

## **The Long Road of Transportation Post Bush**

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### **The Debate Continues**

As the Bush Administration draws to a close, issues involving the U. S. transportation system, especially for freight transportation, still need to be addressed. As with so much else in the Bush presidency, transportation policy has been heavily influenced by the 9/11 attacks, the Iraq War, and the conservative ideology of the President and his advisors. In addition, the politics of North America, around immigration and continued economic anxiety have resulted in political standoffs that will color the starting point for the new Administration, whoever it may be.

In this article, I hope to give readers an idea of the various crosscurrents that are likely to frame the continuing debates about industry regulation and structure, infrastructure, and resource allocation that are the heart of the question about how to maintain and upgrade the U. S. transportation network that supports the nation's commerce.

### **Industry Structure and Regulation**

The vast majority of freight in the U. S. moves by truck and rail, with truck handling 70% of the tonnage, but rail handling close to 50% of the ton-miles (i.e. longer haul traffic). The trucking/motor carrier business is subject to state and federal safety regulations and operates on the same right-of-way as passenger

vehicles, while rail carriers own their own tracks and have a different safety regimen.

## **Trucking**

The U.S. trucking industry faces huge challenges. Truckers are widely perceived by the average U. S. driver as unsafe and disproportionately heavy sources of congestion. Furthermore, the current Chairman of the House Transportation and Infrastructure Committee, James Oberstar, opposed to many of the industry's proposals such as longer trucks. Thus politically, many of the most visible changes proposed under this Administration have been repeatedly challenged. For example, a new Hours of Service regulation (the first since 1939) has been revised twice in response to court orders. Congress even attempted to stop Mexican carriers from handling international freight to and from the United States, an explicit requirement of NAFTA and upheld through numerous arbitration sessions. So far the Bush Administration has evaded the ban.

In short, if Congress remains firmly Democratic, whoever the President is, the trucking industry will likely face even stricter safety and environmental regulation, and the scheduled tightening of engine pollution requirements will also go into effect in 2010. Proposed improvements in carrier efficiency through longer vehicles or the use of Mexican drivers are unlikely to be considered, let alone implemented. Finally the need to reduce greenhouse gases, especially at congestion points such as ports, will continue to drive higher equipment and lower profits. Although a potential recession will lessen the pressure on carrier

capacity, the political climate will probably contribute to continuing consolidation among carriers, shifting of more traffic to rail (but see below), and tightening of overall capacity over the medium to long term.

## **Rail**

Thanks to a different cost and ownership structure, the railroad industry serving the U. S. market has already undergone dramatic consolidation. In addition, with the growing importance of containerized imports, rail is seen as a key way to service inland markets and maximize the productivity of scarce seaport resources. Finally, the fact that railroads own their rights-of-way gives them more freedom to make decisions on expanding capacity. The down side to that situation is they face the need to raise capital as a private entity.

However, the railroads are not immune to politics. Recent rail projects to expand service around Yuma foundered on public opposition, and the Union Pacific's efforts to expand its "Sunshine Line" (Los Angeles to El Paso) and build additional yard capacity has provoked attempts (clearly illegal) to regulate rail activities at the state level.

Furthermore, the railroads have asked for tax benefits to help offset what most groups agree is the necessary expansion of capacity to take trucks off the road and move imports in a more energy-efficient manner.

The railroads are likely to fare somewhat better than the truckers under a Democratic Congress, and the Republicans have already weighed in with rail support. Railroads are also seen as a source of economic development since a rail yard/connection is critical to the development of inland ports, which are on

the drawing board across the country. But it's not clear that individual members of a Democratic Congress will ignore constituents who hate the idea of rail expansion even along established rights-of-way. Intermodal movements are recognized as important and efficient, but waiting more often at train crossings will not be a political "win" for everybody. This situation is made more difficult because, as a recent report pointed out, the Department of Transportation is rigidly structured along modal lines, with any intermodal promotion efforts left to ad hoc programs.

### **Infrastructure and Funding**

There has been a litany of reports detailing the shortcomings of U. S. transportation infrastructure, including Department of Transportation reports, AASHTO (American Association of State Highway and Transportation Officials) reports, and consulting documents. Estimates to bring infrastructure in line with future needs envision costs of up to \$1 trillion. The collapse of the I-35 bridge in Minneapolis-St. Paul highlighted the previously documented need for maintenance on thousands of bridges. Furthermore, the U. S. network was planned and built long before the current influx of imports. Thus, there are potential bottlenecks at many ports of entry, and these are anticipated to get worse. Transportation needs are likely to increase, with freight volumes doubling in 15 years and total vehicle-miles traveled also increasing.

At the same time, funding mechanisms, primarily the fuel tax, have not kept pace with growing demands. In particular, the primary source of surface transportation funds, the Highway Trust Fund, is projected to be out of money as

early as 2009, and thus the most recent surface transportation funding program, SAFETEA-LU, may fall short. Two recent National Commission reports have suggested the need to increase fuel tax rates sharply, although they have also supported an increase in tolls and further exploration of public/private partnerships.

### **Politics and Transport Issues Going Forward**

So the crux of the issue now is politics. Will the new President, the U. S. Congress, and local politicians impose higher fuel taxes on automobile drivers and truck operators who have already experienced 80% price increases in 2007? Will the efforts at the state level to sell infrastructure such as the Pennsylvania Turnpike and the Chicago Skyway continue as public officials balance risks vs. funding shortfalls? What will emerge from the next round of highway and transportation authorization negotiations to replace the current SAFETEA-LU initiative?

As this is written, John McCain seems the likely Republican nominee, while the Democrat will either be Hillary Clinton or Barack Obama. Given the enormous power of incumbency, it appears that the Congress will remain Democratic, although the Senate margin will still be slim.

### **The Democratic Environment**

If the Democrats sweep Congress and the Presidency, transportation issues will not be a top priority. Their interests are in health care and social security, and they are not particularly friendly to transportation industry interests or would-be privatizers of infrastructure. At the same time, their core

constituency will not react well to major tax increases or, for example, the (perceived) widespread introduction of Mexican trucking companies and drivers into the United States. So I would expect continued modest experimentation with tolls, efforts to treat the worst bottlenecks with technology rather than infrastructure and, in general, little real change initially in the slow decline of U. S. infrastructure. Of course, if a real emergency or disaster strikes, there may be an attempt to raise taxes to provide the resources that appear to be necessary.

### **The Republican Environment**

If McCain wins and the Congress remains Democratic, things may get more interesting. McCain is sensitive to border and international issues. He may try to broker a change in transportation policy that is more accommodating to international trade and port issues, as well as extending the Bush Administration's efforts to open the U. S.-Mexico border. He is also likely to be more supportive of increased privatization and he may try to get industry help with Congress on other initiatives. Whether he can accomplish these objectives in the face of a relatively hostile Congress and whether he will make transportation any kind of priority given his interest in foreign policy are open questions that can only be answered in the event of his successful campaign.