FREQUENTLY ASKED QUESTIONS

CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

ROAD *to* RECOVERY

Transforming America's Transportation

Q: WHAT ARE THE MAIN FINDINGS OF THE REPORT?

The federal transportation program is insolvent. More money is being spent than collected, so our transportation system requires transfers from the General Fund. In addition, "off-balance-sheet" costs are accelerating and driving the deficit deeper. The good news, however, is that this problem is solvable. Transportation can—and must—regain its historic position as a self-funded program that enables national economic growth. This is possible through strategic program and pricing reforms.

Q: HOW DEEPLY IN DEBT IS AMERICA'S TRANSPORTATION SECTOR?

The Congressional Budget Office (CBO) estimates that transportation revenues will lag behind transportation expenditures by $12 billion annually going forward. Actually, the contribution of the federal transportation program to the national deficit is far greater—on the order of $100 billion when interest on transportation debt, lost productivity, and costs to other federal agencies to cover health and welfare costs generated by transportation are included. And when deferred maintenance is included as a cost, the transportation deficit balloons to $175 billion annually.

Q: WHAT IS THE STRATEGY TO ADDRESS U.S. TRANSPORTATION INSOLVENCY?

Numerous programs need to be consolidated. Other programs must be eliminated, especially if they have either achieved their original purpose, are no longer germane because national priorities have shifted, or no longer meet current program objectives. A permanent ban on earmarks and a national infrastructure bank must be instituted to bring discipline to investment decisions and private capital into the system. System pricing must be implemented to restore transportation solvency and promote efficiency. Without pricing and program reform, costs will continue to mount as benefits shrink.

Q: WHAT IS WRONG WITH THE WAY WE INVEST IN TRANSPORTATION NOW?

America is ignoring its duty—to itself and future generations—to maintain, repair, upgrade, integrate, and recapitalize its crumbling transportation network. Federal surface transportation expenditures are not connected to national goals such as economic productivity, international competitiveness, human health and welfare, energy efficiency, and environmental protection. Over 80 percent of federal transportation spending is distributed to states and localities with no performance targets attached. As a result, federal assistance is largely spent on addressing regional problems such as congestion, which is often better addressed through system pricing, rather than on projects of clear national significance.

Q: HOW IS *ROAD TO RECOVERY* DIFFERENT FROM ALL OF THE OTHER REPORTS ABOUT TRANSPORTATION AND INFRASTRUCTURE?

One half of this report is diagnostics. We explore the depths of transportation insolvency, revisit the original rationale for over 100 federal surface transportation programs, and compare present performance against original purpose. Going forward, we don't pick winners and losers in terms of new programs, but we recommend that the administration and Congress set up a process to do so. We recommend that this process attempt to quantify the benefits (and co-benefits) of linking investments to three national goals: economic security, energy security, and environmental security. We propose an approach to implementing pricing that is both fair and advances these national goals.

Q: CARNEGIE IS PRIMARILY KNOWN AS A FOREIGN POLICY THINK TANK. WHY IS IT PUBLISHING A REPORT ON AMERICAN TRANSPORTATION SOLVENCY?

Carnegie's charter promotes the advancement and diffusion of knowledge as well as the cause of peace among nations. While transportation policy in the United States is largely nonexistent or mistaken as a building program, in reality this sector is crucial for advancing strategic national goals. Internationally, U.S. dependence on foreign oil increases tensions with foreign governments and complicates prospects for peace. A solvent, secure, and strategic national transportation program that lessens tensions with foreign governments increases America's foreign policy choices.

Q: WHY DID CARNEGIE ENGAGE POLITICAL AND PUBLIC FINANCE LEADERS—BILL BRADLEY, TOM RIDGE, AND DAVID WALKER—IN THE PROJECT INSTEAD OF TRANSPORTATION EXPERTS?

Transportation is a tool, not an outcome. Our leaders have devoted their careers to improving outcomes central to the well-being of our nation and the world. Former senator Bradley has a central interest in the economic health of our nation and was a chief architect of the Tax Reform Act of 1986. As our first Cabinet Secretary for Homeland Security, former governor Tom Ridge has deep expertise in national security issues, including energy security. David Walker, the former U.S. comptroller general, is perhaps the leading national advocate for fiscal prudence in public budgeting and finance. They are well qualified to speak on the connection between transportation policy and its effects on security, productivity, and solvency. While their expertise is applied here on behalf of transportation solvency and reform, this deep-analysis approach is illustrative of the type of review that all federal programs—bar none—must periodically undergo to merit the continued support of, and funding by, the American public.

Q: WHAT IS THE LINK BETWEEN TRANSPORTATION/INFRASTRUCTURE AND NATIONAL SECURITY?

U.S. transportation services depend largely on the use of automobiles and trucks that are fueled almost entirely by oil. American demand for oil greatly exceeds domestic supplies. Dependence on foreign oil constrains our policy options with respect to foreign relations with many countries, especially in the Middle East. Competition for oil trading partners will likely strain relations between the United States and other oil-importing nations, including China. High levels of oil use produce carbon emissions that cause climate disruption. This leads to a rise in sea level that will inundate America's coastlines, threatening homes, businesses, roads, wetlands, and key coastal military facilities. Desertification, another impact of climate disruption, reduces arable land, increases food prices, and leads to cross-border migration that strains relations among countries. These are some of the many threats to our national security stemming, at least in part, from our transportation infrastructure investments.

Q: WHAT IS THE LINK BETWEEN TRANSPORTATION/INFRASTRUCTURE AND ECONOMIC SECURITY?

Transportation investment is not only about jobs created in building infrastructure, but about the economic activity enabled by infrastructure once it is built. Failure to strategically invest in transportation to grow our economy reduces economic productivity, thus reducing the rate of growth in GDP. Investing simply to improve speed, rather than reliability, of travel also yields diminishing returns. Finally, payments for foreign oil also contribute to productivity loss through wealth transfer, dislocation losses, and loss of potential GDP. This could be avoided if these payments stayed in the United States and circulated through our economy. In all these ways we are failing to tie transportation investments directly to the goal of economic productivity.

Q: WHAT IS THE LINK BETWEEN TRANSPORTATION/INFRASTRUCTURE AND ENERGY SECURITY?

Energy security requires that the United States has robust, redundant, and reliable access to the energy resources needed to run our economy—at present we don't. The United States has only 2 percent of total known world oil reserves but represents over 20 percent of total world oil consumption. We import roughly 50 percent of the oil we consume—over nine million barrels a day. Since 94 percent of transportation energy is based on petroleum fuels, supply disruptions can have a significant impact on transportation services, making the entire system less reliable and more rigid. It also places our military, the largest single consumer of fuel oil, at risk of supply disruptions.

Q: THE WHOLE COUNTRY IS INSOLVENT. WHY FOCUS ON TRANSPORTATION?

Instead of using transportation finance as a tool to reduce our deficit, federal transportation finance now widens that gap. On the revenue side, transportation-related tax revenues cover only 66 percent of direct costs of funding our federal transportation program. Unlike the United States, the large majority of OECD countries have transportation-related revenues that equal 100 percent or more of their national transportation expenditures. In many of these countries, transportation user fees cover not only transportation expenditures but are also a significant source of revenue for the General Fund as well. On the spending side, if transportation investments increased our overall GDP growth rate by just 0.1 percent annually, U.S. tax revenues would increase by approximately $300 billion over the course of a decade.