

T2 Comments to the National Surface Transportation Infrastructure Financing Commission

May 20, 2008

The Transportation Transformation Group (T2) is pleased to submit comments to the National Surface Transportation Infrastructure Financing Commission (Finance Commission) concerning their Interim Report, “The Path Forward.” T2 consists of public and private sector organizations that seek fundamental reform in transportation funding and policy. We believe that America needs a long-term, goal-driven, performance-based vision for the future of transportation that transforms the current way of meeting America’s needs.

T2 has developed solid principles that we believe should guide all policy changes in our national transportation system. A copy of our principles is attached for review by the Finance Commission. Below, we provide comments on information from the Finance Commission interim report, “A Path Forward.”

T2 agrees with the three main problems identified by the Finance Commission about the current surface transportation funding approach:

- Revenue is insufficient to maintain the national network and build needed improvements to the system;
- Current funding mechanisms and levels of revenue are not closely linked to use of the transportation system, allowing demand and costs to grow faster than revenue; and
- Critical components of the current approach to investing transportation revenue are not structurally driven toward cost effectiveness, dissipating the effectiveness of existing revenue.

Finance Commission Charge:

The Finance Commission is charged with providing recommendations to Congress and the Executive Branch about the Highway Trust Fund, specifically addressing:

- Funding levels sufficient to maintain and improve the nation’s highway and transit systems;
- Funding levels to ensure that federal investment in highways and transit systems does not decline in real terms; and
- Other mechanisms or funds that could augment the current means for funding and financing highway and transit infrastructure.

T2 Response:

The current method of financing the Federal surface transportation program primarily through the motor fuel taxes is not sustainable given the emergence of new technologies and a greater emphasis on fuel economy. Remaining singularly reliant on motor fuel taxes will only widen the gap between transportation needs and available revenue. T2 encourages the Finance

Commission to examine alternative funding sources for our nation's transportation system that look beyond just motor fuel taxes.

T2 supports transportation policies that provide maximum flexibility in transportation finance, procurement and operations of existing and new facilities. While the Highway Trust Fund is not the only way to fund transportation in our country, but we do support the continuation of the existing motor fuel tax, provided significant program reforms and innovative financing methods are made fully available to states.

The Relevant Issues

Below, T2 responds to the relevant issues that the Finance Commission will be examining in their final report.

Finance Commission: We will address the federal funding and financing approaches in the context of national system issues.

T2 Response: T2 agrees that the Finance Commission should examine the national system as a whole and that federal activities should focus on maintaining and building transportation facilities with a clear national interest. We believe that this approach should also examine the current structure of funding. Instead of being organized around separate modes, the federal Department of Transportation should integrate the modes to allow local and state transportation agencies to cross subsidize among modes to allow them to adequately manager their portfolio of transportation assets.

Finance Commission: We will assume a minimum adequate level of system quality.

T2 Response: T2 agrees that, at a minimum, funding levels must be adequate to maintain current system conditions. We support a transportation system that enhances quality of life and maintains global economic competitiveness by reducing congestion and increasing mobility. Our overall quality of life is dependent on improving the efficiency of our transportation system. System quality is also very important to our customers. We should be able to generate funds in ways that encourage better service and operating efficiency as well as provide an adequate level of funds.

Finance Commission: We will assess future investment needs to improve system condition and performance.

T2 Response: Besides maintaining the current system, T2 supports improving the current system with system-wide enhancements. We also support a transformation of American transportation policy in 2009, not just a reauthorization of current policies. We believe that future investment needs should be closely examined, system planning should be performance-based, and that Congress must establish a long-range vision of surface transportation that considers all modes for moving people and goods, as well as the providers and customers of the system.

Finance Commission: We will consider how funding mechanisms affect capacity needs.

T2 Response: We agree with the Finance Commission’s assumption that direct user charges can influence behavior by shifting travel to less congested times or by promoting transit or telecommuting. Direct user charges also promote more efficient investment decisions. By analyzing where user charges are utilized, decision makers can determine where to add capacity. We think the Federal government should encourage and provide incentives for implementation of any and all tools that support user charges such as congestion pricing, high occupancy tolls, tolling options, truck only lanes, and vehicle miles traveled pricing.

Finance Commission: We will consider the need for transportation investment in rural as well as urban areas.

T2 Response: T2 members represent both urban and rural constituencies, and we support the need to provide transportation investment in both urban and rural areas. We also believe that local and regional leaders should be responsible for resolving transportation problems that are local and regional in nature. They should have maximum flexibility to make local and regional decisions.

If states are given latitude to broaden their innovative financial options, then it is possible to adequately sustain rural areas that rely heavily on fuel taxes for their needs. If metropolitan areas can raise and capture user-based revenue, it protects fuel tax supported maintenance and connectivity initiatives in rural regions.

Finance Commission: We will consider the need for adequate investment in all modes of surface transportation.

T2 Response: T2 supports direct user charges for transportation; however, states and local governments should be given flexibility to move financial resources among modes of transportation when doing so provides end benefit to users. We support transportation policies that allow states to develop and implement seamless multimodal solutions. We believe that the United States Department of Transportation should not be organized primarily by modes, and Federal funding categories should be consolidated and focused on meeting broad national goals.

Finance Commission: We will consider goods movement needs.

T2 Response: We agree with the need to consider goods movements and encourage the federal government to identify ways to maximize freight and passenger connectivity. The ease of freight movement has an enormous impact on our economy, and we support ways to promote better connectivity and passage on our current transportation system.

Finance Commission: We will consider how infrastructure investments are prioritized.

T2 Response: We believe that the way federal funding is allocated needs to change. With earmarks and specific funding categories, state and local authorities are not able to spend the funds they receive on what they perceive as priority projects. The Finance Commission states that it will examine the role of the private sector in determining how projects are prioritized. We

agree with the Finance Commission that the role of the private sector should be examined. Federal, state and local governments and the private sector must all have flexibility to apply innovative techniques in planning, funding, financing, development, delivery, operations, management, preservation, oversight, and accountability. The private sector's primary responsibility is to partner with states and local governments wherever practical at every stage in the finance, operation, design, maintenance and construction of highways.

Finance Commission: We will consider the role of technology.

T2 Response: The future transportation system should aggressively advance the adoption of new intelligent transportation system technologies, while maintaining the flexibility to adapt to emerging technologies. Technologies should have an open architecture, be interoperable and respond to customer needs.

Finance Commission: We will consider the work of the Policy Commission.

T2 Response: The Policy Commission has recommended several federal reforms in line with T2 principles. For instance, we believe reforms should be enacted to streamline the federal funding categories and provide for performance based goals and strategies. We also believe anything that can be done to speed project delivery times will greatly improve each of the state DOT's ability to complete projects and minimize inflationary effects. We also agree that an increased investment in transportation using various public and private funding sources is necessary, but we feel strongly that state and local governments should have more decision making authority when it comes to selecting projects and financing mechanisms. The proposal of creating an independent federal commission to control transportation decisions is not congruent with our principles. In addition, we believe meaningful federal reforms must be enacted prior to consideration of any type of federal fuel tax increase.

Evaluation Criteria

T2 agrees with the potential evaluation criteria proposed by the Finance Commission in their interim report.

Preliminary Observations

Finance Commission: System demands are outpacing investment.

T2 Response: We agree that the current system demands are great and the current funding sources are not adequate to maintain and improve the transportation system. States and regions should be encouraged (through streamlined federal processes or incentives such as increasing the cap on Private Activity Bonds and through the Urban Partnership program) to invite private-sector innovation and financial resources to participate in project design, operations, delivery and financing options.

Finance Commission: System maintenance can be so costly and necessary that it becomes difficult to address necessary expansion of the system.

T2 Response: T2 agrees that maintaining the current system is important but expansion of the system is necessary to combat congestion and increase mobility across the nation. If we do nothing, the congestion crisis will hinder productivity, economic opportunity and our ability to remain globally competitive. As mentioned previously, the Federal government should encourage and provide incentives to implementation of any and all tools to enhance our transportation system. These tools include congestion pricing, high occupancy tolls, tolling options, truck only toll lanes, vehicle miles traveled pricing, construction of new capacity facilities and utilization of a full range of public private partnership arrangements.

Finance Commission: The fuel tax, which has been the key federal funding source for our system, is no longer sufficient at current rates.

T2 Response: Prior to considering any increase in Federal motor fuel taxes, the Federal government should encourage and enable States to employ business strategies and innovative finance techniques that help meet transportation goals. These may include tolling, congestion pricing, HOT lanes, vehicle miles traveled pricing, the National State Infrastructure Bank, and the full range of other public private partnership mechanisms to bring additional resources to solving transportation issues.

Finance Commission: More direct user charges should be explored.

T2 Responses: As stated previously, T2 supports transportation policies that provide maximum flexibility in transportation finance, procurement and operations of existing and new facilities. We encourage the Commission to explore all tolling options such as congestion pricing, high occupancy tolls, truck only toll lanes, and vehicle miles traveled pricing. T2 believes direct user charges should be market based and not only recover the cost of the service but the value of the benefit provided.

Finance Commission: We need not only more investment in our system, but more intelligent investment complemented by better system operations.

T2 Response: We support intelligent investment of the funds we already have available to us. We support adding new resources to the transportation network, not just moving monies from one fund to another. New resources, not just money, allow for reduced costs and/or higher quality services for the same level of funds. We should spend better, not simply spend more. If new resources from sources such as private-sector involvement lead to time and cost savings to transportation agencies, they should be supported.

T2 supports more intelligent investment in the transportation system, but also a national transportation plan that establishes a set of goals that focus squarely on clearly defined, national priorities. Performance measurement should be a fundamental element of this national plan, as well as state and local plans. By developing and measuring performance measures, transportation agencies will be able to present results to customers. Measures are also important to private entities that wish to invest in transportation improvements. They want to see performance

measures being met as a reward for their investment. Likewise, transportation agencies could offer minimum levels of guaranteed performance to customers and measure these levels.

Conclusion

T2 understands that the Finance Commission is just beginning to examine solutions to the funding and financing problems of our nation's transportation system. T2 would like to comment on the Finance Commission's draft documents throughout the process of developing the final report. We are especially eager to provide comments on different financing mechanisms that we support and recommend. We look forward to the next opportunity to comment on the Finance Commission ideas, proposals, and concepts.