



To maximize the benefit of every dollar spent on transportation infrastructure, a better method is focusing on matching infrastructure supply with its actual demand, while supporting flexibility in the public transportation sector.

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TESTIMONY

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PAVING THE WAY TO SUSTAINABLE TRANSPORTATION INFRASTRUCTURE

PUBLIC COMMENT TO THE MISSOURI DEPARTMENT OF TRANSPORTATION'S LONG-RANGE TRANSPORTATION PLAN

By Joseph Miller

Testimony Before The Missouri Department of Transportation (MoDOT)

To the Missouri Department of Transportation:

My name is Joseph Miller and I am a policy researcher for the Show-Me Institute, a nonprofit, nonpartisan Missouri-based think tank that supports free-market solutions for state and local policy. The ideas presented here are my own. I would like to thank the Missouri Department of Transportation (MoDOT) for taking public comment regarding its Long-Range Transportation Plan. This testimony is intended to share some relevant considerations as you evaluate transportation funding and priorities for the future.

In planning the future of Missouri's transportation infrastructure, it is critical to identify real priorities that will boost the state's competitiveness and increase standards of living. MoDOT's Long-Range Plan is designed to identify these priorities, but is only partially successful. The report points out that MoDOT's current funding model is unsustainable, but does not recommend increased use of the "user pays" funding system to make up the shortfall, despite that model's sustainability and economic advantages. While the report gives sufficient priority to providing for the infrastructure that taxpayers strongly demand,

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FOR MISSOURI PUBLIC POLICY**

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namely roads, it also surprisingly suggests costly expansions of inter- and intra-city passenger rail systems. Weak trends toward increased public transportation use do not justify the pre-emptive construction of expensive, fixed public transportation modes. To maximize the benefit of every dollar spent on transportation infrastructure, a better method is focusing on matching infrastructure supply with its actual demand, while supporting flexibility in the public transportation sector.

MoDOT has effectively managed Missouri's transportation network in recent years. Its focus on both efficiency and safety has meant that fatalities have dropped since 2005 while conditions on Missouri's highways, bridges, and rails have improved over the years.¹ According to MoDOT, since 2005 fatalities have fallen 24 percent, major highways in good condition have risen to 89 percent, and bridges in good condition rose from 74 to 89 percent.² The construction of a bypass bridge, under budget, along Amtrak's Missouri "River Runner" line improved that line's on-time performance to 89 percent.³

MoDOT has completed these projects relatively efficiently. The state has the third-lowest administrative cost per state-controlled mile and the 11th-lowest total cost per state-controlled mile in the country.⁴

Maintaining the current transportation system, mainly highways and bridges, is in the interest of the state's economy

and the safety of users of all forms of transportation. MoDOT also needs secure funding. As the Long-Range Plan points out, the gasoline tax has not increased since 1996, while inflation for road repairs has exceeded the consumer price index inflation rates. For instance, the consumer price index increased by 60 percent from 1992 to 2011, but the cost of fuel⁵ and concrete increased at almost 200 percent.⁶ Without federal stimulus funds and bond issuances under Amendment 3, MoDOT funding problems would be much worse.⁷ The Long-Range Plan does not call for any specific form of funding, but user-pay solutions such as higher gas taxes and tolling could be sufficient for road requirements while simultaneously discouraging over-use of the roads and urban sprawl.⁸

According to a recent MoDOT report, raising gasoline and diesel fuel taxes by 5 cents would provide an extra \$195,956,039 per year.⁹ Vehicles are becoming more fuel-efficient, which means that in the future, Missouri may need to implement a vehicle miles toll system, but for the short and medium term, fuel taxes should be able to meet Missouri's infrastructure shortfalls. Tolling in Missouri currently runs counter to the state constitution, but if this prohibition were to be lifted, tolls would present a worthwhile opportunity for infrastructure finance. Newer types of tolling do not require expensive and time-wasting toll booth operations and can be designed to eliminate congestion while raising

revenue. Even if the constitutional problems with tolling are not changed, MoDOT can encourage tolling where it is allowed in Missouri, such as on major local roads or in conjunction with public-private partnerships and private financing.¹⁰

Although much of MoDOT's Long-Range Plan is not controversial, some of its priorities appear to be based on less than substantial claims and are unlikely to benefit Missouri. These include:

1. MoDOT's Long-Range

Transportation Plan speculates that the state population's transportation preferences are changing without sufficient supporting data. Much of the speculation is that in the future people will drive less, and use transportation alternatives more, due to lower incomes, migration to urban areas, rising fuel prices, an aging population, and millennial preferences.¹¹ These trends underpin MoDOT's argument for greater state emphasis on increased transportation options, but there are reasons for doubt. Specific rebuttals include:

i) Lower real incomes in Missouri are likely an artifact of the recession and lingering economic downturn, and the assumption that real income will remain flat or fall for the next 20 years is extremely pessimistic.¹² As much as lower real wages is correlated with less vehicle miles traveled (VMT), rising income is correlated with more driving.¹³

ii) Urban population in the U.S. is increasing, but in most cities, the fastest growth is in the suburbs and exurbs. The most recent census data confirms that localities far from city centers are growing fastest, and the growth in many city centers is low or negative.¹⁴ In Missouri's case, both Saint Louis City and County lost population from 2000-2010 (8 percent and 2 percent, respectively). However, the exurban county of St. Charles grew by 27 percent.¹⁵ Mostly suburban Greene County grew at 14.5 percent.¹⁶ As the MoDOT Long-Range Plan stated, people who live in the suburbs and exurbs drive more than those living in the urban core.¹⁷ That may not be the preferred choice of urban planners, but it is reality.

iii) Fuel prices are rising, but increasing vehicle fuel efficiency is likely partially offset by its effect on driving behavior. The Long-Range Plan pointed out that fuel prices have risen faster than inflation since 1992.¹⁸ However, they did not mention that average fuel efficiency rose from 28.4 to 35.6 miles per gallon (mpg). Moreover, passenger vehicles are expected to have an average fuel economy of 54.5 mpg by 2025.¹⁹ Gas prices tend to be volatile,²⁰ but it is possible that rising incomes and more fuel-efficient vehicles

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will offset the effect of rising fuel costs on VMT.

- iv) There is yet to be solid evidence that aging baby boomers will flock to city centers. It may be that retirees prefer city life to suburban life, but it also possible that the larger effect is a net population outflow from the Missouri cities as baby boomers retire to warmer climates or smaller towns.²¹ That type of retirement trend is well-documented.²²
 - v) “Millennials”²³ might drive less because of hard economic times, not preferences. The generation began driving as gas prices peaked in the mid-2000s, before entering the workforce, during the deepest post-war recession in American history. Youth unemployment in the United States has topped 15 percent since 2009 and the labor participation rate among “millennials” is also depressed.²⁴ While there may be less of a preference to drive among young consumers, the larger effect on car ownership and VMT may be unemployment, low wages, and extensive education-related debt. Those would be cyclical problems that should not become the basis of long-term plans as of yet.
2. Missouri may become poorer if MoDOT attempts to provide “transportation options” simply

for option’s sake. In the Long-Range Plan, one of MoDOT’s goals is to help provide more forms of transportation to Missouri residents.²⁵ But not all forms of transportation are economically efficient, such as passenger rail and urban rail transit. MoDOT receives most of its funding, and could receive more in the future, from (federal and state) gasoline taxes and fees for owning a vehicle. The low elasticity of vehicle miles traveled in response to gas price increases is evidence of significant demand for roads, which MoDOT should use its funds to build and maintain.²⁶ But passenger rail does not exhibit such demand. For example, the Missouri River Runner requires a 166 percent subsidy per ticket just to break even.²⁷ It is likely that no ticket price could be set so that the line would become self-supporting, as increasing ticket prices to necessary levels would reduce demand. Passenger rail ridership has increased in Missouri from 2007 to 2012, but that growth has been slow and overall, there are fewer users now than in 2000.²⁸ Despite this, the Long-Range Plan suggests adding lines, at about \$1 billion each, from Kansas City to Springfield, Quincy to Saint Louis, Saint Louis to Springfield, and Kansas City to Omaha.²⁹ While the current annual \$8 million to \$9 million subsidy to support the Missouri River Runner is not a large expense for the state,

MoDOT should not use the recent slight increase of popularity of that line to justify a multi-billion passenger rail system. Nor does a high-speed rail line from Kansas City to Saint Louis appear supportable. Despite initial federal support for high-speed rail in the United States in 2009, interest in implementing plans has waned as cost estimates soared. The only true high-speed rail line currently under construction is a controversial project in California.³⁰ Missouri urban areas are dispersed and have low population densities, making expensive passenger rail and especially high-speed rail disadvantageous.

What is true of inter-city passenger rail is true of light-rail options in Missouri's cities, which prior to now, MoDOT has not traditionally prioritized in its expenditures. Light-rail transit such as the Saint Louis Metrolink have cost approximately \$1.6 billion in capital costs over the last two decades,³¹ but less than 4 percent of Saint Louis commuters use the system.³² Expansion of light rail in Saint Louis or its introduction in Columbia or Kansas City may increase the use of public transportation, but only after costly spending and with extremely subsidized ticket prices. Many poor and disabled Missourians require public transportation, such as those that OATS provides in rural areas and standard urban bus systems. A

better focus for MoDOT would be providing efficient transit options for those poor and disabled Missourians who need it, not idealized and illusory rail options in an attempt to convince people with means to abandon their automobiles.

Missourians will benefit greatly if MoDOT can implement a long-term plan that focuses on maintaining the forms of transportation that Missourians use, addresses critical needs, and maintains flexibility for a changing economy. It can only do so if it has adequate funds, which user-generated funds can help provide. Expensive public transit options based on unproven trends are unlikely to improve statewide transportation and will waste essential funds.

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NOTES

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² Ibid. Page 73.

³ Ibid. Page 30.

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⁵ Thompson, Nick. "State Officials Look for Funding Fix for I-70." View online here: <http://www.komu.com/news/state-officials-look-for-funding-fix-for-i-70/>.

⁶ MoDOT. "A Vision for Missouri's Transportation Plan: Long Range Transportation Plan." Page 34.

⁷ MoDOT. "Connections: January 2009." View online here: <http://modot.org/Connections/archives/2009/jan09.pdf>.

⁸ National Surface Transportation Infrastructure Financing Commission. "Paying Our Way: A New Framework for Transportation Finance." Page 6.

⁹ MoDOT. "Financial Snapshot: October 2013." Page 19.

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¹² CBO. "The Budget and Economic Outlook: Fiscal Years 2013 to 2023." Pages 46-49.

¹³ U.S. Energy Information Administration. "Chapter 3. Vehicle-Miles Traveled." View online here: <http://www.eia.gov/emeu/rtecs/chapter3.html>.

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²¹ Brock, Fred. "Baby Boomers' Second Act." View online here: <http://www.nytimes.com/ref/realestate/greathomes/GH-Retire.html>.

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²⁶ Hanly, Mark, Joyce Dargay, and Phil Goodwin. "Review of Income and Price Elasticities in the Demand for Road Traffic." Pages 12-17.

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²⁸ Ibid. Page 15

²⁹ MoDOT. "A Vision for Missouri's Transportation Plan: Long Range Transportation Plan." Page 67.

³⁰ Note: Other "high-speed rail" lines are under construction in the United States, including from Chicago to Saint Louis. However, other than California, lines under construction reach speeds of only 110 mph, below international standards for high-speed rail. High-speed rail in the Northeast and elsewhere are still in the concept phase.

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PERSONAL NOTES



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