will become increasingly inefficient and unreliable, hampering the ability of American businesses to compete in the global marketplace.

Any effort to address the future transportation needs of the United States must come to grips with the sobering financial reality of such an undertaking. Estimates indicate that the U.S. needs to invest at least \$225 billion annually for the next 50 years to upgrade our existing transportation network to a good state of repair and to build the more advanced facilities we will require to remain competitive. We are spending less than 40 percent of this amount today, and the current fuel-tax-

based revenue mechanisms probably cannot be relied upon alone to raise the needed sums.

The impact of transportation projects on the environment will properly be given increased attention in the future. Plans and projects to improve transportation cannot be made at the expense of the nation's environment, and the costs associated with protecting the environment must be considered, and funding for mitigation committed, during the planning and environmental scoping process. The drive for cleaner fuels and greater energy security also will be an increasingly important factor in the development of future transportation plans and programs at the national level.

At the same time, overly onerous and procedure-bound environmental review processes can often serve to delay the speedy and cost-conscious delivery of important transportation improvements. Major highway projects take about 13 years from project initiation to completion, according to the Federal Highway Administration, and Federal Transit Administration figures indicate that the average project-development period for New Starts projects is in excess of 10 years. That is simply too long. Without diminishing environmental safe-



guards, it will be essential to reform and streamline certain environmental review requirements to ensure that the large sums that must be spent to improve transportation are not made larger still due to delay and the consequent inflation of project costs.

## Recommendations For Reform

The surface transportation system of the United States is at a crossroads. The future of our nation's well-being, vitality, and global economic leadership is at stake. We must take significant, decisive action now to create and sustain the pre-eminent surface transportation system in the world. Here are some of the key elements of what needs to happen.

### Increased Investment

To keep America competitive, we are recommending a significant increase in investment in our national surface transportation system. The projected funding shortfalls — to maintain our existing

systems and expand capacity where necessary to meet the challenges of the 21st century — are enormous and ominous. To close this investment gap, we will need increased public funding. We will also need increased private investment. More tolling will need to be implemented and new and innovative ways of funding our future system will need to be employed. And we will need to price for the use of our system, which will help reduce investment needs.

### Federal Government a Full Partner

We are recommending that the federal government be a full partner — with states, local governments and the private sector — in addressing the looming transportation crisis. The problem is simply too big for the states and local governments to handle by themselves, even with the help of the private sector. We believe that the federal government must continue to be a major part of the solution.

And it's not just that the problem is big. The federal government has a strong interest in our national surface transportation system. This system is of vital importance to our economy, our national



Sources: Global Insight World Trade Service; \*TEU=Twenty-foot-equivalent unit



defense and our emergency preparedness. Our transportation network is critical to the interstate and regional movement of people and goods, economic growth, global competitiveness, environmental sustainability, safety, and our overall quality of life.

### ***A New Beginning***

In addition to putting more money into the system, we also must create a system where investment is subject to benefit-cost analysis and performance-based outcomes. We need a system that ensures each project is designed, approved and completed quickly; one that provides a fully integrated mobility system that is the best in the world; one that emphasizes modal balance and mobility options; one that dramatically reduces fatalities and injuries; one that is environmentally sensitive and safe; one that minimizes use of our scarce energy resources; one that eases wasteful traffic delays; one that supports just-in-time delivery; and one that allows economic development and output more significant than ever seen before in history.

In order to accomplish these objectives, we have concluded that major changes will be necessary.

We believe that the federal surface transportation program should not be reauthorized in its current form. Instead, we should make a new beginning. Here are the key elements of the new beginning we recommend for the next authorization bill.

First, we are recommending that the federal program should be performance-driven, outcome-based, generally mode-neutral, and refocused to pursue objectives of genuine national interest. More specifically, we are recommending that the 108 existing surface transportation programs in SAFETEA-LU and related laws should be replaced with the following 10 new federal programs:

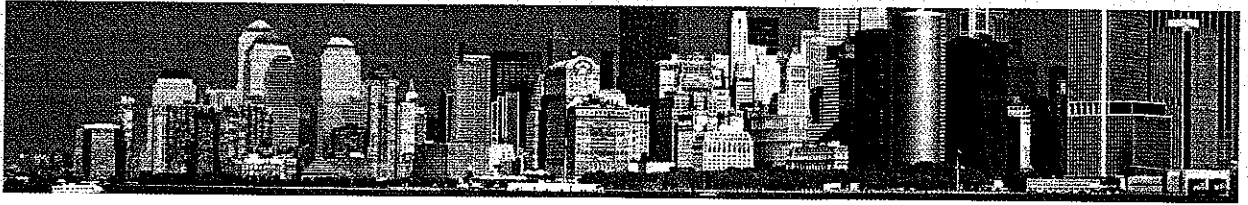
- **Rebuilding America** – state of good repair
- **Global Competitiveness** – gateways and goods movement

- **Metropolitan Mobility** – regions greater than 1 million population
- **Connecting America** – connections to smaller cities and towns
- **Intercity Passenger Rail** – new regional networks in high-growth corridors
- **Highway Safety** – incentives to save lives
- **Environmental Stewardship** – both human and natural environments
- **Energy Security** – development of alternative transportation fuels
- **Federal Lands** – providing public access on federal property
- **Research and Development** – a coherent national research program

US DOT, state and regional officials, and other stakeholders would establish performance standards in the federal program areas outlined above and develop detailed plans to achieve those standards. Detailed cost estimates also would be developed. These plans would then be assembled into a national surface transportation strategic plan.

Federal investment would be directed by the national surface transportation strategic plan. Only projects called for in the plan would be eligible for federal funding. And all levels of government would be accountable to the public for achieving the results promised.

The Commission acknowledges that these recommendations represent a major departure from current law. The federal program has evolved into what is now essentially a block grant model, with little accountability for specific outcomes. Developing performance standards and integrating them into a performance-driven regimen will be challenging but we believe the rewards will be worth the effort. In addition to making better use of public moneys to accomplish critical national objectives, the Commission's recommended approach of performance standards and economic justification would do much to restore public confidence in the transportation decision-making process. In such an environment, we believe Congress and the



public would be more amenable to funding the nation's transportation investment needs.

Second, we are recommending that Congress establish an independent National Surface Transportation Commission (NASTRAC), modeled after aspects of the Postal Regulatory Commission, the Base Closure and Realignment Commission, and state public utility commissions. The new federal commission would perform two principal planning and financial functions:

The NASTRAC would oversee various aspects of the development of the outcome-based performance standards in the federal program areas outlined above and the detailed plans to achieve those standards, and it would approve the national transportation strategic plan.

Once the national strategic plan has been approved, the NASTRAC would establish a federal share to finance the plan and recommend an increase in the federal fuel tax to fund that share, subject to congressional veto.

Third, the project delivery process must be reformed by retaining all current environmental safeguards, but significantly shortening the time it takes to complete reviews and obtain permits. Projects must be designed, approved and built as quickly as possible if we are to meet the transportation challenges of the 21st century.

## Paying the Bill — "There Is No Free Lunch"

Policy changes, though necessary, will not be enough on their own to produce the transportation system the nation needs in the 21st century. Significant new funding also will be needed. We list our major revenue recommendations below.

First, we are making the following general recommendations:

- It is imperative that all levels of government and the private sector contribute their appropriate shares if the United States is to have the

pre-eminent surface transportation system in the world.

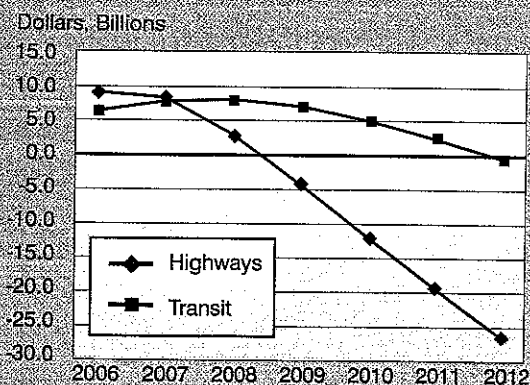
- We strongly support the principle of user financing that has been at the core of the nation's transportation funding system for half a century.
- We are recommending continuation of the budgetary protections for the Highway Trust Fund, so that user fees benefit the people and industries that pay them.

Second, we recommend that legislation be passed in 2008 to keep the Highway Account of the Highway Trust Fund solvent and prevent highway investment from falling below the levels guaranteed in SAFETEA-LU (see Exhibit 4).

Third, we are making the following specific recommendations with respect to transportation funding in the period between 2010 and 2025:

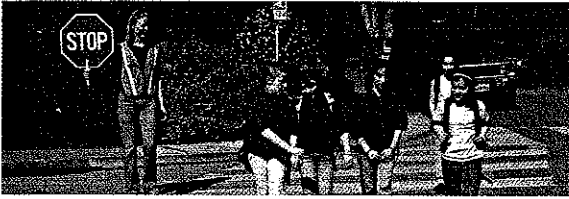
- As noted above in "Future Challenges," the annual investment requirement to improve the condition and performance of all modes of surface transportation — highway, bridge, public transit, freight rail and intercity passenger rail — ranges between \$225–340 billion. The range depends upon the extent of

**Exhibit 4: Projections of Highway and Transit Account Balances Through 2012**



This exhibit shows projected balances in the Highway and Transit Accounts of the Highway Trust Fund through 2012 assuming no change in revenues or program levels.

Source: U.S. Department of the Treasury projections.



peak-hour pricing implemented on congested urban highways in lieu of physical capacity expansion. To address this investment target by providing the traditional federal share of 40 percent of total transportation capital funding, the federal fuel tax needs to be raised by 25–40 cents per gallon. This increase should be phased in over a period of five years (5–8 cents per gallon per year). This rate increase should be indexed to the construction cost index.

- We are also recommending other federal user-based fees to help address the funding shortfall, such as a freight fee for goods movement projects, dedication of a portion of existing customs duties, and ticket taxes for passenger rail improvements. Tax and regulatory policy also can play an incentivizing role in expanding freight and intermodal networks.
- In addition, we are recommending that Congress remove certain barriers to tolling and congestion pricing, under conditions that protect the public interest. This will give states and local governments that wish to make greater use of tolling and pricing the flexibility to do so. More specifically, we are recommending that Congress modify the current federal prohibition against tolling on the Interstate System to allow:
  - tolling to fund new capacity on the Interstate System, as well as the flexibility to price the new capacity to manage its performance; and
  - congestion pricing on the Interstate System (both new and existing capacity) in metropolitan areas with populations greater than 1 million.
- We are recommending that Congress encourage the use of public-private partnerships, including concessions, for highways and other surface transportation modes. Public-private partnerships can serve as a means of attracting additional private investment to the surface transportation system, provided that conditions are included to protect the public interest and the movement of interstate commerce.

- State and local governments have many different types of revenues to draw upon for their share of new investment. They likely will have to raise motor fuel, motor vehicle, and other related user fees. In addition, many may take advantage of the expanded opportunities in tolling, congestion pricing and public-private partnerships that our recommendations propose.

Fourth, we are making the following specific recommendations for transportation funding in the post-2025 era:

- The motor fuel tax continues to be a viable revenue source for surface transportation at least through 2025. Thereafter, the most promising alternative revenue measure appears to be a vehicle miles traveled (VMT) fee, provided that substantial privacy and collection cost issues can be addressed. The next authorization bill should require a major national study to develop the specific mechanisms and strategies for transitioning to the VMT fee or another alternative to the motor fuel tax to fund surface transportation programs.

## “Let’s Get Moving”

We believe that a strong transportation system is important enough to mount a large-scale effort for change; indeed we believe it is vital to the economic future of the nation and the well-being of its citizens. *Transportation for Tomorrow* presents a case for fundamental reform that we believe is compelling — and that we hope is persuasive. We invite you to join us as we take actions to turn our recommendations into reality. It is time to deliver to the people of this nation a simple but meaningful message: “Let’s get moving.” Together, we can.



[www.transportationfortomorrow.org](http://www.transportationfortomorrow.org)