

Reforming America's Transportation System:

Report of the Pocantico Workshop on Governance
and Institutional Reform in Transportation



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New Governance Models For Sustainable Transportation Participants

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About the Eno Center for Transportation

Eno is an independent, non-partisan think-tank that shapes public debate on critical multimodal transportation issues and builds an innovative network of transportation professionals. The leader in our field for nearly a century, Eno has a long and proud history as a thought-leader on multi-modal transportation issues. Learn more at www.enotrans.org.

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I. INTRODUCTION

In February 2019 the Eno Center for Transportation (Eno) and the Reason Foundation (Reason) convened a three-day workshop (the Workshop) at the Pocantico Conference Center of the Rockefeller Brothers Fund (RBF) near Tarrytown, New York. Supported by RBF, with additional funding from Smith Richardson Foundation (SRF), the Workshop brought together twenty-four scholars and executives, expert in transportation policy, finance, operations, technology, and environment.

The Workshop explored challenges to transportation governance and considered whether they can be addressed through institutional reform. Questions included: Can today's transportation governance structures, funding arrangements, decision-making mechanisms, and operating practices respond to the disruptive changes that surround them? What potential reforms to institutions and practices could improve safety, efficiency, and equity in the movement of people and goods? The discussion addressed both capital and operational decision-making.

As transportation-related organizations' missions evolve and goals change, these questions become "threshold issues." They are necessary to the provision of efficient, reliable, and accessible transportation services, yet are rarely researched or analyzed. Policy changes are suggested without considering whether agencies and departments are structured to enable their implementation. The discussion at Pocantico addressed this need because of the dramatic changes taking place in American society and the economy. The Workshop explored these changes and how they influence and are influenced by the nation's transportation system through planning, capital programming, operations, and maintenance.

This report is not a summary or consensus statement of the Workshop's proceedings. The discussions were exploratory and wide-ranging, and this report identifies significant issues, areas of common concern, and broad themes that emerged. Together, the participants hope that they can motivate further discussion among those who participated and other transportation thought leaders. The intent is that the discussions and exchanges of ideas and experiences will lead to recommendations for specific governance and institutional reforms recognizing the critical influence of transportation policies, investments, and operations on American society.

II. DRIVERS OF CHANGE

It is well-known that transportation is facing a period of profound change. The emergence of automated and connected vehicles, as well as social network transportation providers are challenging traditional notions of mobility. At the same time, the threat of global climate change means new sources of energy and sustainable land use and travel patterns are needed along with better ways of making infrastructure more resilient to rising sea levels and increasingly frequent storms. Large metropolitan areas are the clear engines of economic growth while rural regions languish. Workforce shortages loom throughout the transportation sector. All this is happening while transportation infrastructure is aging, and financial resources are limited.

The confluence of so many simultaneous changes lead some to refer to the current era as a period of disruption. Change, of course, has been a constant in the transportation sector, and over time there have been significant transformations in institutions, governance arrangements, laws, regulations, and funding programs.

Today we are facing new challenges while relying on increasingly outdated institutions. Should today's state departments of transportation (DOTs), railroads, vehicle manufacturers, and port authorities change in response to—or to bring about—transformation in travel and technology? Can institutions designed to regulate private transit providers and taxi companies be expected to regulate social network transportation providers and providers of automated door-to-door travel options? All this is happening while we continue to rely on policymaking and decision-making tools (e.g., travel demand forecasting models, benefit/cost analysis, public hearing processes, environmental review) designed to reflect decisions made in past decades.

The workshop discussion began with a discussion of the trends and more disruptive changes which appear to be at odds with the legacy framework for transportation. These include the roles of the public and private sectors, different levels of government, public policies, and agency structures, programs, and processes. The driving forces discussed include those both *external* to transportation as well as the characteristics, arrangements and activities *internal* to the sector.

External forces: The focus of this discussion was on trends and disruptions that change the nature of both transportation challenges and opportunities:

- The increasing dependence of urban and regional economic development on a high degree of metro region accessibility to support labor force mobility.
- The wide range of diversity among states and regions as between those that are growing and those that are static or declining regarding transportation demands.

- Reduced growth rates of vehicle miles travelled but accompanied by increasing congestion and unreliability, as well as the increasing importance of efficient system operations to capitalize on the sunk infrastructure investment.
- Increased concern over global climate change and its impacts on weather, water levels, temperature, etc., affecting transportation.
- Development of new vehicle-based technology for automated and connected vehicles that require changes in public/private sector roles and appropriate regulation.
- Growing importance of freight transportation and delivery systems in light of increasing global economic competition, package delivery, and e-commerce.
- Changing population characteristics impacting transportation demand including the increased elderly population, low-income transit dependents, and millennials more slowly embracing car ownership.

Internal forces: This discussion centered on increasing the apparent lack of alignment between external challenges, resources and arrangements in the transportation sector, including:

- Decreasing dependency on federal aid while an increasing number of states expand state, local and non-tax sources.
- Structural inertia regarding at all levels of government involved in infrastructure project development.
- Failure to develop effective access to private capital, technology and project development expertise, while maintaining a clear commitment to the public interest.
- Inability to develop state/regional/local institutional arrangements and related business and technical processes that are capable of responding to new transportation and transportation-related challenges.

While there was broad agreement that *reform* is necessary, there is recognition that *revolutionary* change will be difficult to achieve. Uncertainty and upheaval characterize many aspects of American society today. Yet in transportation, institutional inertia, political headwinds, and entrenched interests work to prevent organizational change in the absence of clear incentives at various levels of government as well as the lack of congressional consensus regarding programs and funding. And since transportation planning and capital programming processes are opaque to most citizens, there is little public pressure to undertake transportation governance reforms. When they occur, reforms are often the result of new leadership, whether at the staff level or through political changes in governing boards.

Participants noted that in other sectors, significant change is often a reaction to and driven by outside forces, and it can be transformational. For example, extensive changes that occurred in homeland security and intelligence came as a result of the terrorist attacks of September 11, 2001. Participants discussed forces that might stimulate wide-ranging transportation reform, even if they do not reach apparent crisis proportions. Since the end of the Interstate construction era, many transportation agencies, particularly at the state level, have struggled to find new senses of mission and purpose. Participants expressed concern that, in this effort, missions might have been defined too narrowly and that transportation agencies might have become too insular.

Changes in business models, systems, and services are more common in the private sector where new technology and market return on investment are critical driving forces. This is especially true when technology catalyzes new opportunities such as e-commerce, advanced logistics and delivery, vehicle automation, and new mobility services.

Participants agreed that at least some of the challenges currently facing transportation institutions – asset management, funding, safety, efficiency, project delivery – stem directly from problems with existing governance, institutional structures, and decision-making processes. The Workshop identified important distinctions between governance and institutional change, and the relationships between the two:

- *Governance* involves the consideration of the appropriate interaction between formal and informal institutions and the processes by which authority and influence are distributed to improve transportation. It includes legislation, regulation, policy- and decision-making conventions, relationships between the public and private sector, roles of stakeholders and levels, topical scope and jurisdictions of government.
- *Institutions* relate to the specific organizations, practices and tools to carry out the activities of transportation governance. They include private enterprises, federal, state and local government organizations, their structure and their functions, program frameworks, funding regimes, specific business and technical processes.

In the United States' federal system, power and authority in transportation is widely dispersed. A multitude of institutional and governance forms coexist at the federal, state and local levels. Demands should be placed on transportation institutions if they are to meet the changing conditions of America's economy and society. Reforming state transportation agencies and regional planning agencies (as opposed, for example, to single-purpose transit and toll authorities) is particularly challenging, because of their complexity and their range of purposes and activities. Several participants noted that city governments have demonstrated the flexibility to confront new approaches and new partners and to initiate experiments in urban mobility.

However, the need for reform is urgent at the state, regional, and local levels, since an increasing share of funding and financing responsibilities fall on state and local agencies that already own, maintain, and operate transportation systems. Different rules, cultures, and practices across the U.S. mean that reform will vary greatly from state to state and region to region. Just as existing institutional structures and operations vary, institutional reforms should and will vary, state to state and region to region, but the need for reform is universal.

III. KEY ISSUES

The Pocantico sessions were organized around a number of discrete topics, such as funding and finance, politics, operations, and planning. There was a wide-ranging discussion of these issues with varying points of view.

Governance

Some of the issues discussed were at the level of overall governance structure including the appropriate level of decision-making and the allocation of resources. By definition, governance arrangements and practices are deeply ingrained in the provision of transportation in the U.S. economy and society and are necessarily slow to change. Some key governance issues discussed included:

- **Vision.** While the federal tools to promote reform were enumerated at the Workshop, participants agreed that those tools should be used in pursuit of a shared national vision that was more difficult to identify. The commitment to the Interstate System was such a vision but it is difficult to articulate a national transportation vision today. Preambles to successive bills to reauthorize federal surface transportation programs—particularly the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA)—stated shared national objectives, but Congress has largely failed to reflect those national goals and values in the structure and requirements of the grant and loan programs it authorized. Workshop participants acknowledged that federal policy remains significant to shaping our institutions and that, in the future, the federal role is likely to be exercised more indirectly, perhaps through incentives, penalties, requirements, and guidance. However, participants expressed skepticism about the ability of Congress to articulate a meaningfully new or adjusted role.
- **Sectoral roles.** There was a recognition and acknowledgment at the Workshop that, while innovations abound today in transportation, these have largely been driven by the private sector. For example, it is likely that most of the major advances in safety will flow from new vehicle technology rather than public sector safety initiatives. Revenue-backed private finance, development and operations of major highway facilities are increasingly common in some states. New technology such as sensors and communications are powering the development of increasing vehicle automation and connections and the services they support such as car-sharing and transportation network corporations (TNCs). In addition, as public sector hiring is inhibited by budgetary and fiscal constraints, more “public” services are being outsourced to, and delivered by, private firms. These services include engineering, planning, project

delivery, maintenance, and operations. The contracting structure poses challenges to the public agencies to oversee and manage relationships in an effective and accountable manner.

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- **Federal role.** Some experts, including those at Pocantico, recognize that funding and responsibility for operations are increasingly shifting from the federal level to decision-makers and agencies at the state, regional, and local levels. The shift responds not only to the increasing diversity of state and regional needs but also to a wider range of capabilities. There was no unanimity among Workshop participants whether this role (especially funding) is positive, neutral, or negative. However, they acknowledged that for issues of national significance, federal policy remains central to shaping institutions and that the future federal role is likely to be exercised through incentives, penalties, requirements and guidance.
- **Sources of funds.** Surface transportation funding is increasingly falling short of identified needs. At the federal level, the shortfalls in the Highway Trust Fund have elevated this issue to near-crisis levels and provoked a range of state and local risk management strategies in the absence of predictable funding. Some of these are based on gaining access to private equity through public-private partnerships and value-capture opportunities. However, capitalizing on major private capital such as pension funds for federal aid facilities will depend on changes in federal and state law and regulations regarding funding mixes, risk allocation and financing tools.
- **Metropolitan and rural mobility.** The nation's transportation system should facilitate and enable metropolitan labor markets and economies to function efficiently and productively. Providing connectivity and accessibility to, between, and within metropolitan regions thus needs to be a critical attribute of transportation systems. At the same time, investment and institutional reform cannot be directed only to the nation's major and growing metropolitan regions to the exclusion of addressing rural needs for safety and connectivity. Meeting these different demands simultaneously is politically challenging as resources become ever more constrained.
- **Federal aid funds allocation.** Workshop participants suggested that Congress consider developing new funding formulae that reflect a changing mix of goals, such as accessibility, labor market flexibility, environmental improvement and sustainability, system resilience, and social equity. Funding formula and match rates could be used by Congress to incentivize new ways of thinking, planning, and operating in metropolitan regions. For example, a greater emphasis on asset management and rehabilitation ("state of good repair") might receive special federal support. Experience with the "Smart Cities" and "Urban Partnership" programs demonstrates that even modest competitive federal funding can influence innovation and institutional change by states and localities.

- **Informed decision making.** The complex issues that bear on transportation decision making merit a reconsideration of how decision authority is allocated between transportation professionals and those who have direct accountability to the public. The experience and credentials of elected and designated decision makers, the lengths of terms of individuals tasked with transportation decision making and the extent of education that is provided to decision makers to position them to understand the information and issues, are critical elements of governance. Robust tools and processes to support decision making and a “proper” allocation of decision-making across the respective geographic and topical governing entities will not guarantee progress absent competency of the decision makers.

Institutions

Most organizations and practices related to surface transportation remain rooted in the era of highway building and have not kept pace with today's economic, environmental, political, and social concerns. Workshop participants discussed the apparent misalignment between the evolving context and its challenges and opportunities versus the current institutional structure. These challenges include:

- **National needs.** National transportation interests and purposes should be clearly defined in the next round of federal surface transportation reauthorization legislation and incorporated into that bill as incentives and requirements to promote institutional and governance reforms at all levels.
- **Performance requirements.** The use of data and economic analysis has the potential of reducing politicization of the decision-making process and allocation of resources. Planning entities should have the data and analytical resources to compare the benefit/cost ratios of competing operational improvements, “state of good repair,” and capacity-expanding projects. Post-completion analyses of major investments should be undertaken by state, regional, and local agencies to assess the economic and other returns and the utility of these significant public investments. Also suggested at the Workshop was the expansion of triennial reviews performed by the Federal Transit Administration (FTA) to all modes to evaluate state and local agencies' commitment to and relative success in achieving national goals and in addressing federal requirements in their programs.
- **Inter-agency collaboration.** At the state and local levels, it is necessary to establish more interactive and effective relationships between transportation and transportation-related agencies, such as those that deal with land use and environmental policy. Some participants observed that various agencies, responsible for metropolitan or regional planning or coordination, appear to have lost their effectiveness, become low performing, politicized, and lost public support. One topic discussed was the need for the reconfiguration of MPOs to recognize expanded commuter sheds, mega-regions and network interdependencies. Federal program and financial support could induce states and related transportation agencies to collaborate across boundaries and to establish multi-jurisdictional and multi-modal institutions, similar to the I-95 Corridor Coalition. Similar models could be established to address freight movements, passenger rail, and infrastructure resiliency in multi-state regions.

- **Project delivery and procurement.** The federal government could also wield great influence by reforming project development and related procurement processes. The FTA’s “Expedited Project Delivery” program, US DOT’s Federal Permitting Improvement Steering Committee and ‘Every Day Counts’ program, and the government-wide, interagency “One Federal Decision” initiative demonstrate some initial steps at the federal level in response to procurement issues. However, most procurement modernization will need to occur at the state and local levels, and changes go hand-in-hand with the governance and institutional structures of the organizations. Workshop participants noted that state and local rules for procurement are often outdated and misaligned with current priorities. Governments and ultimately the users of transportation facilities eventually bear the costs of antiquated procurement processes through delays, added costs, and sub-optimal risk allocations related to the delivery of new or reconstructed transportation projects.
- **Increased range of state and local funding.** Recently, states and local governments have taken the initiative to raise fuel taxes. Innovations in funding and finance were noted at several points in the Workshop as related to augmenting conventional tax sources and focusing on specific major projects of interest. These included local option sales taxes, bond issues, value-capture, toll-backed funding and finance, and experimentation with mileage-based user fees. It was also observed that the U.S. is far more conservative than many other countries with regard to tapping private expertise and capital for roadway development. To do so, federal and state regulations regarding the mix of public and private funds, risk allocation, and pricing must be resolved and new approaches to value capture need to be considered.
- **Public-private partnerships.** In addition to toll-backed highway development and value capture, the importance of integrating private sector systems such as automated and connected vehicles with public sector infrastructure development and operations suggests the need for better public/private coordination. One issue raised was the notion of expanded use of longer-term concessions for the development of transportation projects and a public utilities-like corporation that would be responsible for the day-to-day operations of regional transportation facilities and networks across jurisdictional boundaries.
- **State and local capabilities.** A recurring Workshop theme related to the limitations of the resources and staff capabilities in responding the changing context of transportation systems, technology, modes, institutions and the related transportation behavior and land-use patterns. Topics noted included the ability to recruit and retain qualified staff in the increasingly competitive workforce context, and the availability of appropriate training.

IV. SUMMARY

Based on the discussion at the Workshop, the following appear to be among the key questions for continuing consideration:

- In light of an obvious trend toward a reduced federal role in transportation programs and funding, should the federal-aid program be smaller and more targeted?
- What should be the major focus for federal surface transportation aid – the Interstate Highway System (as recommended by a recent Transportation Research Board (TRB) special committee)? metropolitan regions, in order to enhance regional labor mobility?
- The private sector is increasingly important, in providing financing, and safety and mobility services to the transportation sector: what should be the nature of private-public partnerships, in order to capture the benefits of private sector technologies, data, and services, and what is the role of regulation?
- What are appropriate, practical, and sustainable new forms of transportation funding?
- Given the levels of congestion on, and the unreliability of, transportation networks, how should state and local programs be balanced between capacity expansion, reconstruction/rehabilitation, and systems operations? In making these investment and management decisions, what are the roles of intelligent transportation systems, new vehicle-based technologies, and transportation services sharing?
- How can performance monitoring, evaluation, and management best be utilized to support the efficient use of scarce resources and to inform the decisions of elected and appointed officials?
- How can the values and interests of diverse stakeholders be accommodated within transportation policy and planning processes and in investment and operational decision-making?
- Given new technologies, modes, data, and methods, what human resource capabilities, education, and training are needed in transportation and transportation-related agencies?
- In the context of changing social, economic, and technological factors, new travel patterns and altered network-level operations, and emerging vehicle-sharing initiatives, what adjustments should be made in the scales of jurisdiction, authority, and decision-making of state, regional, and local transportation and transportation-related agencies, and is there a role for the federal government to prompt such reforms?

V. NEXT STEPS

Workshop participants agreed that continuing attention to governance and institutional reform in transportation should be given high priority by Eno, Reason, and other transportation organizations. Despite the wide range of institutional reform experiences at the state and local levels, the participants expressed a wish for peer exchanges and information sharing about best practices, so that transportation agencies could learn from each other. There was also interest in sharing lessons from transportation and transportation-related institutions that have attempted transformative changes.


With active assistance of the Workshop participants, Eno and Reason will work to mobilize additional financial resources to support further research and analysis of the issues raised at the Workshop. Eno and Reason also will, to the extent that resources permit, plan and implement a continuing program of workshops, seminars, and meetings to continue the discussions initiated at Pocantico.


Until the resources become available to plan future workshops and seminars and carry out further research, Eno will serve as a clearinghouse for further exchange of experiences and views on transportation governance and institutional reform. To that end, the pages of *Eno Transportation Weekly* (ETW) will welcome articles, essays, and op-eds on governance and institutional reform from Workshop participants and others interested in this subject. Specifically, Eno will consider launching a “Point-Counterpoint” exchange of essays in ETW that can be continued over the key issues specifically identified in the Workshop. Eno will also act as a clearinghouse for peer exchanges about “best practices” in, and examples of, transportation institutional change, and otherwise to keep Workshop participants aware of developments in this subject area.

As the Workshop ended, participants were urged to seek opportunities to write and speak about these issues in the course of their work and through participation in conferences, panels, committees, and task forces. It is hoped that everyone will author articles and make speeches in their states and local communities about governance and transportation institutional reform and will educate the media and the public about the importance of this matter to good transportation policy and to making wise decisions about transportation infrastructure investments, operations, and management.



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