

TRANSPORTATION FINANCIAL NEEDS DURING THE NEXT DECADE

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CONGRESS TO ENACT MUCH LEGISLATION ON SURFACE TRANSPORTATION

It is an exciting time in Washington for those of us directly involved in the continued development of our national transportation system. This year, Congress will enact comprehensive legislation dealing with the improvement of surface transportation. The primary focus will be on highways and public transit. In addition, there are currently bills pending which will have major impacts on railroads, aviation, and waterways.

It is obvious that our entire country needs a better transportation system. This is true not just for better roads, for better public transit, or for better railroads. Each of the six transportation modes has an extremely important role to play in the future. They include highways, airports, railroads, public transit, pipelines, and waterways.

ATAC DETERMINES TRANSPO FINANCIAL NEEDS FOR NEXT DECADE

Last year, ARTBA joined together with more than 40 other transportation-oriented associations and about the same number of private business organizations in a thorough study of national transportation needs. This informal organization is known as the American Transportation Advisory Council (ATAC). ATAC is a pioneer in multi-modal cooperation. For the first time, the American transportation construction industry really got together in a completely cooperative effort to measure our nation's transportation financial needs for the next decade. [EDITOR'S NOTE—The following quoted material is taken from a publication entitled *Transportation Financial Needs During the Next Decade (1978-1987)*—*A Private Sector Report by the American Transportation Advisory Council (ATAC), May, 1977*. The American Road

and Transportation Builders Association (ARTBA) contributed to the report and Mr. Hanson is the current president of ARTBA. Any inquiries and comments regarding this report should be addressed to ATAC at 525 School Street, S.W., Washington, D.C. 20024. The material quoted below, namely the "Introduction" and "Summary of Transportation Needs" covers only pages 4 and 5 of the 38-page report.]

INTRODUCTION

"The United States can boast of having the world's finest transportation system. To a very considerable extent, the excellence of this system is a reflection of our nation's history. This involves a 200-year record of expansion over a vast area rich in natural resources.

"The transportation system reflects the relationship between the private sector and the total Federal system of government. Federal, State and local governments have generally recognized the importance of adequate transportation services. Private investment in the system has been encouraged by government in line with our growing economy and mobile population.

"The Federal role in transportation has developed incrementally over a period of many years. Legislation has been developed by a number of Congressional committees. The resulting programs have been administered through a variety of Federal agencies. The programs were designed to meet national needs as they were recognized.

"The piecemeal manner in which U.S. transportation policy has been molded was aptly described by former Transportation Secretary William T. Coleman, Jr., in 1975 as "an evolving process that reflects and builds on existing laws, precedents, programs and public perceptions." However, a number of recent developments have strongly suggested that this evolution of policy is no longer sufficiently responsive to the needs of the transportation system.

"These developments include: (1) the financial collapse of the Northeast railroads; (2) the emergence of governmental subsidies for public transit systems as a permanent public expense; (3) the steady worsening of the nation's rail roadbed; (4) the first symptoms of similar deterioration of our national highway physical plant; and (5) inability of the air carrier industry to attract the investment capital needed to replace aging equipment. In both the private and public sectors of the system, and in nearly all modes, the problem is basically the same. Funding requirements are increasing, while current funding sources are not keeping pace.

“There is a general understanding that our transportation system must be improved to: (a) meet the needs of an expanding population and a dynamic economy; (b) meet acceptable levels of service and safety standards; and (c) conform to social and environmental goals. However, there is no clear-cut, comprehensive analysis of future transportation needs.

“Comprehensive transportation development is an activity well suited to “management by objective.” The following is a basic step in the formulation of a cohesive national transportation policy. This statement of modal needs and description of some currently discussed funding alternatives has been developed from the specialized knowledge of more than 40 national associations basically representing the private sector of the transportation industry. This consensus viewpoint is not necessarily in total agreement on all points. Some dissenting opinions are also included and should serve a useful purpose in later deliberations.”

SUMMARY OF TRANSPORTATION NEEDS

“This report concentrates primarily in the areas of major Federal responsibilities and interest. Individual modal reports for airports, highways, pipelines, public transit, railroads and waterways are included. The specific areas for which needs estimates have been made are outlined and the data sources are also indicated.

“The needs estimates include some private sector investment requirements, particularly in the areas of railroads and pipelines. They do not include any equipment requirements for private automobiles, trucks, intercity buses, aircraft, tugs, or barges. However, they do include public facilities for each of these modes.

“Equipment needs were also considered for each of these areas. Since it appeared that the analysis would require a far more meaningful discussion, the available data appeared to be more confusing than useful.

“In some cases, categories of requirements were omitted because they do not appear to be sufficiently relevant to the “bottom line” objective of defining Federal funding needs. In a few cases (notably Amtrak), future cost estimates were omitted because of their highly speculative nature.

“In every case, a strong effort was made to provide conservative and fully supportable transportation funding needs figures. The earlier estimates were reexamined and, wherever appropriate, actually scaled down.

"The figures included in the following table represent needs which should be met within a ten-year period, namely 1978 to 1987. They do not represent the total dollar amounts which would be required to bring all transportation systems up to adequate levels of service. The figures were developed initially on a model basis by representatives of each mode. The modal representatives do not necessarily have knowledge of or endorse the level of needs cited for any of the other modes.

"In sum total, the figures indicate that Federal support should be increased from the level of approximately \$13 billion in Fiscal Year 1977 to an average level of \$22 billion in the next decade. The total transportation needs figure, including all sources of funding, averages out to \$64.79 billion per year during the next decade."

Our fundamental conclusion was that all modes of transportation face critical times ahead unless there is a substantial increase in capital funding. This includes highways, airports, railroads, public transit, pipelines, and waterways. The future transportation capital needs are roughly double the current level of investment.

Our roads and streets are deteriorating twice as fast as we are repairing them. Traffic volumes continue to increase. Barring any extreme economic depression, these volumes will continue to increase in the future. This increase is not 6-9% annually as in the past, but 3-4% which is still a very significant increase. A great many trips can only be made efficiently and economically by the private automobile now and far into the foreseeable future.

DOT SECRETARY BROCK ADAMS—BACKGROUND INFORMATION

More than a full year has gone by since Brock Adams resigned his seat in the U. S. House of Representatives to become the Secretary of Transportation in President Carter's cabinet. He is the first secretary of transportation to come to this office directly from Congress. This is very significant! One does not serve seven terms in Congress without some understanding of practical politics.

In previous administrations, we have seen the Department of Transportation and the related committees of Congress running down somewhat parallel tracks, but without any cross-over switches. In the past DOT legislative proposals have been largely ignored by Congress because these recommendations usually ignored the political realities of life. Today, fortunately, the situation is far different.

TABLE I
SUMMARY OF FUTURE TRANSPORTATION NEEDS, TEN YEAR PERIOD, 1978-1987
(In billions of 1975 dollars)

Mode	Capital Requirements	Maintenance and Operation Requirements	Total Requirements	Suggested Federal Share
Highways	\$250.88	\$220.00	\$470.88	\$153.20
Public Transit	36.56	41.33	77.89	43.00
Railroads (a)	38.40	5.00(b)	43.40	(c)
Airports	22.50	n/a	22.50	16.88
Waterways	4.80	4.20	9.00	9.00
Pipelines	24.20	n/a	24.20	(d)
Total	\$377.34	\$270.53	\$647.87	\$222.08
Average annual needs	\$ 37.7	\$ 27.1	\$ 64.79	\$ 22.21

- (a) Exclusive of Amtrak. Amtrak obligations for Fiscal Year 1977 amounted to \$749.6 million.
 - (b) Includes maintenance of fixed facilities only.
 - (c) Federal assistance for freight carrying railroads is generally in the form of loans and loan guarantees.
 - (d) It is assumed that pipeline costs will continue to be funded by private enterprise.
- n/a Not available

In 1975 and 1976, Secretary Brock Adams was the chairman of the House Budget Committee. Brock Adams fully understands the federal budget process. Both he and President Carter believe in a completely balanced budget. This is an idea which we all support in principle.

ADAMS' COMBINED TRANSPORTATION ACCOUNT CAUSES CONCERN

Secretary Brock Adams' recommendation for a "combined transportation account" within the federal budget seems sound. However, nothing the secretary has proposed to date, except maybe air bags, has created more concern than the "combined transportation account." It revives memories of earlier proposals by other secretaries of transportation to restructure the Federal-aid Highway Trust Fund. All of these plans would have shifted dedicated highway-user taxes into support for other modes of transportation.

The administration's highway and transit bill proposes some funding arrangements that get very close to a pooling of highway and transit funds. You can be sure that Congress will be looking at these arrangements very closely. It is imperative that all of us do the same thing as soon as possible.

CONGRESS WOULD STUDY MERGER OF FHWA AND UMTA

The administration is presently proposing that highway and transit funding be kept separate as we move toward an administrative merger of the two programs. Under the administration plan, Congress would direct the secretary to study the advantages of merging the Federal Highway Administration and the Urban Mass Transportation Administration.

The results of this study would be transmitted to the president. If he approves the idea, President Carter would submit a reorganization plan to Congress no later than September 1979. Unless either the House or Congress voted to reject the plan, it would automatically go into effect.

This is a very unusual arrangement. The president, if he wanted to, could present a DOT reorganization plan tomorrow. The real reason for the request to Congress is simply to get the subject out on the table where it can be examined and discussed in the light of day.

ADAMS OPEN IN PREPARATION OF LEGISLATION

Suggestions for Improving Highway and Transit Program Requested

A substantial part of the administration bill has that kind of motivation behind it. Secretary Adams and his colleagues have been extremely open in the preparation of their legislation. Teams of high ranking officials have gone back and forth across the country soliciting suggestions for improving the highway and transit programs. For this they all deserve very high commendation. However, we are deeply concerned that their current highway funding proposals represent a no-growth policy.

DOT Wants Highway Trust Fund Four More Years

The Department of Transportation has recommended a continuation of the Highway Trust Fund for the next four years. DOT is also suggesting some sort of trust fund, or some other long-range financing arrangement, for the public transit program. We fully agree that the transit program should have the same kind of assured long-range funding that is available for the highway program through the Highway Trust Fund.

DOT Wants Federal-State Matching Ratio at 80-20

This same equality-of-treatment philosophy is behind the DOT proposal to level off matching ratios at 80% federal—20% state/local. It is reasoned that the federal share should be the same for both the highway and transit programs; thereby, state and local officials would get out from under the pressure to go for the program with the most generous federal matching arrangement.

Block Grants Instead of Federal Aid Secondary Programs

The 1978 administration bill would wipe out the federal-aid secondary program. In its place a fund would be set up to provide federal-aid assistance to any road, street, or alley. These block grant funds could even be shifted to local public transit assistance projects.

1982 Set for Completing Interstate Transfers or Impact Studies

We feel comfortable with the administration proposal to set a date certain for closing our interstate system controversies. The proposed deadline of September 30, 1982 is very realistic. We have dragged out the completion of the interstate system far too long already. By 1982, a state must have either (1) completed all interstate transfers or (2) completed the environmental impact statement for all proposed interstate highway construction segments. We have already postponed, far too long, the resolution of the very few interstate controversies

which remain. They represent less than 300 miles in total mileage, but over \$6 billion in the estimated cost to complete.

Funds for Deleted Interstate Projects to Go to Substitute Projects

Under present law, the federal government rewards those states who are slow in completing their interstate program. When an interstate route is deleted, the equivalent funding can be shifted to other highway and/or transit projects. The amount of funding is determined by the latest estimated cost of the interstate segment at the time the substitute project is approved.

Delay Tactics for Getting More Interstate Money Unfair

Most remaining interstate segments are in densely populated urban areas where land values and construction costs are increasing rapidly. As years go by, the estimated cost of these "phantom" interstate segments continues to go up accordingly. Unfortunately, it then pays to wait until the price is right!

This kind of windfall arrangement is extremely unfair to states like Oklahoma, Indiana, Nebraska, Arkansas, and Tennessee. They have moved ahead as rapidly as possible with interstate construction. In fact, less than 100 miles of interstate system remain to be opened to traffic in some 10 states.

Not Enough Money to Provide for Growth of Highway Program

The administration bill fails to provide anything like the amount of money that is really needed to satisfactorily maintain progress in the improvement of our highway system. It reflects, actually, a no-growth policy for the highway program. The program levels recommended for fiscal years 1979 and 1980 are essentially the current levels. This obviously is totally inadequate when compared to the interstate, 3 R program, safety construction, rural and primary needs, as well as the \$26 billion bridge program.

More Money Proposed for Bridge Program

The only substantial increase proposed is in the bridge replacement and rehabilitation program. It would go from the current level of \$180 million per year to \$450 million per year. This contrasts drastically with the \$2 billion annual level proposed in H.R. 11733 introduced this year by Chairman James J. Howard (D-N.J.) of the House Surface Transportation Subcommittee.

This critically needed bridge program is grossly underfunded. The higher program levels proposed by Chairman Howard's bill would not require an increase in revenues coming into the Federal-aid

Highway Trust Fund at this time. Therefore, no increase in the federal gasoline tax of four cents per gallon is suggested, on October 1, 1979. This is the same date that the present Federal-aid Highway Trust Fund is currently scheduled to expire!

GASOLINE TAXES, ENERGY TAXES, SUPPLY AND DEMAND

Unfortunately, it will be extremely difficult to act on any gasoline tax issue until the current energy tax issue is fully resolved. The proposed crude oil equalization tax would, in itself, increase the retail price of gasoline by five to seven cents per gallon. The question of where the receipts from that tax will go is still wide open. The money might be rebated to consumers, put into a special energy research and development fund, or some portion of the new tax might be used to fund the public transit program.

The proposed "gas guzzler" tax is still alive, though only breathing weakly. Until the energy issues are resolved, it is extremely difficult to estimate what impact an additional federal tax on gasoline would have on the consumer. All this is tied in closely with what state governments might be inclined to do about boosting their own highway revenues. In the best of all possible worlds, the federal role would be limited to doing those things which the states are unable to do for themselves. Much as we complain about the federal bureaucracy, however, we find that many in state government would prefer to let the federal government take the rap for raising taxes. This philosophy is certainly included in any increase in gasoline taxes.

We obviously need much more money for highways, not less! We do not need to punish the motorist by hitting him with arbitrary and unnecessary tax burdens. On the other hand, the total tax on gasoline, both federal and state, has decreased from 33% to only 20% in the last decade. When the price of a gallon of gasoline was only 33 cents, the total tax was 11 cents. Today, a 65 cent gallon of gasoline has a total federal and state tax of only 13 cents.

We all recognize the wisdom of conserving energy reserves, particularly petroleum. One of our basic problems in this regard is that the political and economic process of adjusting to a new market situation takes a lot of time. For all practical purposes, the political side discovered the petroleum supply problem in October, 1973. Emergency measures were taken instantly! After well over four years, however, no generally agreed upon political solution has emerged to date.

The economic side also works slowly but there is less difficulty in seeing the direction it must take. No federal, state, or local legisla-

ture can repeal the law of supply and demand! The interaction between supply and demand will eventually determine the market place price. In the long run, we only fool ourselves by using the political process to set the market place price of any product. Sooner or later, we are going to have to let petroleum and natural gas prices come to the market place level determined by actual supply and demand.

The manufacturers of automobiles fully understand this principle. The "gas guzzler" was designed for a market with very cheap and very abundant energy. As the price of fuel goes up, the consumer is willing to sacrifice some horsepower and some comfort in order to reduce his fuel bill. The design of our automobiles is changed accordingly. This, essentially, is why European automobiles have traditionally been smaller and cheaper to operate than American cars. It also explains why the Arabian oil sheiks still like to drive their big Cadillacs.

This kind of change is a very slow process. It takes several years to design a new automobile and start up a new production line. However, it has been done, it can be done, and it will be done even more in the future.

THE TRANSPORTATION SYSTEM WILL BECOME MORE EFFICIENT

In Washington, D.C., the air is still hazy and the search still goes on for alternative systems of transport that will move people around with a smaller expenditure of energy per passenger mile. There are many traps and pitfalls along this route. Nevertheless, we will overcome! In future years, more people will move more miles using less gasoline per passenger mile and, equally important, providing a far more efficient transportation system.

SUMMARY

In this year of 1978, we must make a long-range commitment to transportation capital improvements. We must extend the Highway Trust Fund and agree to finish the interstate system at a date certain. We must provide more funding for safety projects and embark on a major bridge replacement and rehabilitation program. Most important of all, we need to agree that the level of funding for all transportation construction programs must be increased now, not later! In this regard ARTBA urges you to support H.R. 11733, the Howard Highway Bill!