Securing America's Future Energy

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1111 19th Street NW
Suite 406
Washington, DC 20036
tel: 202-461-2360
fax: 202-461-2379
secureenergy.org

On Jobs & Energy Security: Presidential Attention on Transportation Infrastructure

SUMMARY

- With the transportation bill set to expire at the end of September, the President is making the "jobs" case for continued investments in the nation's transportation infrastructure. He would be wise to also highlight how effective transportation policies can strengthen the nation's energy security by reducing demand for oil.
- To effectively improve energy security, transportation spending must be carefully prioritized to address the greatest needs and generate the greatest potential gain.
- These priorities include measurable and accountable efforts to reduce oil consumption in the transportation sector, and deploying modern, technological solutions on both the funding and performance sides of the transportation equation.
- Finally, the transportation system can and should attempt to unleash competitive market forces to the benefit of consumers and the nation's economic and national security.

INTRODUCTION

Last week, President Obama urged Congress to pass a "clean" extension of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), a bill that funds road transportation projects and allows for the 18.4 cent federal gas tax to be collected. SAFETEA-LU originally expired in 2009, but has continued to be funded through multiple short-term extensions. The current extension is set to expire on September 30 unless Congress passes a reauthorization bill or another extension.

Another temporary extension appears to be the most likely scenario, given that the House and the Senate have significantly different views on what the long-term bill should look like. The Democrat-controlled Senate seeks a two-year bill that will maintain current spending, and cost $109 billion. The Republican-controlled House is pushing for a six-year bill that will cut spending by 30 percent and cost $230 billion.

As America faces a difficult economic climate and contentious debates over spending in Washington, it will be more important than ever to focus on low-cost, high-impact solutions to our country's transportation and energy security challenges.

President Obama will outline his proposals for growing the U.S. economy and putting Americans back to work this evening, and he is likely to reiterate the importance of funding transportation projects. In addition to focusing on transportation as a jobs issue, the President would be wise to use this opportunity to emphasize the urgency of reducing America's dependence on foreign oil, and to press for incorporating a specific strategy for reducing U.S. addiction to foreign oil into the broader transportation policy.

Oil and the Transportation Sector

Seventy percent of U.S. oil consumption is attributable to the transportation sector. Notwithstanding recent progress to improve the fuel efficiency of our cars and trucks, and the burgeoning efforts to shift towards alternative fuels, the vehicles that power the American economy will remain dependent on oil for several decades.

Despite this linkage, transportation and energy policy have historically been debated in two entirely separate spheres. Since the construction of the interstate highway system, a coherent, unified strategy for the federal surface transportation system has largely been absent.

Characterized by indirect fees, misaligned incentives, overburdening regulations, and inefficient capital investments, today the U.S. transportation system faces major funding, and performance challenges.

Transportation Policies for America's Future

In February 2011, the Energy Security Leadership Council (ESLC) released *Transportation Policies for America's Future*. This report examined the challenges facing the U.S. transportation system in the 21st century, and provided a vision and accompanying recommendations for a more efficient and market-driven approach to national transportation policy.

Through a relatively small set of specific reforms, we can create jobs, stimulate economic growth, reduce our oil dependence, restore the mobility to which we aspire, and sustainably fund our transportation system to ensure that it can meet the needs of a growing and vibrant nation for years to come. Equally important, we can begin to restore public confidence that taxpayer dollars will be spent on projects that make economic sense.

Reforms should address two key areas. First, they should establish a measurable and accountable national transportation objective to reduce our system's dependence on oil. Second, reforms should lead to smarter capital investments in highways, transit systems, and advanced technologies that encourage higher operating efficiency.

Successful measures can: empower transportation system users by giving clear signals of the cost of their travel decisions; expand the menu of travel options; and promote competition in the provision of infrastructure and related services.

The transportation system can and should attempt to unleash many of the same competitive market forces that have driven innovation in other major sectors of the economy to the dual benefit of system users and the nation's energy security.

Specific Policy Recommendations

Recommendation 1: Establish national standardized system performance metrics within the Department of Transportation, and at the state level where projects receive federal funds, with reducing oil consumption as a principal performance metric. Elements of this recommendation include:

a. Ensuring that federally-supported programs and projects implement standardized performance metrics with clear objectives and comprehensive cost-benefit analysis forming a foundation. Performance metrics include projected fuel savings, travel delay reductions, increases in travel reliability, state of good repair considerations and reductions in fatalities; and
b. Enhancing USDOT's data and analytical capacity to support real performance metric setting.

Recommendation 2: Create a new federal formula program funded—by consolidating and eliminating duplicative programs—equal to 25 percent of total annual federal transportation funding, and focused on improving transportation system performance in metropolitan areas specifically including urban and suburban locations. The program's elements include:

a. Reducing highway congestion (as opposed to simply slowing growth) within five years through the deployment of leading technologies, operational/pricing strategies, and targeting new capacity investments toward acute bottlenecks;
b. Encouraging economically justifiable alternatives to single-occupant travel in internal combustion vehicles; and
c. Dedicating any surplus revenues generated beyond those needed to fully cover allocated system costs for reinvestment in projects tied directly to the achievement of overall performance objectives.

Recommendation 3: Create a $5 billion-per-year competitive program that makes funds available to congested metropolitan areas for comprehensive proposals that seek to design and deploy:

a. Dynamic tolling projects that reduce congestion;
b. Performance-based technology investments that target a range of operational improvements, including advanced traffic signals, interoperability of electronic payment systems, quick clearance of accidents and improved driver information;
c. Public transportation solutions that can be quickly deployed and are part of an overall system performance strategy; and
d. Other travel demand management initiatives.

Recommendation 4: Establish a Freight and Intercity Infrastructure Enhancement Program to maintain and improve highway and passenger rail capacity outside of metropolitan areas and along major freight corridors. Up to 10 percent of total annual federal transportation funding would be allocated as follows:

a. 80 percent of funding would be distributed by formula directly to states in the form of block grants that could be used for any transportation investments that have a substantial impact on interstate commerce and energy savings and are consistent with overall performance objectives established in statewide transportation plans.
b. 20 percent of funding would be invested on a discretionary basis to nationally significant and meritorious intercity highway and rail projects with a clear emphasis on those that specifically improve the efficiency of freight and goods movement.

Recommendation 5: Remove federal legal restrictions on state tolling/pricing of new road capacity and any existing road where it can be shown that such pricing would bring about congestion relief, and help improve the ability of state and local governments to finance transportation improvements.

Recommendation 6: Actively promote the long-term deployment of a comprehensive, privacy-protective Vehicle Miles Travelled (VMT) fee system.

Recommendation 7: Pilot new approaches to pre-development regulations for projects that are expected to achieve substantial and ongoing oil savings.

A Road Forward: Priorities

The recommendations made in *Transportation Policies for America's Future* can help to guide policymakers in making effective investments in transportation infrastructure that are necessary to provide the U.S. economy the jump start it needs.

In a climate of constrained spending at all levels of government, funding of the transportation system must be closely tied to the achievement of realistic performance goals, with less emphasis on funding specific projects, and more emphasis on overall system outcomes. Measurement and evaluation of projects should be based on a consistent set of metrics aligned with national transportation priorities. This will aid policymakers in the analysis of existing and future projects (*Recommendation 1*).

A primary area of focus must be metropolitan areas, where system inefficiencies and infrastructure deterioration are particularly severe. Funding allocated by formula should be adjusted regularly based upon important performance-related criteria such as the extent of problems like congestion, the degree to which multi-modal solutions are being pursued, and the extent to which the jurisdiction is making improvements towards the achievement of objectives. Discretionary funding programs should have a heavy emphasis on relative cost-benefit ratios, implementation timeframes, and the degree to which best-available technologies are utilized. High-impact, low-cost solutions such as dynamic tolls are some of the best examples (*Recommendations 2 and 3*).

Removing unnecessarily burdensome regulation also offers substantial possibility for improving funding and performance of the system. Clearer legal signals from the federal government, for example, as they relate to tolling/pricing new and existing road capacity, can aid in the timely deployment of meritorious transportation projects. These types of projects are proven to reduce congestion and can offset declining revenues (*Recommendation 5*).

Real Action is Necessary

Transportation issues will be a key component of the upcoming jobs debate, due to Presidential attention and the expiration of the transportation bill. But, transportation's importance to the nation also extends to energy. There must be a concerted effort to take a longer-term view of all of the benefits surrounding transportation infrastructure improvements, and this includes the substantial oil savings that effective transportation policies can deliver.