

**STATEMENT OF
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**BEFORE THE
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
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Chairman DeFazio, Ranking Member Duncan, and Members of the Subcommittee, I am grateful for the opportunity to come before you today to testify on congestion and mobility issues. I am also very pleased to be accompanied today by our Federal Highway Administrator, Rick Capka, and by our Federal Transit Administrator, Jim Simpson.

Last May, the Department of Transportation announced a new effort to respond to the growing crisis of traffic congestion: the Secretary's *National Strategy to Reduce Congestion on America's Transportation Network*, which we often refer to as the Congestion Initiative. The President reaffirmed the importance of this effort in this year's State of the Union policy initiatives, in which he directed the Department to work with States and cities to utilize new approaches to reduce traffic congestion, save fuel, and shorten commute times. This year's Economic Report of the President further amplified the importance of the issue with an entire chapter dedicated to transportation and energy.

When Secretary Peters was sworn in as Secretary of Transportation, she promised that the Department would do everything it could to reduce the growing costs to businesses and families attributable to transportation system failures. Protecting the public interest requires policymakers and lawmakers to seriously consider the fundamental causes of these failures and to enact policy reforms that respond directly to them. The Congestion Initiative – the implementation of Secretary Peters' promise – demonstrates the Bush Administration's commitment to keeping our nation moving. Today, I would like to explore with you how Congress and this Committee can join us in this cause.

The Costs of Congestion

Transportation system congestion is an enormous threat to our economic prosperity and way of life. Whether it takes the form of trucks stalled in traffic, cargo stuck at overwhelmed seaports, or airplanes waiting on crowded runways, congestion costs America an estimated \$200 billion a year. Beyond these immediate costs, transportation delay and unreliability have begun to chip away at one of our nation's most important economic assets: an efficient transportation system that allows businesses freedom of location and the ability to quickly reach customers across the nation and around the world. Large U.S. companies that rely on the international supply chain

repeatedly tell us that growing system failures are propelling them to make inefficient decisions in the form of facility re-locations, delivery time shifts, and building in more and more expensive “buffer” time, among other costs. These trends pose a material threat to an inventory management revolution that has helped smooth business cycles and reduce economic volatility.

Congestion also imposes substantial costs on our nation’s travelers. Traffic jams are increasingly stealing from busy citizens and families their single most valuable commodity: time. Last Sunday, the Washington Post Magazine ran a cover story on this very topic, entitled “Hell on Wheels: Inside the Nerve-Jangling, Marriage-Rattling Reality of Marathon Commuting.” The article put names and faces to some of the statistics with which the Department is very familiar. About 10 percent of commuting Americans travel more than an hour each way to and from work, averaging 82 minutes per trip. In 2003 – the most recent year for which we have complete data – Americans wasted 3.7 billion hours and 2.3 billion gallons of fuel sitting in traffic jams. And in the nation’s largest cities, each rush hour traveler spends the equivalent of almost 8 work days each year stuck in traffic, “paying” the equivalent of between \$850 and \$1,600 each year in lost time and fuel. Traffic forces parents to miss events with their children, limits the time that friends and families can spend together, and reduces opportunities for civic participation. While difficult to quantify, these social costs of traffic congestion are enormous and growing.

America is not alone in this experience. I represented Secretary Peters at an important meeting of transport ministers from around the world last week in Sofia, Bulgaria. The entire two-day meeting was devoted to the single topic of transportation congestion. A great many countries are taking aggressive steps to combat this problem, which they believe has the potential to compromise economic growth significantly.

The Congestion Initiative

Despite these alarming trends, the country has never had a better opportunity to reverse them. With the convergence of new technologies, a vibrant private sector ready and able to heavily invest in our nation’s transportation infrastructure, a traveling public that is increasingly willing to try new approaches, and a growing consensus among transportation experts that current policy approaches are ineffective and unsustainable, this is an extremely exciting time to be in transportation.

It was this excitement and this convergence that led us to establish our Congestion Initiative. The Initiative is founded on two key premises. First, we do not have to accept growing transportation congestion as an uncontrollable or inevitable affliction. Second, chronic congestion is the result of poor policy choices – a failure to distinguish between solutions that are effective and those that are not. Our plan is an attempt to highlight the viability of new approaches that hold the potential both to reduce delay in the short term and build the foundation for successful longer-term congestion-reduction efforts.

The Congestion Initiative includes a broad range of activities, not all of which I will discuss today. As part of the Initiative, the Department will sign later this summer Urban Partnership Agreements with communities that show a willingness to pursue new strategies that respond to urban congestion. We are encouraging States to tap private sector resources and expertise to

improve customer accountability, to help focus resources on the most critical transportation projects, and to unleash innovation in transportation infrastructure that has stagnated. Our operations office at the Federal Highway Administration is working closely with States to spread the use of innovative congestion-reducing operational and technological strategies. We have established a competitive process for designating up to five new multi-State “Corridors of the Future” to meet projected long-distance passenger and freight needs. By focusing resources on the most congested and economically significant corridors, we can make substantial improvements to the overall performance of the interstate system. We are also directing Departmental attention toward congestion at key freight gateways in Southern California and along our nation’s borders. And we are pursuing policies that accelerate major airport capacity projects and use the nation’s airspace and airports more efficiently.

Responding to the Causes of Congestion

At its most fundamental level, congestion is caused by a supply and demand imbalance, particularly during peak periods. There are three basic mechanisms available to address this problem: 1) rationing highway space through queuing; 2) formally allocating access rights to use the network at various times, as is done in the rail and aviation sectors; or 3) using prices, as we do with most other goods and services. As long as 50 years ago, economists began advocating for the third option, championing the implementation of variable highway pricing as the single most effective and sustainable mechanism to reduce the costs of congestion.

Today, a growing chorus of economists, academics, and transportation planners is now arguing that the fundamental mis-pricing of highway travel must be addressed to tackle the congestion problem in any sustainable way. Secretary Peters agrees that the time has arrived for extensive real-world demonstrations of this concept. As the Economic Report of the President notes,

“When there is a shortage of something – for instance, space on a ski lift, or attendants at the Department of Motor Vehicles – those willing to get in line and wait eventually receive what they want. This approach to road-use management is inefficient because it allocates road space to those with the time to wait in traffic, not necessarily to those who value its use most highly. If a roadway is priced – that is, if drivers have to pay a fee to access a particular road – then congestion can be avoided by adjusting the price up or down at different times of day to reflect changes in demand for its use. Road space is allocated to drivers who most highly value a reliable and unimpaired commute.

This arrangement encourages drivers to consider the tradeoff between the price of using the road and the additional time and inconvenience of using a nonpriced, alternate route, or driving at a noncongested time. Drivers who place a high value on the predictability and reduced time of commuting, for instance, a doctor who has been called to the hospital for an emergency, have the option to pay for access to noncongested roads. Drivers with more time flexibility, for instance a person doing his or her grocery shopping, can avoid the road and the fee. They can use alternative but more congested roads, shift when they drive to nonpeak hours, or use mass transit when it provides a cheaper alternative to driving. The average cost to each driver falls because drivers have a choice in how they pay for roadway use, in time or in money.”¹

In the U.S., dedicated gas taxes are often justified on the basis that they are user charges. However, taxing fuel consumption rather than road usage disconnects the price travelers pay for using the transportation system – and thus their decisions about when and how much to use it –

¹ 2007 Economic Report of the President. pg. 139-140.

from the true cost of travel. Today a U.S. automobile driver pays the equivalent of about 2-3 cents per mile in Federal and State gas taxes. Yet, when that driver uses a congested roadway during rush hour, he or she imposes between 10 and 50 cents per mile – and in some cases even more – in costs upon the other drivers stuck in traffic by taking space on the highway and exacerbating congestion. Similarly, gas tax charges for off-peak travel are not adjusted to reflect the lower costs of such travel.

Moreover, the enormous cost savings potentially available from highway pricing are even closer than previously believed. Research in recent years confirms that very small reductions in the number of vehicles using a congested highway facility can produce significant increases in traffic speeds. One study in the United Kingdom estimated that just a 4-9 percent reduction in traffic at any given moment during rush hour could reduce congestion by as much as 50 percent. By substantially increasing traffic speeds and preventing gridlock, pricing can substantially increase facility throughput. Counter-intuitively, this means that an initial diversion of drivers actually allows for MORE customers to be served in a given time period. The most powerful example of this takes place every day on State Route 91 in California, where the two variably priced lanes handle as much traffic as the four “free” lanes every morning and afternoon.

The benefits of congestion pricing extend beyond simply enhancing the speed of travel and the efficiency of highways. Road pricing encourages the use of mass transit, and by reducing traffic delays it can enable the operation of high-speed, reliable commuter transit services such as bus rapid transit (BRT). Pricing will improve fuel economy and reduce greenhouse gas emissions by cutting out stop-and-go movement and idling. Pricing will encourage more sustainable land use patterns by providing transparent signals about the true costs of real estate development on the outskirts of major cities. Finally, congestion-based user charges can dramatically improve project planning processes by providing clear signals as to where and when the benefits of expanding capacity are likely to exceed the costs of providing that capacity. As prices rise, the case for adding new lanes or roads becomes increasingly obvious, to say nothing of the new supply of revenues from pricing that can be used to finance the improvements.

Congestion pricing has demonstrated powerful positive results both here in the U.S. and, as I learned last week in Sofia, around the world. Successful U.S. applications of congestion pricing are operating on California’s State Route 91 in Orange County, I-15 in San Diego, I-25 in Denver, and I-394 in Minneapolis, all of which have enabled congestion-free rush-hour commuting and proven popular with drivers of all income levels. Internationally, broad-based congestion pricing has yielded dramatic reductions in traffic congestion in Singapore, London, and Stockholm.

In addition to the mis-pricing of highway travel, a large percentage of highway congestion is caused by non-recurring events, such as accidents, work zones, or weather. The Federal Highway Administration is working extensively with State and local transportation leaders to encourage a significant focus on the reduction of non-recurring congestion. We believe that this “low hanging fruit” deserves far more attention from political leaders and transportation experts. The benefit-cost ratios of investments to reduce the impacts of non-recurring congestion are often quite high, demonstrating that greater State investment in this area is warranted.

The Urban Partnership Program

While congestion pricing may independently improve the performance of our highway systems, it can be even more effective when used in combination with other complementary policies. This concept is the basis for the Department's Urban Partnership Program, which is arguably the most critical component of the Congestion Initiative. The Department plans to sign Urban Partnership Agreements (UPAs) with up to five "Urban Partners" – metro areas that agree to implement a comprehensive policy response to urban congestion that includes what we refer to as the "4 Ts": (1) a *tolling* (congestion pricing) demonstration, (b) enhanced *transit* services, (c) increased emphasis on *telecommuting* and flex scheduling, and (d) the deployment of advanced *technology*. In exchange for their policy commitments, the Department will support its Urban Partners with financial resources (using current budget authority), regulatory flexibility, and expertise.

The Department received UPA applications from twenty-seven metropolitan areas. Under the terms of the UPA process, applicants were strongly encouraged, though not required, to include in their proposals all four of the Ts (tolling, transit, telecommuting, and technology). The majority of the applications included some type of pricing proposal, ranging from studies of pricing to converting high-occupancy vehicle (HOV) lanes to high-occupancy toll (HOT) lanes to using "cordon pricing" to charge all drivers entering a central business district. Complementary transit proposals included operating bus rapid transit (BRT) service on priced highways, instituting transit-preferential priorities for downtown streets, and creating universal transportation accounts that could be used to pay for highway, rail, or bus fares. Technology proposals included systems to support the pricing and transit applications and to collect and disseminate real-time traveler information. Finally, many applications included telecommuting components, such as telework centers and results-only work environments, which focus on employees' outputs, rather than the location in which they perform their duties.

After carefully reviewing all twenty-seven applications, the Department has selected nine Preliminary Urban Partners. The Department will soon enter into negotiations with each of the nine regarding the specifics of their proposals and will select up to five final Urban Partners. In support of these selections, the Department will give preference to our Partners in awarding grant funding from a variety of Federal Highway Administration (FHWA), Federal Transit Administration (FTA) and Research and Innovative Technology Administration (RITA) discretionary programs.

Targeting discretionary grant funding in support of Urban Partners will yield two benefits. First and foremost, it will allow the Department to strategically focus its scarce discretionary dollars toward the national priority of congestion reduction. Beyond this, it will also serve as a step away from the Federal transportation program's historical modal funding silos and toward a more coordinated and multi-modal transportation policy. Our emphasis on strategic use of discretionary resources and multi-modal coordination is repeated in the President's FY08 budget proposal, which includes a request to reprogram \$175 million in unspent earmarks toward the Congestion Initiative. We seek your support for this budget request, which would allow the Department to continue our congestion-related activities.

In closing

I commend the Committee for holding today's hearing. We all share the enormous responsibility of ensuring that future generations can experience the freedom of an efficient and vital American transportation system. It is important for Americans to understand that congestion is not an insurmountable problem, but that solutions will require a smarter approach to capacity expansion and improving the productivity of existing transportation assets.

Thank you for inviting us to share these ideas. Messrs. Capka, Simpson, and I all look forward to answering your questions, and to working with the Committee to generate these solutions.