



Summary Report on IBTTA's Transportation Improvement Forum

By Lisa Callahan and Barbara Pruitt

Introduction

On March 20-21, 2006, the International Bridge, Tunnel and Turnpike Association hosted its first ever “Transportation Improvement Forum” in Santa Monica, California. On the first two days of spring, more than 150 transportation practitioners, scholars, business executives, and city, state and federal government officials came together to focus on what must be done to solve the most critical problems in surface transportation in the U.S. and articulate a coherent vision for an effective, productive, well-funded surface transportation system across modes.

The significance of meeting in Southern California was lost on no one. As an independent country, California would be the fifth largest economy in the world. And the combined Port of Los Angeles/Long Beach – which many of the transportation leaders visited the day before the conference – is the fifth busiest port in the world. But Southern California is also home to the worst traffic congestion in America. All the more reason to hold IBTTA's first Transportation Improvement Forum in this paradoxical cradle of economic growth and gridlock.

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In the course of the two-day forum, transportation leaders acknowledged that while the United States boasts the largest economy in the world, it also suffers from a huge surface transportation investment deficit. The gap between the funds

we have and the funds we need just to keep our highways in their current condition over the next 20 years is more than \$1 trillion.

Major Themes

Several major themes emerged from this Forum:

1. **Weakness of the fuel tax.** The fuel tax is rapidly losing its position as the dominant means of funding surface transportation, and we must find alternatives that are more efficient and equitable.
2. **Rise of direct user fees.** Direct user fees – including tolls, variable pricing, congestion charging and road use metering – hold enormous promise for filling the funding gap or even supplanting the fuel tax over time.
3. **Commercialization as an option.** Commercialization of the transportation network in which both public and private entities have a stake in guiding transportation investments through “Regional Mobility Corporations” is one possible option to leverage the “public service” features of governmental entities and the “profit and efficiency motives” of commercial enterprises.
4. **The key role of freight.** Freight movements must be central to surface transportation planning because U.S. freight volumes will nearly triple over the next two decades. Freight planning must also include issues associated with cross border freight movements. Since 10 fed-

eral agencies are involved in regulating and managing freight movements, greater coordination of freight planning must be a priority to avoid the problems of stove piping.

5. **Involving key customers in decision-making.** Key customers of the road network, including automobile users and trucking companies, already feel burdened by the investments they have made in the existing highway network and are demanding measurable improvements in service quality and availability as a precondition for further investments. These constituencies must be an integral part of the discussions about how future investments will be made and the level of those investments.
6. **Overcoming institutional barriers.** The arrival of the 50th anniversary of the Interstate Highway System has brought a renewed awareness of the deficiencies of the current scheme for funding and managing highway development. We must move aggressively to overcome the barriers to the creation of net new revenues and develop new institutions to support a more efficient transportation system.

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7. **Public education campaign.** While the public is aware on some level that the surface transportation system is failing, they are not yet motivated enough to take concerted action to force change. A key step in solving the crisis, therefore, should be a multi-faceted education campaign that outlines the current problems and the costs and benefits of potential solutions. Such a campaign would help motorists make the connection between transportation and the quality of their every-day lives and urge them to push key influencers and policy makers to fix the problems and

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make necessary investments in transportation. It is widely believed that politicians often lack the will to raise taxes, but some presenters expressed the view that voters may not mind tax hikes or new tolls if they better understood the importance of transportation – what it means to the economy, global competitiveness and most important, their quality of life. A grassroots effort may be necessary to convince politicians that supporting such measures is not political suicide.

8. **Leadership.** The problems of the current system have been clearly documented. Most of the participants agree that that nation's economy depends on a strong transportation system, but the system is in crisis because of a lack of



Roster of Association and Organization Sponsors of the Forum

American Association of State Highway and Transportation Officials (AASHTO)
American Road & Transportation Builders Association (ARTBA)
American Public Transportation Association (APTA)
American Public Works Association (APWA)
American Traffic Safety Services Association (ATSSA)
Association of Metropolitan Planning Organizations (AMPO)
Center for Urban Transportation Research (CUTR)
Construction Management Association of America (CMAA)
Environmental Defense
Hudson Institute
ITS America
I-95 Corridor Coalition
Mineta Transportation Institute
National Association of County Engineers (NACE)
National Conference of State Legislatures (NCSL)
National Retail Federation (NRF)
Reason Foundation
Transportation and Development Institute of the American Society of Civil Engineers

funding, deteriorating infrastructure and growing congestion. Several presenters urged that SOMEONE needs to stand up and take a leadership role in bringing about change instead of continuing to talk about the problem. Even if that means a small coalition as opposed to one organization, company or individual, most presenters seemed to agree that little positive change will happen without solid, visionary leadership.

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Widespread Support from Other Transportation and Economic Interests

Eighteen transportation organizations sponsored this Forum including associations representing road builders, state departments of transportation,

"Back to drawing board after bond issue failure"

The following letter appeared on the editorial page of the Los Angeles Times on the first day of the Transportation Improvement Forum, March 20, 2006. The writer refers to Governor Schwarzenegger's infrastructure bond initiative and the reasons why the state legislature rejected it. This letter was an especially fitting description of why IBTTA selected southern California as the Forum venue.

The Times' analysis of the failure of the infrastructure bond (March 17) quotes GOP strategist Kevin Spillane as saying that average voters feel little passion about infrastructure and would prefer that state leaders focus on schools, healthcare and jobs. Perhaps that is the real failure — to help the public see the fundamental link between infrastructure and the high quality of life we take for granted.

Last summer, we watched an entire city wither before our eyes without the water supply, power, communications and mobility that modern infrastructure provides. In California, any number of factors could cause critical systems to fail and cascade into a New Orleans-level disaster. But we remain skeptical of calls for increased investment to maintain existing systems and build new ones. The task of ensuring the reliability of our many critical systems will be long, arduous and costly.

Perhaps the next step should be to convince the public that infrastructure does matter so they demand that officials invest wisely in our critical systems.

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metropolitan planning organizations, state legislators, county engineers, retailers, public transit and others. There was tacit agreement that we need to work in concert to create and advance a political strategy to make the changes necessary to increase transportation funding and improve transportation policy making. As U.S. patriot Benjamin Franklin said on signing the Declaration of Independence, "We must all hang together, or assuredly we shall all hang separately."

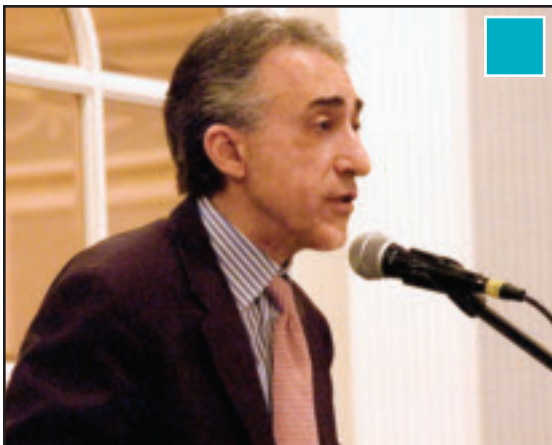
Toward a Purpose Driven Transportation Policy

Joseph M. Giglio, Ph.D., Professor of Strategic Management in the Graduate School of Business at Northeastern University, delivered the keynote address at lunch on March 20, 2006. He challenged the delegates to consider new models for transportation finance and to look beyond the narrow interests of individual modes and regions. Here is an excerpt from the speech:

In this talk, I have outlined a three-step process for applying pricing to the nation's roadway system.

This process begins by establishing independent regional mobility corporations in our major metropolitan regions, where traffic problems are most severe. These corporations would take over all responsibility for roadways in their regions and be owned by partnerships of government, private firms, and passive investors. They would support themselves by implementing user charges on their region's limited-access highways, based on a pricing structure that can generate enough revenue to meet all of their region's roadway needs.

The next step would be for regional mobility corporations in adjacent metropolitan regions to form jointly owned subsidiaries to take over responsibility for the rural transportation corridors that link them together. These subsidiaries would implement motorist user charges on the Interstate highways in these corridors to generate the revenue necessary to meet its roadway needs. As this concept spreads across the



country, virtually all roadways would eventually become supported by motorists through user charges. Ending forever their dependence on fuel taxes and the general tax revenues of state and local governments. Able to generate the funds required to make the nation's roadways a spur to economic growth rather than a constraint.



The third step is the most radical. It involves using some of the revenue generated by motorist user charges as a source of funds to help support other surface transportation modes. There is no sensible reason why freight shipments that can be moved by rail should burden the roads – except that the nation’s privately owned freight rail network currently lacks the capacity to accommodate more freight shipments and can’t generate the funds on its own to

support more capacity. The same is true of mass transit systems in major metropolitan regions. They could take many commuter trips off urban roadways during high demand periods if they had sufficient capacity – which they can’t currently afford to build. Motorist user charges represent the only new source of transportation revenue. Doesn’t it make sense to use some of it to help support complementary surface transportation systems rather than mindlessly struggle to build more roadway lane miles ad infinitum?

One of the most obvious advantages of these regional mobility corporations is their ability to generate significant amounts of equity cash by



selling shares in the private sector. This reduces their need to issue debt for capital reconstruction and expansion. Therefore, they take the next step beyond the traditional public authority model by having a financial structure that is both equity-based and debt-based. Just like any large modern business enterprise.

This is a sensible idea on its face, and the technology is already in place to put it to work.

But it is only an idea. To turn it into reality demands intelligent and aggressive leadership to craft the kind of political strategy that this vision requires. One of the critical goals of this strategy is to bring Congress and the White House on board for the legislation needed to provide the flexibility to implement user pricing on the nation's highways where it is applicable, and to involve the federal government in a broader spectrum of capital loan and loan guarantee programs.



Where is this leadership to come from?

From my perspective, it should come from those of you who are already in the business of selling roadway access to motorists. Your successful track record building and operating toll bridges, toll tunnels, and toll turnpikes gives you the know-how to implement your basic concept of self-supporting roadways on a national basis. And in the process, turn the American roadway system into one of the most important contributors of its future economic growth.

But let's face it. You are not the only candidates for this leadership mantle. Competitors include the various private firms who are buying up existing toll roads on a piecemeal basis (as in Chicago and in Indiana) and seeking state franchises to build from scratch entirely new toll road corridors. Their agendas are simple and transparent – to gain control of income-producing roadways as a basis for maximizing stockholders wealth. In this context, better transportation for the nation may tend to be something of an afterthought.

You must decide whether to let these or other competitors win. At stake is the future of your business and who ends up controlling the nation's surface transportation future.

Conclusion

Our nation's surface transportation system is in crisis. A serious lack of funding, deteriorating infrastructure and rising congestion seriously threaten America's economy and our status as a world leader.

We know what the problems are. And we know how to solve them. What's missing is political will.

Our nation's transportation systems are on the verge of dramatic changes. Changes that will affect the way we design, finance, manage and operate our transportation infrastructure. New technologies and new ways of viewing transportation users as "customers" are revolutionizing the way we provide transportation in America and around the world.

Unfortunately, much of the innovation and efficiencies that these changes promise are being blocked by institutions, processes and thinking that are governed more by political expediency than vision and common sense.

We also live in an age in which we demand higher and higher levels of service yet are reluctant to pay more for the services we demand.

But we Americans are also realists. We know about wars and depression. We know about plagues and famine. We also know "there's no free lunch" and its corollary, "there are no free roads."

In the final analysis, we recognize that we must pay for the transportation improvements that are necessary to promote the economic growth, jobs and productivity that are hallmarks of our society. In short, we must invest.

As this report demonstrates, investment takes many forms. We must learn to embrace the full range of investments to keep our transportation systems strong. We must be open not only to the traditional forms of road funding, such as fuel taxes, property taxes and local option sales taxes, but also tolling, VMT fees and road pricing. As we come to see highways as

not just a road but a service, we can also see the value in encouraging both public and private sector investment in our infrastructure.

The road ahead is full of opportunity. We now need the political will to allow our communities to take advantage of those opportunities.

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