



Cultivating Creative Leadership, Framing Emerging Issues

*APTA Transit CEOs Seminar
Small Operations Dialogue*

The New Transportation System and the
Implications for Public Transportation

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February 2, 2010

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Today's System is Changing and Successful Providers Will Drive and Incorporate that Change

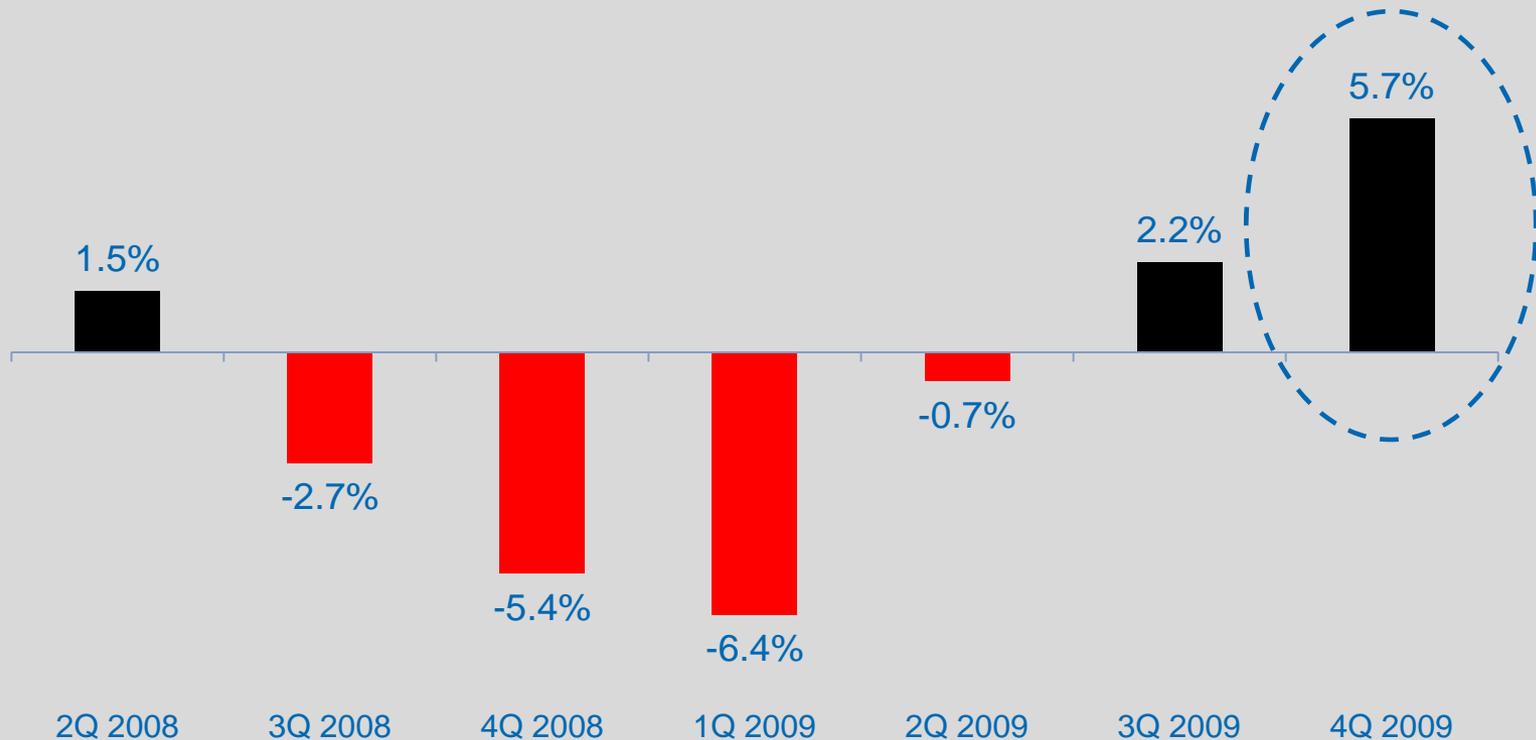
Our transportation policy and funding architectures are under significant strain and are not sustainable. Migrating to new models will be a challenge and take years. Elements of the new system, and the effects it will have on passengers and providers, are today visible.

1. **Uncertainty**: the system is in transition and it may take years before we arrive at a new equilibrium.
2. **Funding**: short-term funding is available but post-2011 uncertainty about perilous state of trust funds is impeding planning and investment.
3. **Sustainability**: concerns about energy security and climate change will push the transportation network to be more accountable for its impacts.
4. **Planning**: new alternative analysis will be required to assess effects on land development, energy use, and greenhouse gas emissions. Important that U.S. DOT remains the focal point for federal actions.
5. **Multimodal**: new focus on rail and push for livable communities among the latest trends requiring providers to incorporate strategies across modes, jurisdictional boundaries, and in partnership with other public and private authorities.

The National Economy and its Implications

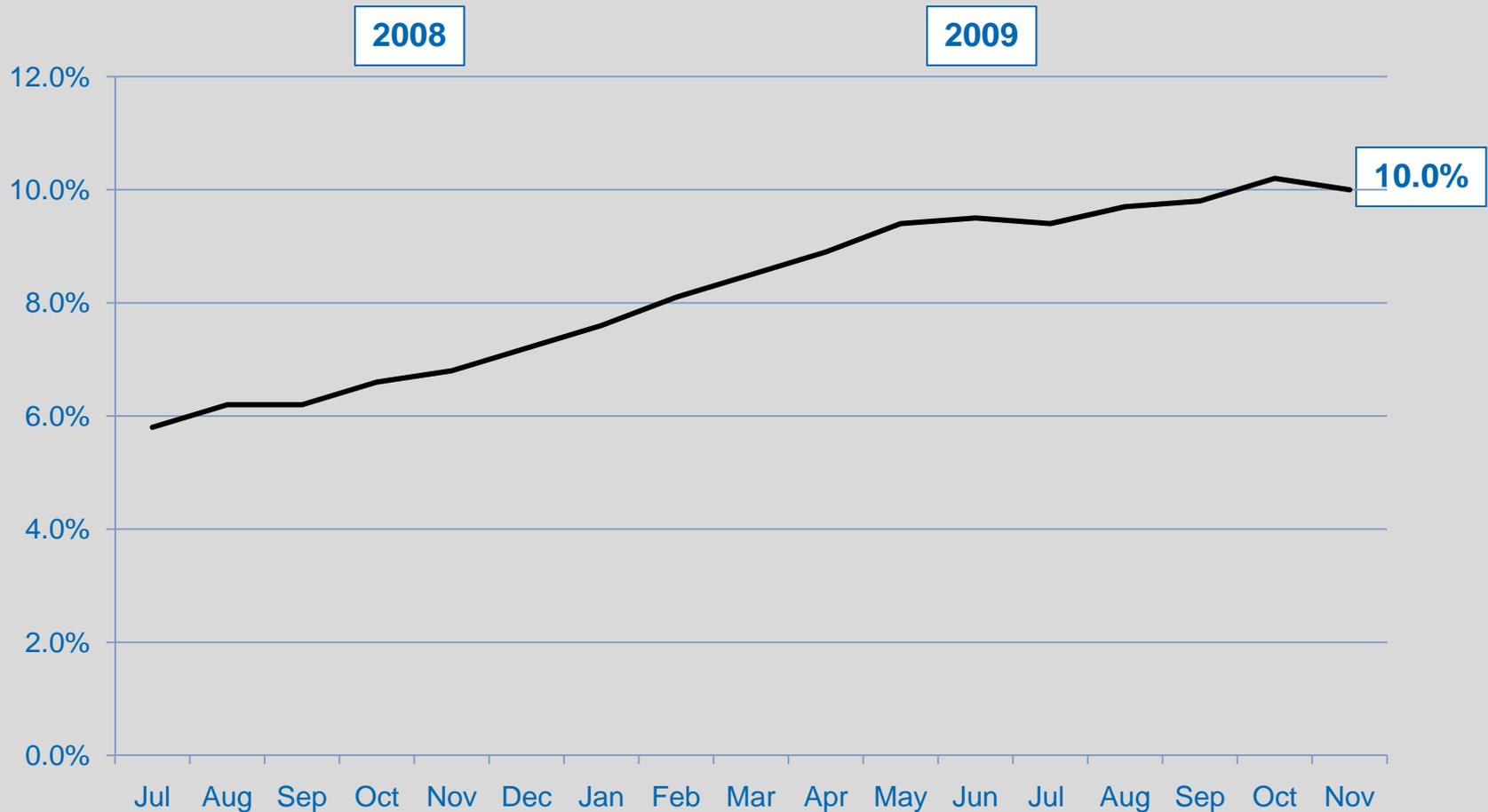
U.S. Economy: Emerging from Recession

Percent Change in Real Gross Domestic Product (GDP), BEA



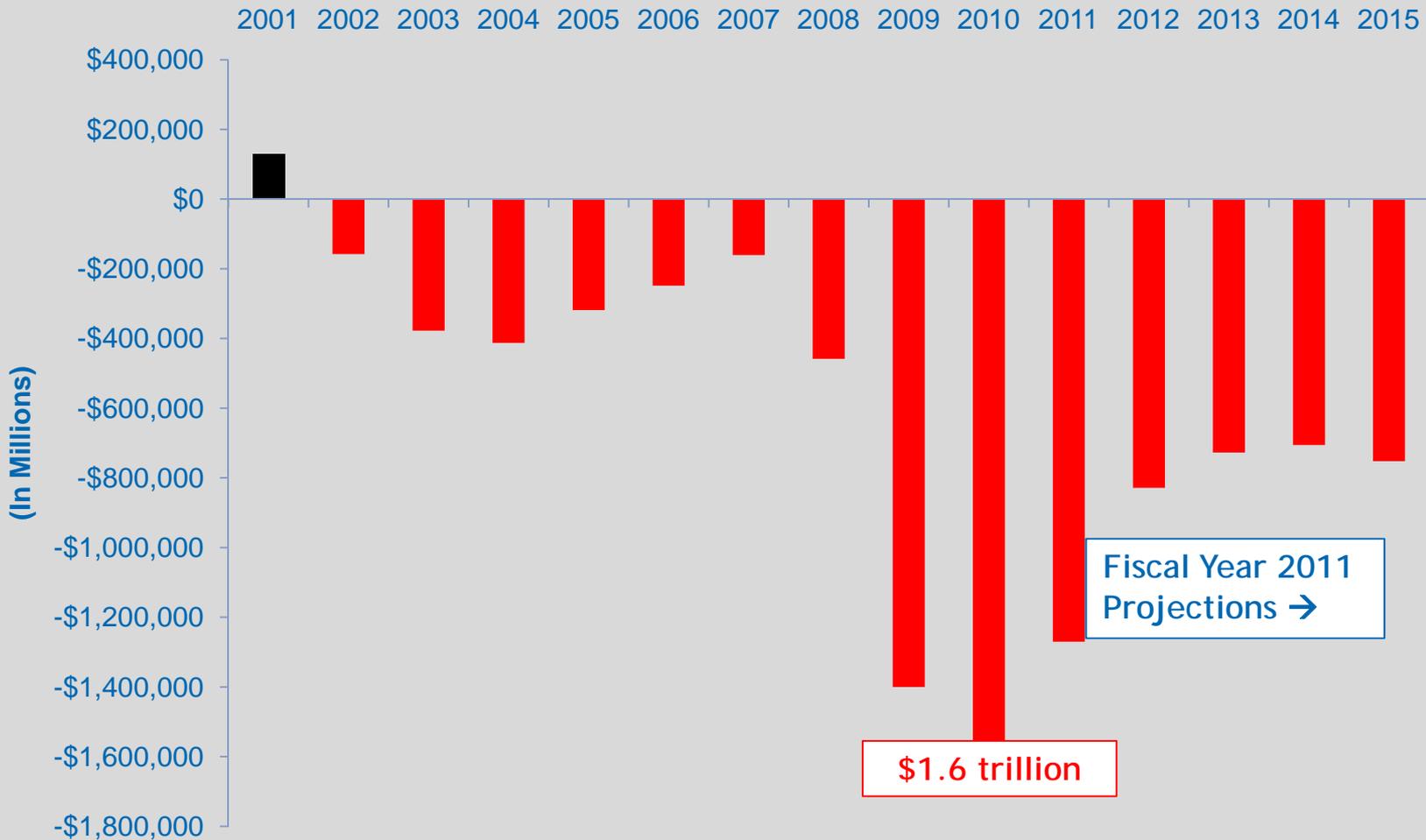
The economic recession dampened travel demand and put pressure on transportation providers. The big question now is how strong and enduring will the 2010 recovery be?

U.S. Economy: National Unemployment Rate (BLS) July 2008 - December 2009



The national unemployment rate is still unacceptably high and with a forecast to stay near 10% well into 2010, this increases the chances Congress will pass a second jobs/stimulus bill.

U.S. Fiscal Policy: Balance of Payments 2001-2015 (Treasury)



The U.S. federal deficit has ballooned as tax receipts have slowed and the government has increased spending significantly. Eventually, pressures to reduce the deficit will impact transportation spending and policy.

Summary of Economic Indicators: Impact on Transportation and Transit

- Short-term demand will be highly dependent on the pace of economic recovery and whether or not the 70% attributable to consumer spending holds to traditional levels. Timing and strength of recovery will shape availability of revenue and chances for reform.
- The Federal Reserve continues to keep interest rates low in an effort to stimulate borrowing and shore up the housing market. When that policy turns to fighting inflation, look for the dollar to strengthen. Historic opportunity for transportation providers to tap the tax-exempt market. (30-year bonds recently offered with a yield of 4.7% for 2020 and 5.5% for 2030).
- Given the unemployment rate, the Obama Administration and Democratic members of Congress are looking at a targeted 2nd jobs and stimulus bill, with infrastructure as a component. The federal government, including USDOT, will continue looking for quick, job-producing programs and projects.
- The budget deficits are unsustainable and will force a retrenchment of federal spending once the economy is clearly in recovery. Together with new commitments to public transportation, the fiscal environment will be challenging; yes even for formula programs.

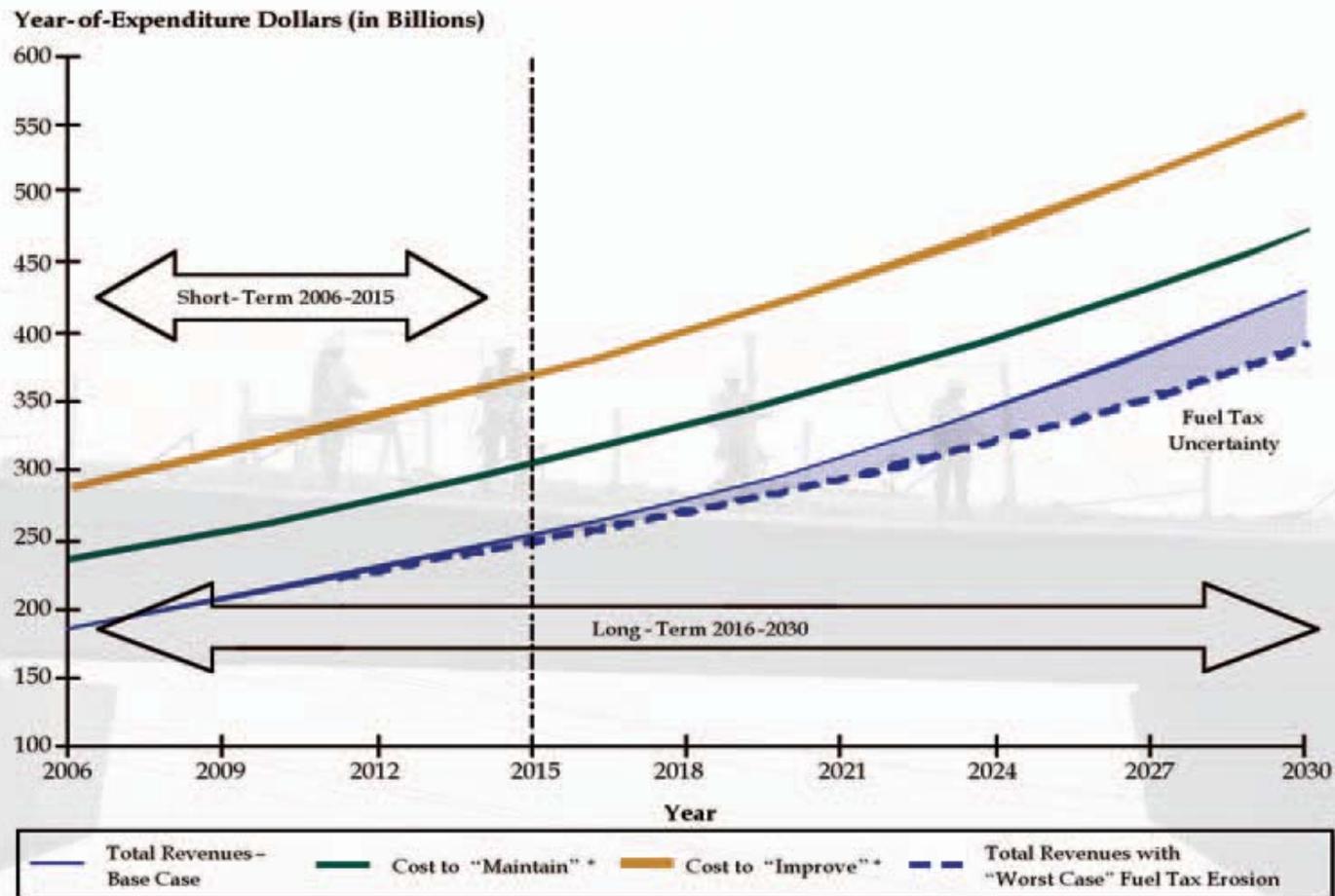
National Transportation Policy in February 2010: An Historic Period of Challenges and Opportunities

Obama Administration Transportation-related Priorities: After one year, some goals evident

1. **Prioritizing public transportation and livability** (mass transit, rail)
2. **Revaluating USDOT's safety mission**
("one level of safety" for transit and airlines)
3. **Believing in infrastructure spending**
(link to economy and job creation, merit-based)
4. **Committing to policies counteracting climate change**
(Copenhagen, cap and trade, EPA)
5. **Working on a National Energy Policy**
(shift from fossil fuels to cleaner energy sources)
6. **Supporting organized labor issues**
(Project Labor Agreements, prevailing wage, security screeners, NMB)
7. **Establishing strong consumer and passenger focus**
(application evident in aviation, await clues on other modes)
8. **Figuring out DHS/TSA and security regulations**
(first transition for new department, ongoing events)

Surface Transportation and Long-Term Funding: Infrastructure Needs Far Exceed Resources (NCF)

National Chamber Foundation, "Future Highway and Public Transportation Financing"
(available at <http://www.uschamber.com>)



Favorable	Unfavorable
Obama Administration's commitment to stimulus and infrastructure	Mass Transit Account and HTF in dire financial shape and unsustainable
Livability and tie between infrastructure and land use	So far, Obama Administration unwilling to look at increase in fuel taxes
Commitment to reducing transportation's GHG emissions impact	Proposed shift to deficit reduction (discretionary freeze)
Approach to planning appears multi-modal and system-based	THUD appropriations under significant pressure (e.g., AATF, high-speed rail)

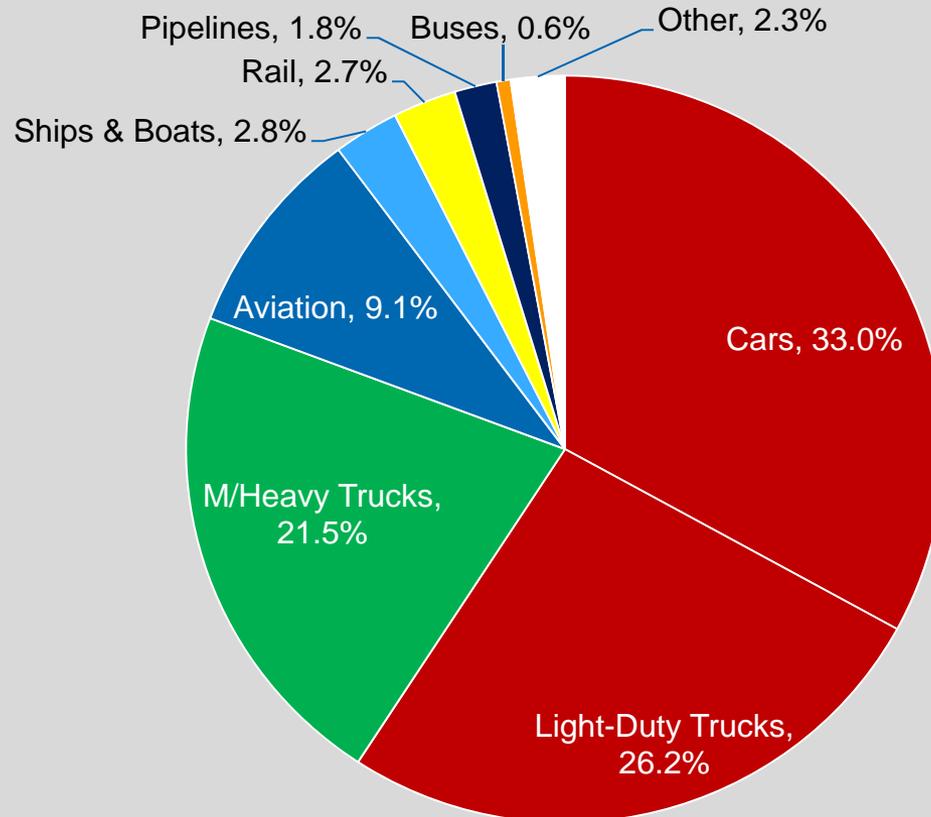
For Fiscal Year 2010 and possibly for 2011 the outlook for public transportation is positive. Longer-term prospects uncertain with the questions about how even current (let alone future) obligations of the Mass Transit Account and HTF will be met.



Options for Addressing ?

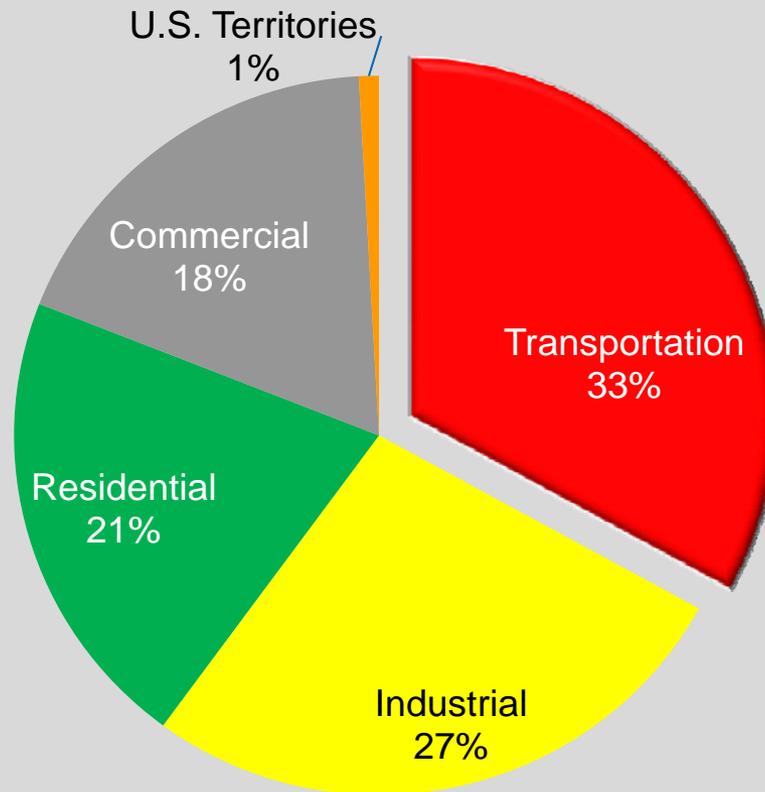
- Fight for additional taxpayer dollars for FY 2011
- As part of the surface transportation authorization, press for fuel and special use tax increases
- Better leverage federal dollars through an infrastructure bank
- Cut projected programs
- Take advantage of non-federal options (e.g., local and state taxes)
- Adopt some combination

The Modal and Fuels Distribution: Sources of U.S. Domestic Transportation GHG Emissions (CO₂ Eq.), EPA 2007



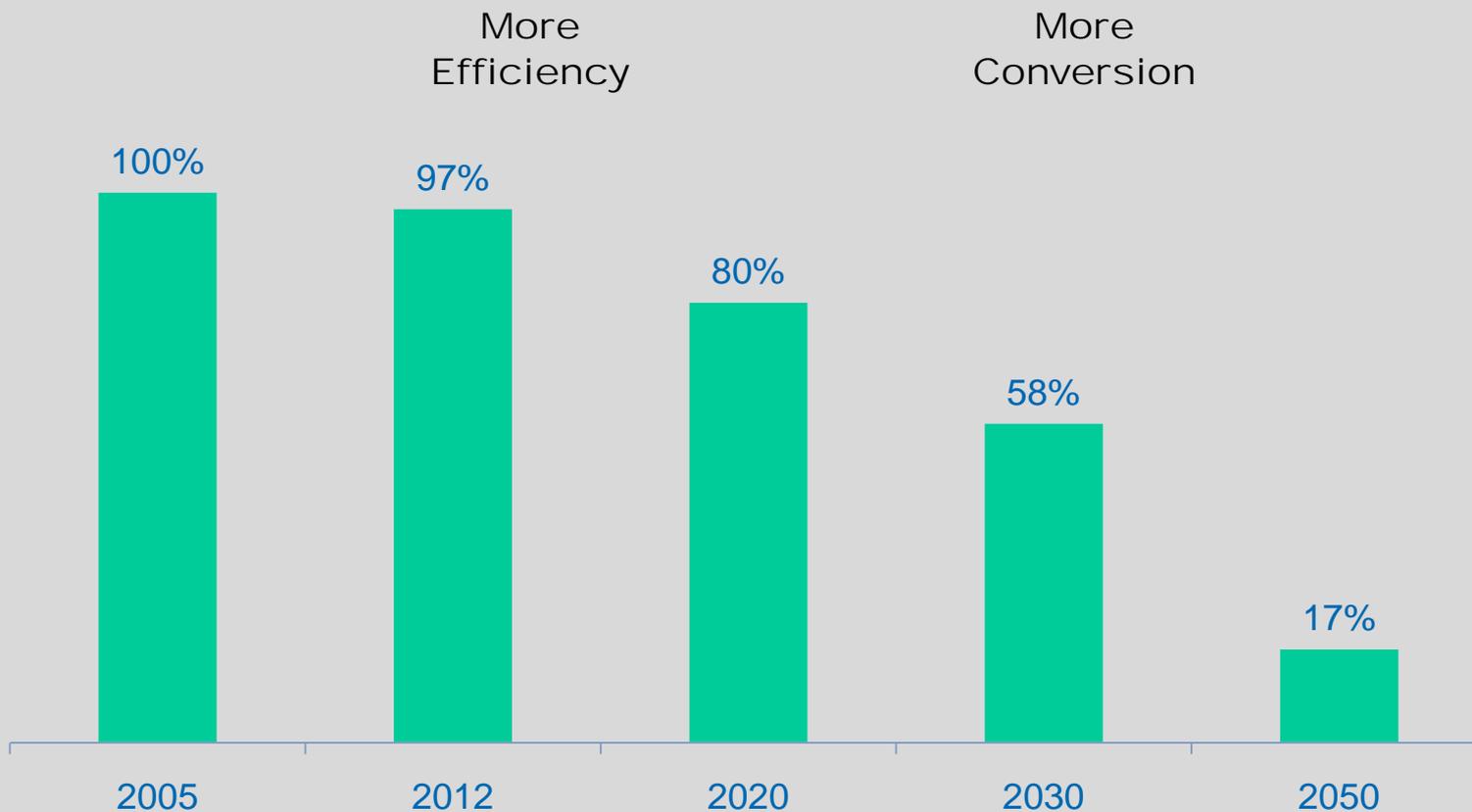
Reducing GHG transportation emissions requires (1) reducing and replacing fossil fuel use and (2) shifting to practices, technologies and modes that have a lower carbon footprint.

The Problem: CO₂ Emissions from Fossil Fuel Combustion by Fuel Consuming End-Use Sector (EPA 2007 CO₂ Eq.)



Due to the sector's reliance on fossil fuels, transportation is the #1 contributor to GHG emissions (data excludes international bunkers). In the above chart, electricity generation is pro-rated to each end-user based on fuels use.

Global Warming Targets in Senate's Clean Energy Jobs and American Power Act



Fuels are key. Policymakers must address transportation's share of GHG emissions with efficiency measures and, where possible, complete conversion of vehicles and infrastructure away from fossil fuels.

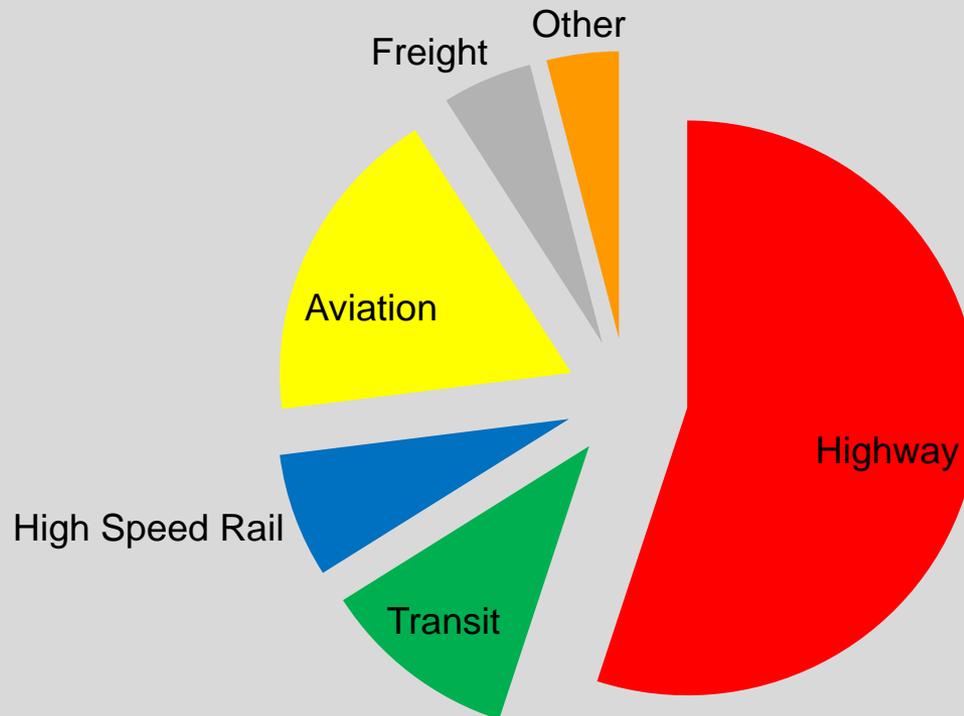
Roles and Responsibilities for Climate Change: So Far, A Fragmented Approach

- **International**: United Nations Framework Convention on Climate Change's Kyoto Protocol is the worldwide framework. Kyoto expires at the end of 2012 to be replaced with a treaty that began to be considered at Copenhagen in December.
 - International maritime and aviation emissions are "bunkered" (i.e., excluded from national targets).
- **National**: No current national policy, although EPA has promulgated GHG regulations for stationary and mobile sources. *President Obama stated in Copenhagen that the U.S. would reduce GHG emissions "in the range of 17 percent by 2020, and by more than 80 percent by 2050."*
- **State and Local**: States such as California and many cities (e.g., Seattle and Los Angeles) have put in their own measures to reduce GHG emissions. *How will these be reconciled with international and national policies?*

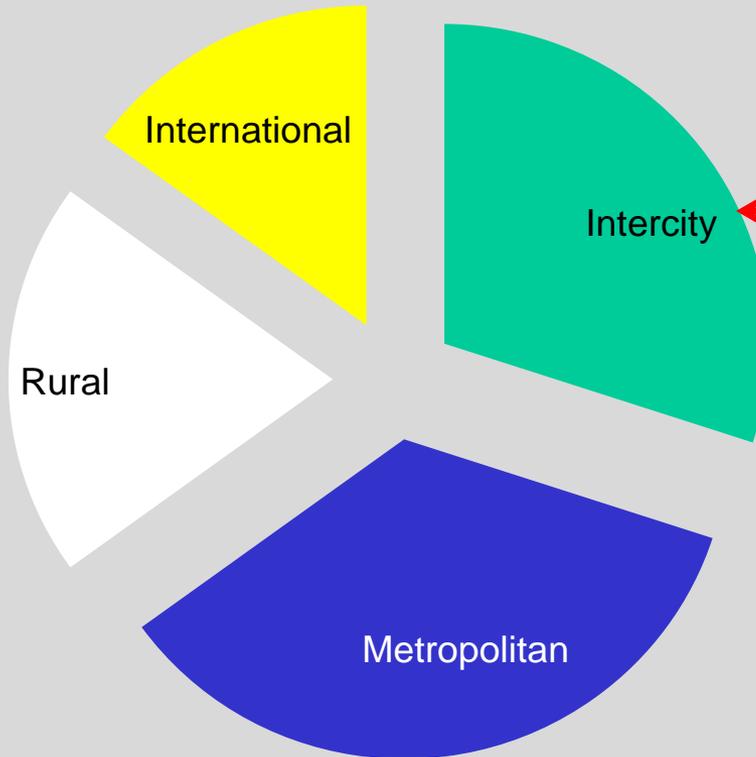
Climate change is not only a technically complex issue, but multiple levels of government are struggling to address it. It will take years for sustainable governance structures and policies to develop.

Recommendations for Getting to and Succeeding in the Future

Modally Centered System



Attempting to reduce GHG emissions within the existing policy architecture would be inefficient and expensive. Climate change *requires* policymakers to get out of our modal stovepipes.



What is the best way to move people and freight?

Under this view, transportation policy is “mode-neutral” and provides for mobility solutions dependent on distance and purpose. “Intercity” includes highway, rail and aviation, where comprehensive planning and alternatives analysis could better decide solutions for regions.

Elements of A New Transportation System: Guidance for Policymakers, Boards, and Management

1. Recognize that the “Trust Fund Era” is under significant strain (After Fiscal Year 2011, long-term funding picture is uncertain.)
2. Gradually shift from “Modalism” to more of a systems approach (e.g. National Infrastructure Innovation and Finance Fund).
3. Accept that transportation planning must be mode-neutral and be inclusive of mobility, climate and energy concerns.
4. In the short-term advocate for fuel taxes; in the next decade, migrate the current system from fuel tax-based to user fees.
5. Identify market externalities and, where possible, include them in charges to users and redeploy proceeds to “efficient” modes (premise behind sustained operating assistance)
6. Compute the public (or non-user) benefits of transportation infrastructure and investments and attempt to incorporate them into federal as well as state and local budgeting and funding.

Recommendations to Transportation Providers: A Sustainable Era Makeover in Six Easier Steps

1. **Recognize the Opportunity:** With priorities of stimulus, energy use and climate change public transportation is well positioned.
2. **Policy Context is Dynamic:** Pressures to restore the economy and shift policy priorities will keep the window of opportunity open at least for a time.
3. **Inventory GHG and Energy Use:** Analyze your agency's carbon footprint and energy use. Prioritize the highest return, lowest cost solutions. Tee up for federal, state and local support.
4. **Tackle the Issue of Operating Assistance:** Subsidizing transit is economically efficient (when market externalities are considered). What is the best way for it to be provided that meets large and small properties' needs?
5. **Practice Inclusive Planning on a Metropolitan and Regional Basis:** Most regions, reinforced by federal policy, do not effectively tie together public and private, passenger and freight, and modal planning. To make system improvements better integration of planning is required (including for the ways modes are connected).
6. **Help Educate Policymakers and Shape Authorization:** Lots of misconceptions about transportation. The industry needs to define the benefits and help redesign programs (such as New Starts) and planning mechanisms (such as MPOs).

For more information:

See *Eno Brief* and the
National Journal Transportation Blog

Available at enotrans.com

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