FBT
TRANSPORTATION SUMMIT

The Tipping Point?

JULY 17, 2009

Alan E. Pisarski
Was it Will Rogers who said:

The way to solve traffic congestion is for the government to make the cars and the private sector to build the roads!
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The way to solve traffic congestion is for the government to make the cars and the private sector to build the roads!

WE ARE ALMOST THERE!
WHAT'S WRONG WITH THE AMERICAN PEOPLE?

• Why do they want what they want?

• Why can't they want what we want them to want?

If this keeps up our government will have to elect new people!
Issues with public’s choices

- “Too much” transportation spending
- Low income are “transportation poor”
- Transportation trade-off with housing loses
- Job “sprawl” a problem
- We all must come home to the center city!

Is the public coerced by circumstances or just making dumb choices?
Is this serious and real or just reauthorization hype?
Summing up:
threats & opportunities

**Threats**
- Policies to penalize
  - Dispersed jobs
  - Dispersed households
- Policies to promote
  - Higher density
  - “Organized” society
- Subsidies to
  - Recentralize
  - Promote density

**Opportunities**
- Jobs moving closer to skilled workers
- Increase mobility
- Promote greater job access
- Live where you want work where you want
## FUEL CHEAP NOW?

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost/ gal</th>
<th>Fuel Efficiency</th>
<th>Cost/ mile</th>
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</thead>
<tbody>
<tr>
<td>1981</td>
<td>3.09</td>
<td>16.4</td>
<td>18.8 cents</td>
</tr>
<tr>
<td>2007</td>
<td>2.85</td>
<td>22.4</td>
<td>12.7 cents</td>
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<tr>
<td>2008 approx.</td>
<td>4.00</td>
<td>23.7*</td>
<td>16.8 cents</td>
</tr>
</tbody>
</table>

### WEEKLY GAS PRICES 1 YEAR

- **8/6/2007**: $2.85
- **9/6/2007**: $2.85
- **10/6/2007**: $2.90
- **11/6/2007**: $3.00
- **12/6/2007**: $3.50
- **1/6/2008**: $4.00
- **2/6/2008**: $4.00
- **3/6/2008**: $4.00
- **4/6/2008**: $4.00
- **5/6/2008**: $4.00
- **6/6/2008**: $4.00
- **7/6/2008**: $4.00
- **8/6/2008**: $4.00
- **9/6/2008**: $4.00

### WEEKLY GAS PRICES 1 YEAR

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- **10/6/2007** to **11/6/2007**: $2.90
- **12/6/2007** to **1/6/2008**: $3.00
- **2/6/2008** to **3/6/2008**: $4.00
- **4/6/2008** to **5/6/2008**: $4.00
- **6/6/2008** to **7/6/2008**: $4.00
- **8/6/2008** to **9/6/2008**: $4.00

*More sticker shock?*
TWO REACTIONS TO $4 GAS

HURRAY!
• Schadenfreude!
• Those suburbanites had it coming!
• At last we are at “the Tipping Point”
• Now there will be a rush to the city center of people and jobs

BOO!
• Less VMT = social and economic interactions lost
• Now is the worst time to be cutting economic activity
WHY NO TIPPING POINT?

• Jobs are no longer in center
• Employers go where the skilled workers are
• It’s easier to replace offices than houses

• Budget Calculation = total of Commute + Housing cost

Increased transportation cost modifies the calculation; just as increasing congestion does
Current decline in housing costs (and gas costs) modifies again.
Would 5$ or 6$ gas change America?

- **LIFE STYLE PREFERENCES WILL DETERMINE GOALS; AND TECHNOLOGY WILL RESPOND**
- The consumer benefit of automobility is colossal – think of toll costs = $4/gal
- Europe at $9/gal; still has traffic jams
- **Key Effects**
  - Impede access to mobility of minorities and lower income populations
  - Rural economic stress
  - Reduced access to broader worker pool

- **FLEET TURNOVER RATE WILL BE KEY**

![Graph of % of households without vehicles over time](image)
How do we spend our transportation money?

- Dominant factor is acquisition, use and care of vehicles
- Purchased transportation (6%) = anything you buy a ticket for: air, cruise, transit (13% of 6%), taxi
- Tolls almost zero
- Un-reimbursed

![Transportation Spending 2007 $\$](Consumer expenditure survey BLS)
BY THE WAY – Spending on Tolls

ANNUAL TOLL EXPENDITURES
PER HOUSEHOLD

$ Tolls home area
Tolls out of town

METRO  CITY  SUBS  RURAL
BY THE WAY – Spending on Tolls

ANNUAL TOLL EXPENDITURES
PER HOUSEHOLD

- Tolls home area
- Tolls out of town
- Auto service clubs

<table>
<thead>
<tr>
<th>Location</th>
<th>Tolls Home Area</th>
<th>Tolls Out of Town</th>
<th>Auto Service Clubs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro</td>
<td>16</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>City</td>
<td>15</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Suburbs</td>
<td>20</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Rural</td>
<td>14</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>
Transportation spending rises as a share of spending until the highest spending fifth of the population.

About $9,000 out of $50,000
Housing is a major cost for lowest fifth but declines with rising spending
The total share of housing + transportation declines in share with spending.
One of the key issues is central city vs suburban vs rural spending patterns

<table>
<thead>
<tr>
<th></th>
<th>cc</th>
<th>sub</th>
<th>rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>workers</td>
<td>1.3</td>
<td>1.4</td>
<td>1.3</td>
</tr>
<tr>
<td>vehicles</td>
<td>1.5</td>
<td>2.1</td>
<td>2.5</td>
</tr>
<tr>
<td>% renter</td>
<td>49%</td>
<td>27%</td>
<td>20%</td>
</tr>
</tbody>
</table>
Rural Wins in Housing + Transportation share of spending

SHARES OF SPENDING TO TRANSPORTATION PLUS HOUSING

- cc: 16.0% % TRANS, 35.5% % HOUSING
- sub: 17.9% % TRANS, 34.1% % HOUSING
- rural: 21.6% % TRANS, 28.6% % HOUSING

- workers: 1.3, 1.4, 1.3
- vehicles: 1.5, 2.1, 2.5
- % renter: 49%, 27%, 20%
Transportation spending is all about workers
Why we are a rich nation

- Americans are wealthy because they work
- Americans have cars because they work
- Americans spend $ on transportation because they work
- The ratio of highest to lowest same for trans as for all spending (about 4.8)
We are spending less on transportation this decade

Buying fewer and cheaper cars
Transportation spending has been dropping by quintile
Housing spending took off as transportation spending declined.
The housing bubble is visible
Significant declines in transportation spending as a share of all spending
suburban growth continues but economy has slowed moves

- 35 million people moved from 2007 to 2008; down from 40 million in 2005-2006
- The mover rate dropped below 12%; lowest ever recorded (started 1948)
- In met areas over a million pop suburban share:
  - was 51.3% in 2000
  - now at 52.5% in 2008;
  - gained 66% of the growth to 2008

  Census Domestic Mobility Study
The days of living outside the factory gate are gone

- Of course people have the option but few choose to take advantage of it. Higher incomes yields more freedom to choose and people choose to optimize other things – schools, safety, attractiveness, access to amenities

- We don't need to redesign our world to make it more “efficient”. The existing distribution of jobs housing and other destinations provides ample opportunities to be closer to destinations if we choose. There is no indication of such a preference.
  - Work trip length increases with income!
  - In a job-scarce environment access to jobs over greater distances is a key economic factor
  - Work trips are increasingly minor part of people’s lives.
Why don’t we live next to our work?

• Typical worker changes jobs every few years: so – move each time? Immense friction involved. might be back!

• Jobs and workers are more dispersed; Smaller work destinations; no factory gates to live next to!

• 70% of workers live in a household with other worker(s). Whose job are we going to live next to?

• Expansion of job specialization spreads the range over which one can/must seek jobs
  – Work in fast food store – closest one is best
  – Work in environmental physics – is there a reactor down the street?
Jobs have been following workers to the suburbs for 40 years

- 17 of 18 industries decentralized 1998-2006
- Only 21% of jobs within 3 miles of center in 98 metros; 45% of jobs more than 10 miles
- Outer parts grew 17% in employment: center by 1%

*Job Sprawl Revisited; Brookings*
COMMUTERS LEAVING HOME COUNTY TO WORK

1990
• U.S. 23.9%
• Va. 52%

2000
• U.S. 26.7%

2007
• U.S. 27.4%
• Va. 52.5%

WHY?
– SPRAWL?
– ACCESS?
– OCCUPATIONS?
– CHOICE
Georgia:
Counties (in yellow) with more than 25% exports to work 2000
Transportation Makes Cities Both Smaller and Bigger

- Smaller in that the times to traverse distances are reduced
- Bigger in that a city knitted together with effective transportation acts bigger
  - economically
  - socially
- Atlanta would be 26 hamlets adjacent to each other without regional access and interaction
We also could:

• Go to the nearest grocer?
• The nearest Doctor?
• The nearest Day Care center?
• The nearest restaurant?
• The nearest house of worship?

If you want Wonder bread it’s as close as a 7/11 but if you want Russian Black bread with raisins (I know this great place in Baltimore)
Next Reauthorization

- Finance, Finance, Finance
- Stimulus package will affect decisions
- Tolling, congestion pricing disliked by leadership but few options
- More afraid of gas tax increases
- Is private sector still ready with $$$
- Devolution by Default ??
Next Reauthorization

• Maybe reorg DOT away from modes to “functional structure” = intercity; metro
• Metro mobility = transit, bikes, walking
• Intercity; tourism weak
• Watch private freight rail
• New focus on land use policies
Next Reauthorization

• Who will be in charge? WH? DOT? Congress?
• If meet September deadline then DOT’s role limited
• DOT might prefer a CR so that they could be serious players next year -- proposed 18 month temporizing legislation to gain time
• Coincidentally fitting with a lame duck Congress
State of play in national legislation – Financial issues –

- Not close to increase in last cycle (40%)
- Needs put at 2x funding
- Fed Gas tax at 18.4¢ doesn’t = 3¢ in 1956
- Fed share of capital about 40%
- Few opportunities regarding revenues
- “Innovative Finance” as alternative

INNOVATIVE FINANCE AIN’T MONEY
THREEWAY CONFLICTS

- TRANSPORTATION LEGISLATION
- ENERGY LEGISLATION
- GHG LEGISLATION
  - Cap and Trade – rebate or spend?
  - Carbon Tax
  - Air could catch brunt of plans after roads

ALL ANTAGONISTIC TO MOBILITY
Impacts on mobility

- Energy; GHG = **CUT VMT**!
- Metro Mobility = **Walk, Bike, Transit**
- Coalition w/HUD = use Transportation $$ for land use coercion and subsidies
- Emphasis on Tolling/Pricing but **not market driven**; pay-at-pump insurance
- VMT tax = tax travel based on **where, when and what you are doing**

**GOAL IS TO SUPPRESS VMT – GHG IS JUST THIS YEAR’S EXCUSE**
The policy conflict = opposed thinking about the world

**Neighborhood**
- Shorter trips
- Walk/bike
- Land use solutions
- Design
- What’s freight?
- Accessibility
- Public
- Mass
- Behavior change
- Make it happen

**Globally Integrated**
- Longer trips
- Broad “community”
- Choices
- Market forces
- Major role for freight
- Mobility
- Private
- Personalized
- Technological fix
- Let it happen
The focus on changing behavior diverts us from the real issues

- Enhancing economic opportunities
- Access to workers; access to jobs
- Mainstreaming minorities
- Safety
- Serving an aging population
- Greater freedom of mobility
- Infrastructure Reconstruction
- Reducing Congestion
- More!
Summing up: threats & opportunities

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THANK YOU!

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703 941-4257
WE HAVE NO CHOICE BUT TO CARE GREATLY ABOUT TRANSPORTATION!

Transportation is all about reducing the time and cost penalties of distance on our economic and social interactions.

To the extent that nations succeed in that function they enable tremendous forces of economic opportunity, social cohesion and national unity.
Average Spending for Purchased Transportation
total spending = $538/yr

- 67% airfares
- 13% Icty Bus
- 4% Icty Train
- 4% Transit
- 4% Taxi
- 2% ship