



Transportation, Space, and Technology

A RAND INFRASTRUCTURE, SAFETY, AND ENVIRONMENT PROGRAM

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CONFERENCE PROCEEDINGS

Transportation Challenges for the New Administration

Perspectives of Past DOT Secretaries

Liisa Ecola



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Transportation, Space, and Technology

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Preface

On January 29, 2009, the RAND Corporation hosted a panel discussion with three former U.S. secretaries of transportation. This wide-ranging discussion, held the week after President Barack Obama's inauguration and during the congressional debate over the stimulus package (eventually passed as the American Recovery and Reinvestment Act of 2009), allowed the former secretaries to share their insights into transportation policymaking.

These brief proceedings should be of interest to stakeholders in transportation policymaking, including those in industry as well as government.

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The RAND Transportation, Space, and Technology Program

This research was conducted under the auspices of the Transportation, Space, and Technology (TST) Program within RAND Infrastructure, Safety, and Environment (ISE). The mission of ISE is to improve the development, operation, use, and protection of society's essential physical assets and natural resources and to enhance the related social assets of safety and security of individuals in transit and in their workplaces and communities.

The TST research portfolio encompasses policy areas including transportation systems, space exploration, information and telecommunication technologies, nano- and biotechnologies, and other aspects of science and technology policy.

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Acknowledgments

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Abbreviations

AIR-21	Aviation Investment and Reform Act for the 21st Century
DOT	U.S. Department of Transportation
FAA	Federal Aviation Administration
Financing Commission	National Surface Transportation Infrastructure Financing Commission
FY	fiscal year
NextGen	Next Generation Air Transportation System
Revenue Commission	National Surface Transportation Policy and Revenue Study Commission
TEA-21	Transportation Equity Act for the 21st Century
VMT	vehicle miles traveled

Summary of Panelists' Remarks

On January 28, 2009, the RAND Corporation hosted a panel discussion with three former U.S. secretaries of transportation:

- William T. Coleman, Jr., who served as U.S. Secretary of Transportation from 1975 to 1977 in the administration of President Gerald Ford.
- James H. Burnley IV, who served as U.S. Secretary of Transportation from 1987 to 1989 in the administration of President Ronald Reagan, after having served as Deputy Secretary and as General Counsel of the Department.
- Rodney Slater, who served as U.S. Secretary of Transportation from 1997 to 2000 in the administration of President William Clinton, after having served as Federal Highway Administrator.

The discussion took place in the Cannon Building on Capitol Hill in Washington, D.C. Martin Wachs, director of the Transportation, Space, and Technology Program at RAND, served as moderator. The event took place one week after President Barack Obama's inauguration, as congressional debate over the economic stimulus package was ongoing.

These proceedings summarize the main points made in the discussion. The former secretaries did not make prepared remarks, but rather responded to moderator and audience questions. We have prepared this summary by topic, grouping comments on the same topic under one heading, although they may have been responses to other questions. The three former secretaries were basically in agreement on these key points, and for that reason we have portrayed them as speaking with one voice.

Several audio excerpts from the discussion are available at http://www.rand.org/pubs/conf_proceedings/CF257/. Links to individual excerpts are included under specific topics.

Secretary Ray LaHood and the Obama Administration

Transportation could receive needed attention and resources in the new administration, since President Obama's secretary of transportation, Ray LaHood, is politically influential. He has an unusually high profile for a secretary of transportation, creating an opportunity to be at the table on decisions not only on transportation, but also climate change. He hails from Illinois, home state of both Obama and Chief of Staff Rahm Emanuel, and he has relationships with the appropriations committee members.

Transportation and Climate Change

Because of the importance of climate change, the transportation industry should engage not only Secretary LaHood, but also Carol Browner, Assistant to the President for Energy and Climate Change, and Lisa Jackson, Environmental Protection Agency Administrator. When President Obama spoke about his willingness to review the requests of California and other states to set higher emissions standards than the federal government, both LaHood and Jackson were in attendance. The transportation industry should begin talking with environmental policymakers about greenhouse gas issues very soon.

Transportation and the Economic Stimulus

No secretary of transportation in the past 30 years has faced such daunting challenges. The economic crisis is real and urgent, and it affects transportation in a major way. For example, over \$100 billion in bonds slated to be issued for local infrastructure projects have been canceled because of the frozen credit markets. However, it is an encouraging sign that transportation has been included in discussions about the economic stimulus from the beginning. In the early 1990s, under the Clinton Administration, transportation was seldom included in discussions of economic issues.

But the current stimulus package [at the time the panel discussion took place, the House was debating its first package] is disappointing, since it only accelerated investment that was already planned. This should have been an opportunity for fresh thinking about our approach to transportation. Other countries are making major investments in transportation infrastructure, whereas the United States seems unable to do so. [Audio clip: William T. Coleman, Jr., on major transportation investments: http://www.rand.org/pubs/conf_proceedings/CF257/#major_transportation_investments.] For example, one committee of industry leaders¹ suggested a collection of high-profile national projects that should be included in the stimulus package, including high-speed rail, freight-only corridors, and the Next Generation Air Transportation System (NextGen) [see discussion of the latter two under “Top Transportation Priorities”]. Other proposed nontransportation items included investments in broadband and the energy grid.

This particular moment in transportation—one that truly deserves to be called unique—also represents an opportunity to link transportation to national security. The last time it was obvious that transportation and security were so closely intertwined was the early 1970s, during the oil shocks. We should ensure that the decisions we make help reduce our dependence on those countries that may not have our best interests at heart.

¹ While not identified at the discussion, this is likely a reference to the Infrastructure Issue Team of the Strengthening America’s Future Initiative, sponsored by the Center for the Study of the Presidency and Congress. The former secretary who made this remark was not available to confirm this.

Top Transportation Priorities

Several specific projects and issues should receive high priority in the next reauthorization bill. The top priority is taking action on the failing Highway Trust Fund [see discussion below under “Funding”]. Also with regard to funding, there are over 100 categorical funding programs in the current surface transportation authorization bill. Reducing them to a manageable number, such as 10 or 12, would be a very sound idea. It is simply counterproductive to deal with such a large number of programs.

Freight-only corridors could provide enormous productivity gains and increase safety by separating trucks from passenger traffic. The U.S. Department of Transportation (DOT) projects an increase in freight movement of 67 percent from 2000 to 2020; this may happen a bit more slowly due to the nation’s economic problems, but it will still happen.

The Federal Aviation Administration’s (FAA’s) NextGen project, which would move air traffic control systems from radar to the Global Positioning System, is in the works, but it should be accelerated. Accelerating this project would have substantial benefits—creating jobs and helping relieve air traffic congestion, which is a drag on the economy. The technology is mature and almost fully tested, and the FAA has brought it to the point of implementation, which has not been an easy task. (At one point, the NextGen project was on the U.S. Government Accountability Office’s “high-risk” list, but it was recently removed. It may have helped that FAA administrators now serve a five-year term; with a two- or three-year term, it is difficult to shepherd such a large project.) However, as things stand, the NextGen project will probably not be fully implemented until 2020, since commercial and corporate interests do not want to fund the retrofitting of their aircraft. The federal government could spend \$3 to \$4 billion for the retrofits, but the transportation community did not lay the groundwork for this in Congress and thus missed the opportunity to include funding for this project in the stimulus package.

While instituting a federal capital budget would be an important innovation, the idea has been discussed in the past and nobody has proposed a viable mechanism by which to make it work. While this budget type would make sense, given the 50-year lifespan of roads, this would not be a fruitful avenue for the new administration to pursue.

Momentum for Reauthorization, and the Effects of Delay

Momentum is already building for infrastructure investment, and a series of major packages can help build this momentum further. The stimulus package will be approved and the fiscal year (FY) 2009 and 2010 appropriations bills will be passed, and finally Congress will take up surface transportation and aviation reauthorization bills. The effect of this momentum is illustrated by events in the Clinton Administration. The initial date for surface reauthorization was not met, but Amtrak authorization passed in 1997. Then, the surface transportation reauthorization—the Transportation Equity Act for the 21st Century (commonly known as TEA-21)—passed in 1998, followed by the aviation reauthorization—the Aviation Investment and Reform Act for the 21st Century (commonly known as AIR-21)—in 2000. As the economy improved, it became easier to get these bills through, even though they had previously languished. A similar process could happen now. [Audio clip: Rodney Slater on the momentum for reauthorization: http://www.rand.org/pubs/conf_proceedings/CF257/#momentum_for_reauthorization.]

While there is zero chance for enacting the next reauthorization bill before the September 2009 expiration of the current bill, this does not imply that the transportation industry should let up its pressure. The transportation industry should continue to press for its goals in Congress and for the continued active discussion of reauthorization. Such pressure can help ensure that the inevitable delay in reauthorization will be shorter than it might otherwise be.

Reauthorization delay has two major consequences. First, it means that the Highway Trust Fund will need a new infusion of money to avoid going into the red. Second, it means that grant programs require additional and time-consuming processing. Under normal circumstances, many grants are issued for a period of several years. However, without a reauthorization bill in place, these same grants may be valid only six months, because they cannot extend past the end of the fiscal year. This means that, at the end of the six-month period, they have to be re-issued with a new funding amount. At the FAA, where reauthorization has been delayed for several years, the agency has had to process an additional 700 grants. This does not represent 700 new grants, but rather 700 grants that had to be processed multiple times because the original funding did not span the entire project. This represents a major drag on the agency, because it slows other work.

The Transportation Industry and Reauthorization

It would help the reauthorization process if industry leaders could agree among themselves about the top priorities. Currently, Congress is put in the unenviable position of having to be the referee between competing transportation interests. The U.S. Chamber of Commerce, whose president and CEO, Thomas J. Donohue, has transportation experience from his time at the American Trucking Association, has been filling this coordinating role to some extent, but more private industry support is needed.

In addition to coordination among passenger transportation interests, the freight industry should be represented in the discussions leading up to reauthorization. Freight industry leaders need to step up to that challenge. Under the Reagan Administration, they were very aggressive in talking to the secretary of transportation. At the same time, the problem of parochial interests persists. Trucking and rail interests need to cooperate, and to involve shippers as well.

Secretary LaHood should also recognize that he will need to go outside the Beltway to hear a variety of views. Being from a small Illinois city, he will understand this. It is also important that transportation leaders have a constituency behind them in favor of their proposals.

Funding

The collapse of the Highway Trust Fund is an overarching issue. The fund will be in the red again at the end of FY 2009. Congress set up two commissions to look at this issue, the National Surface Transportation Policy and Revenue Study Commission (Revenue Commission) and the National Surface Transportation Infrastructure Financing Commission (Financing Commission). The Revenue Commission recommended an increase in the gas tax of 25 to 40 cents per gallon. The Financing Commission, whose report will be released shortly,² will

² This report was released in March 2009.

recommend an increase of 10 cents per gallon for gasoline and 15 cents for diesel fuel to keep the trust fund afloat until a vehicle miles traveled (VMT) fee can be implemented.

However, it is very unlikely that any of these recommendations will be implemented. Our elected officials have absolutely no intent to raise the gas tax; even President Obama said that he was unwilling to increase the gas tax during a recession. A VMT fee to finance transportation would serve as a better starting point, but imposing new fees of other types will not be popular either.

The question is not whether the United States should rely on user fees for transportation finance. The question is whether we will have sufficient revenues from any source to make the investments we need. The major source of funding in coming years will be the revenues from a cap-and-trade program, which is likely to be enacted. The transportation industry can debate gas taxes versus VMT fees, but it is projected that about one-third of all fees collected under cap-and-trade will be from transportation sources. The transportation industry needs to start thinking now about how to ensure that it has a seat at the table when the use of those revenues is discussed. [Audio clip: James H. Burnley IV on transportation funding: http://www.rand.org/pubs/conf_proceedings/CF257/#transportation_funding.]

Earmarks

While earmarking is complex, many in the public and press perceive the process as fundamentally flawed and entirely without merit. This has led to serious skepticism about transportation funding, which presents a marketing challenge to the transportation industry as a whole: How can we reestablish our credibility? It helps that President Obama declared that the stimulus package will be free of earmarks, because they have been growing at such a rapid rate. This is not a partisan issue; both Democrats and Republicans have been guilty of earmarking. And while not all earmarks are bad, it is difficult to set national policy when a large pool of available funding is already earmarked.

The credibility of transportation funding has been damaged not just by the explosion of earmarks, but by the fact that so many are put forward without any credible analysis to support them. DOT has cost-benefit analysis tools in place that can vet projects appropriately, and these mechanisms have been improving over the past 20 years. So the problem is not that Congress directs funds to specific projects, but that they direct funds to projects like the "Bridge to Nowhere" that would not pass any credible cost-benefit test. One solution might be for DOT and Congress to agree on a set of evaluation criteria, and then Congress can choose among prequalified projects to fund. This would help restore the balance of power between the executive and legislative branches, which earmarking has affected. [Audio clip: James H. Burnley IV on earmarking: http://www.rand.org/pubs/conf_proceedings/CF257/#earmarking.]

Sunshine and transparency are also important. One recent reform requires the member of Congress who requests an earmark to attach his or her name to it (of course, this does not stop the problem of members who are proud to support bad projects because their constituencies want them). There might also be ways to use technology to give the general public greater insight into earmarks.

The Federal Role in Transportation

Although the Interstate Highway System has been completed and some have suggested that transportation policy should now devolve to the states, the federal government still has a key role to play. Whereas the federal purpose during the interstate era was national connectivity, the new federal purpose is international connectivity, to ensure that our economic growth can continue by providing access to overseas markets. Although they depend on it, the states cannot ensure this if they act alone; federal and state partnership is necessary.

Another federal role is to ensure that the system remains multimodal in nature. Those who represent the various transportation modes must recognize that they become stronger, not weaker, when they maintain their connections to other modes. Intermodal freight delivery is the wave of the future. However, there are limits to this. Although there has been a series of clever and informative commercials for freight rail, touting how much freight can be moved on a gallon of fuel, in reality, 85 percent of freight in the United States moves by truck, and this is unlikely to change in the near future. [Audio clip: Rodney Slater on the federal role in transportation: http://www.rand.org/pubs/conf_proceedings/CF257/#federal_role_in_transportation.] Aviation also needs to be included in discussions of freight; although the tonnage shipped by air is low, the value is high.

The federal government may have to make decisions about prioritizing freight and passenger transportation in certain circumstances. For example, in the Clinton Administration, DOT had to decide whether a passenger airline or freight carrier would have greater access to the Asian aviation market. DOT selected the freight carrier, because of the contribution of air freight to the economy. The federal government has a legitimate role in evaluating the importance of various modes.

Finally, the federal government should ensure that the United States continues to have a viable domestic automobile industry. Maintaining major manufacturing capacity is vital.

However, the pressing concern in transportation is not developing a national vision of transportation, but reestablishing credibility with the public and ensuring that needed funding is available. Secretary LaHood needs to assume principal responsibility for making sure that transportation has the resources it needs.

List of Panel Discussion Participants

Participant	Affiliation
Introduction	
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Rodney Slater	U.S. Secretary of Transportation, 1997 to 2000
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