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Transportation Research Forum

Book Review: Mobility: America's Transportation Mess and How to Fix It
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The Transportation Research Forum, founded in 1958, is an independent, nonprofit organization of transportation professionals who conduct, use, and benefit from research. Its purpose is to provide an impartial meeting ground for carriers, shippers, government officials, consultants, university researchers, suppliers, and others seeking exchange of information and ideas related to both passenger and freight transportation. More information on the Transportation Research Forum can be found on the Web at www.trforum.org.

Giglio, Joseph M. Mobility: America's Transportation Mess and How to Fix It. *Washington, D.C.: The Hudson Institute, 2006.*

Mobility

by Gabriel Roth

Joseph Giglio organized his latest book "Mobility" to suit readers who:

- Scan the "Introductions" of their books to get an idea of what they contain;
- Then skip to the "Conclusions" (named "Epilogue" in this book) to find out what the author recommends; and
- Finally, read any of the intervening chapters that interest them.

Thus arranged, it is easy to follow the book's various arguments, but not so easy to reconcile them with one another.

The book's recommendations are based on four "issues" described (pages 80 to 84) in the all-important "Introduction":

1. **Transportation facilities exist to support the nation's economy**. Unfortunately, this support is failing, especially in the 20 largest metropolitan areas which lack adequate capacity on roadways, transit systems and rail-freight lines.
2. **Financing mechanisms no longer work**. The public sector does not provide enough resources to maintain and expand the road system, and the freight-railroad industry is unable to earn enough to match its cost of capital.
3. **Transportation managers do not make service to customers their primary focus**. Instead of focusing on "market-oriented" approaches to serving travel customers, they rely on "engineering-oriented" approaches to operate their facilities.
4. **National strategic management of transportation is essential**. In the same way that no sporting team can win its games without an "effective strategic plan," an effective transportation system requires a strategic plan, which only the federal government can provide.

Giglio describes (page 1) "the most serious problem facing the nation's transportation systems" as "a choking shortage of money." He illustrates this shortage (page 3) by a diagram showing that projected "Highway and Transit Needs" to the year 2025 exceed projected revenues by more than $2 trillion. However, these "needs" are made up of unwieldy collections of wish lists submitted for financing, including both worthy and unworthy projects. They cannot rationally justify expenditures.

With the aid of a homely analogy of a local authority operating a cinema, Giglio blames the gaps between "needs" and revenues on poor pricing systems, especially for roads, and on the reluctance of politicians to raise prices high enough to cover infrastructure costs. He concludes that new electronic pricing mechanisms should be used to charge road users for the full costs of roads, including maintenance, capital replacement of worn-out links, and capacity expansion to accommodate growing travel demands, so as (page 8) to make metropolitan roadway networks "fully self-supporting in the best free-market sense." Giglio explains these proposals lucidly and convincingly.

The proposals to fund transit and rail services are less convincing. In brief, Giglio proposes (page 38) to take the funds from road users "to implement roadway pricing in a manner that effectively converts the roadway system into a basic funding source for all transportation modes." He defends this proposal by asserting (page 39) that "in corporations that are seriously market driven cross-subsidies are the norm." This defense is not adequate. Private corporations use their own funds when they cross-subsidize, but governments use taxpayers' funds. As Fred Foldvary points out on page 313 in *Street Smart Competition, Entrepreneurship and the Future of Roads* (reference below)

"Morally, subsidies imply a tax on those who are forced to provide the subsidy to the privileged recipients, taking wealth without any compensating benefit, violating the moral principle of equality before the law."

The conflict between requiring road users, but not users of other transport modes, to cover their costs, is not satisfactorily resolved, and is a major flaw in the book, for at least three reasons:

1. If road users are required to pay enough to make roadway networks "fully self-supporting," and if they are also required to fund other transport projects, there are insufficient funds left to "fully support" the roads they are prepared to pay for;
2. In particular, investment funds would be diverted to the expansion of the U.S. freight-railroad industry which (page 80) is said to be "unable to generate a large enough return on its assets to match its cost of capital," and
3. It would be left to politicians to decide on the non-road projects to be financed, as in the case of the proposed Dulles airport rail connection (near Washington, D.C.), which the airport authority wishes to pay for out of highway tolls.

The sub-title of this book is "America's Transportation Mess and How to Fix It." The basic assumption underlying the book, that U.S. transport "needs" are known, and that the problem is how to finance them, might be acceptable in socialist economies but not in free-market ones, in which "needs" are generally determined by willingness to pay. Therefore, the remedies to "fix" the problems tend to be socialistic, with, in this book, road users chosen as the cows to be milked.

Giglio makes his case clearly and elegantly, but those seeking free-market solutions to America's transportation problems will have to seek it elsewhere, hopefully in his next book.

Gabriel Roth, a Research Fellow of the Independent Institute, is the author of *Roads in a Market Economy* (Ashgate, 1996), and editor of the Independent Institute's publication *Street Smart Competition, Entrepreneurship and the Future of Roads* (Transaction Publishers, 2006).