Transportation

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A Pro-Growth Agenda for the 116th Congress

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Transportation

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Mobility is one of our most important needs, one we often take for granted until it is threatened or lost. Reliable movement of both persons and goods depends upon adequate transportation infrastructure investments and management. In the United States, transportation now accounts for nearly 10 percent of U.S. gross domestic product. Four million miles of highways enable 3 trillion vehicle-miles traveled every year, according to the Bureau of Transportation Statistics. Nearly 20,000 airports enable nearly 10 million annual aircraft departures carrying more than 685 million passengers. More than $12 trillion worth of goods are moved every year in the United States by road, rail, air, and waterway.

Transportation networks vary greatly in terms of quality, financing, and management. For instance, roads generally are paid for out of user-tax or property-tax revenues, whereas freight rail is privately financed and operated. One important lesson is that the private sector is generally better than government at financing and operating high-quality transportation systems at lower costs. New technologies and management practices present serious challenges going forward, particularly to those networks that exist largely as government monopolies.

Even if privatization of existing networks were to prove politically unattainable, the starting point for sound transportation policy is adherence to the users-pay/users-benefit principle. Transportation infrastructure and operations should be paid for by the users who directly benefit from their use. Despite some spillover effects, the vast majority of benefits accrue to the network users. Compared with general revenue funding of government-owned infrastructure and services, users-pay offers the following advantages:

- **Transparency.** Charges "follow" users, unlike tax dollars that wind through convoluted bureaucracies.
- **Fairness.** Users pay and benefit directly from improvements generated from their payments; users who use the systems more pay more.
- **Signaling investment.** Operating revenues generally track use, and popular systems can be identified for targeted improvements.

Unfortunately, many federal transportation programs do not adhere to the users-pay principle. In those cases, the programs should be reformed to meet the users-pay principle. If that proves not to be possible, that would suggest that the program is high cost and low value and should be ended.

The history of economic regulation of transportation systems in the United States shows that competitive markets benefit consumers more than top-down planning and control. In the late 1970s and early 1980s, airlines, motor carriers, and freight rail were partially deregulated, leading to lower prices and improved service. Today, rules aimed at promoting safety dominate many discussions of transportation regulation. However, although safety regulation was well intended, many of the resulting measures provide few, if any, benefits at very high costs. In a number of cases, safety regulation has become a way to impose backdoor economic regulation, even though explicit economic regulation is now greatly constrained or prohibited by law. That should concern policy makers.

To better promote high-value, low-cost mobility, Congress should critically examine current practices and work to remove government barriers to competition and innovation in the transportation sector. Congress passed a multiyear Federal Aviation Administration (FAA) reauthorization in October 2018. There is much to be done to reform the FAA and federal aviation law in a more pro-market direction. Congress should continue to examine the air traffic control governance and airport funding and financing reform proposals that were debated in the previous session, especially (a) an air traffic control model based on Canada's successful corporatization and (b) lifting the federal cap on the local airport user fee known as the passenger facility charge. In the meantime, Congress should begin examining policy improvements for the next highway bill, as the current multiyear surface transportation reauthorization expires on September 30, 2020.

REFORM SURFACE TRANSPORTATION

Surface transportation policy has become less rational and more ideological in recent years. Environmentalists, ideologically motivated urban planners, and their political allies have succeeded in diverting resources from improving highways to mass transit, even as road congestion has dramatically increased—now imposing annually nearly $305 billion in economic costs nationwide, according to the 2017 INRIX Global Traffic Scorecard.

The increased use of discretionary grants has further politicized the process and has enabled increased funding to high-cost, low-value projects. The current prohibition on states tolling their own Interstate segments restricts experimentation in revenue collection and financing that could usher in better funding and management practices. New and existing pilot programs that allow state-based funding alternatives to fuel taxes should be promoted and monitored. In addition, Congress should look to replace fuel taxes with mileage-based user fees over the long run if it wishes to maintain the Highway Trust Fund. That was the recommendation of the 2009 final report of the National Surface Transportation Infrastructure Financing Commission, which was endorsed by former House Transportation and Infrastructure Committee Chairman Bill Shuster (R-Penn.) in his July 2018 surface transportation discussion draft.

Congress should:

- Provide oversight of state-based, mileage-based user-fee pilot programs authorized under the Surface Transportation System Funding Alternatives Program, Sec. 6020 of the Fixing America's Surface Transportation (FAST) Act of 2015.
- Examine mileage-based user fees as a national replacement for fuel tax revenue of the Highway Trust Fund.
- Streamline surface transportation programs by eliminating discretionary grants programs such as Better Utilizing Investments to Leverage Development (BUILD).
- Hold hearings on the National Highway Traffic Safety Administration's development of automated driving system policies.
- Enact performance-based safety regulatory reforms across the entire Department of Transportation.

In light of the National Highway Traffic Safety Administration's (NHTSA) guidance on automated driving systems, Congress should maintain tight oversight of the agency's policies regarding this technology. Many of the nonbinding recommendations are welcome and help to fill a vacuum that previously threatened to produce a patchwork of conflicting state laws and regulations.

Finally, despite President Clinton's 1993 Executive Order 12866 and subsequent reaffirmations that regulatory agencies should "specify performance objectives, rather than specifying the behavior or manner of compliance that regulated entities must adopt," many safety regulations remain prescriptive. New technologies and practices can achieve better safety outcomes at lower cost, but they remain prohibited thanks to outdated, inflexible regulations. Safety regulators should seek to develop performance- and risk-based regulatory alternatives to better advance their safety missions.

Expert: Marc Scribner

For Further Reading

Marc Scribner, "CEI Submits Comments on New Automated Driving System Federal Guidance," OpenMarket (blog), Competitive Enterprise Institute, November 14, 2017, https://cei.org/blog/cei-submits-comments-new-automated-driving-system-federal-guidance.

Marc Scribner, "House Transportation Chairman Proposes Examining Shift to User Fees for Highway Funding," OpenMarket (blog), Competitive Enterprise Institute, July 25, 2018, https://cei.org/blog/house-transportation-chairman-proposes-examining-shift-user-fees-highway-funding.

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Marc Scribner, "Toward Performance-Based Transportation Safety Regulation: Focus on Results Instead of Rigid Rules to Improve Safety and Promote Innovation," *OnPoint* No. 225, Competitive Enterprise Institute, March 29, 2017, https://cei.org/content/toward-performance-based-transportation-safety-regulation.