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(This has news through Aug. 7; #5 was mailed July 12)

RETURN REQUESTED

Huge Highway Subsidies . . .

Legislative Update

Congress began its August recess leaving behind mixed signals on Amtrak's future. On Thursday, July 17, the House Appropriations Subcommittee on Transportation, chaired by William Lehman (D-FL), approved a DOT appropriation bill that included $626 million for Amtrak in fiscal year 1986. This figure represents a 10% cut in Amtrak's budget.

The full Appropriations Committee will consider the DOT bill after Congress reconvenes in September. In the meantime, the House-Senate budget conference reached agreement on a resolution that contains lower Amtrak funding than the Lehman Subcommittee action. During the back-and-fourth budget negotiations, the following cuts for Amtrak were offered: June 27, Senate offers 20%; July 16, House offers 15%; July 25, Senate offers its original position (12½%, 25%, 40%); August 1, Senate accepts House offer for 15%, frozen across all three budget years.

Fortunately, as a result of some last minute negotiations, the budget resolution did not include reconciliation language on Amtrak. Such action would have made any change in the 15% cut level difficult, if not impossible, to achieve.

What persuaded the House conferees to drop to a 15% cut on July 16 and then stick with that number in the final budget com-

(continued on page 4)

. . . Are Mostly Invisible and Untouchable in Washington

DOT's New Report Confirms Their Existence

"[The automobile] is the most expensive form of travel in every sense of the word. It is devastating when it comes to our energy policy, to our conservation, and to the actual movement of our people."
—Sen. Lowell P. Weicker Jr. (R-CT), in Feb. 21 hearing of the Senate Appropriations Subcommittee on Transportation

"Highways have conveniently avoided the budget ax . . . Highways conveniently remain a 'national concern' but other transportation is a 'state and local concern.' "
—SEPTA Chairman Lewis F. Gould Jr., in *The Philadelphia Inquirer*, June 7

"Roughly speaking, the roads are paid for by the users through fuel taxes."
—Sen. William Armstrong (R-CO), on the Feb. 21 McNeil/Lehrer News Hour

Thus it is time to lay to rest the absurd claim that highway subsidies don't exist—a claim which has been thrown repeatedly in the face of those defending Amtrak this year. DOT's June report, *The Status of the Nation's Highways: Conditions and Performance*, states: "Direct imposts by highway users accounted for almost 62% of all highway revenue in 1984. In past years, highway user revenues generated as much as 73% in 1964, and as little as 55% in 1982."

The most recent edition (1983) of DOT's annual report, *Highway Statistics*, indicates that user payments (taxes and tolls) accounted for 60.6% of 1983 highway revenues and that *non-users paid $13.5 billion in highway taxes, of which $2.1 billion was at the federal level.* These figures do not include highway user taxes devoted to mass transportation; such payments totalled only about $1.6 billion: $1 billion at the federal level, and $587 million at the state level.

More significantly, DOT reports understate the extent of highway subsidies by excluding many costs from the calculations and by not acknowledging the impacts of several government rules and policies with pro-highway and anti-transit biases.

Costs not reflected in the Secretary's "revenue-cost ratio" include:

- most traffic-related costs of city police governments. (The DOT shows 1983 city-government "highway law enforcement and safety" costs totalling only $1.7 billion nationwide! As one staffer put it, "I'm sure it's understated . . . it's a very soft number. We don't encourage [the states, which provide the data] to go to too much trouble" to get these numbers because in many cases "nobody knows how much of a police department's budget is for, say, criminal investigations and how much for traffic law enforcement." Thus DOT figures reflect no enforcement costs for cities for which DOT does not receive an estimate from the states.);

- costs to fire and health departments and rescue units for responding to traffic accidents;

- environmental costs of highways and highway vehicles, among which air pollution (that killed southern California's grape-growing industry) and toxic run-off from highways are most significant. Toxic run-off kills plants and fish and has been linked to excessive levels of dissolved salt in the drinking water of a number of cities. Run-off consists of salt (used to melt winter ice), residual oil, and particulate exhaust emissions. These combine into a deadly mixture and are washed into streams and lakes by rainfall.

- real estate tax revenues foregone by local communities because land is used for highways when similar transportation purposes could be served by public transport facilities consuming less land.

Among pro-highway public policies, establishing a federal highway trust fund while failing to establish a similar fund for railroad or transit passengers is by far the most important. (See NARP's *Wall Street Journal* letter—next page.)

A FEDERAL SUBSIDY BY ANYONE'S DEFINITION

It's an article of faith on Capitol Hill that all federal highway expenditures come from the "user-funded" Federal Highway Trust Fund. In fact, as our lead article notes, over $2 billion/year does NOT. The major categories and their 1983 amounts: Revenue sharing funds (from Dept. of Treasury), $429.6 million; Dept. of Housing and Urban Development, $350.0 million; "Interstate substitution" money—non-trust-fund highway money a state receives when it elects to forego building a portion of the Interstate network, $293.4 million; Forest Service (excluding restricted trails), $234.3 million; Appalachian Development, $158.6 million.

The extent of today's automobile dominance is more the result of this political decision than any economic superiority of the automobile. Imagine what U.S. transport would look like now if we had given equal treatment to passenger trains by earmarking rail passenger ticket tax revenues for rail passenger service improvements, starting when trains were dominant! Actually, of course, the $2.026 billion in federal ticket taxes paid by railroad passengers from 1942 to 1962 simply went into the Treasury—for "deficit reduction!"—while the government built more highway, air, and waterway facilities. (That figure would be far higher if stated in constant FY 1986 dollars.)

A program-specific trust fund is a "money machine" assuring the continued growth of its program. Trust funds take the political pain out of spending huge amounts of taxpayer dollars on highways (and on aviation—more on this in a future article).

It should not be surprising that, with huge amounts of money limited to one purpose, Congress gives far less scrutiny to trust funded projects than to Amtrak, mass transit, and indeed most other government spending. Highway spending effectively bypasses the appropriations process.

Even in the budget process, the sanctity of the trust fund remains paramount. House Budget Chairman William H. Gray III (D-PA), though he represents the major Amtrak city of Philadelphia, on July 16 offered a budget compromise in which the smallest transportation program, Amtrak, took the biggest "hit"—15%—while highways and aviation were barely touched.

One often hears on Capitol Hill that it would be "unfair" to cut spending on "user-funded" projects. Indeed, it is at the federal level where highway users come closest to paying their full costs ("full" according to DOT's very narrow definition). But federal policies encourage the more generous treatment highway users enjoy from state and local governments, and even federal policy is generous when considered in light of the massive, *selective* government interventions which established the funding mechanisms. Thanks to those mechanisms, highway and aviation interests are spared the pain of the budget-cutting process, which threatens to make the nation's unbalanced transportation system even less balanced.

There are, of course, other public policies that encourage state and local governments to build more highways and encourage individuals to use them:

- The simple fact of public ownership is perhaps the biggest form of "subsidy" because it enables highways and airports to survive prolonged economic downturns and natural disasters. When privately owned railroads confront similar problems, facilities may be abandoned permanently because private owners can't mobilize the resources to overcome the immediate problems.

- Federal tax law allows *full* deductibility of employer-paid parking but limits deductibility of employer-paid transit fares to $15/month.

- The federal government pays up to 90% of highway project costs, but only a maximum of 80% for transit. Highway projects continue to be funded at statutory levels (i.e., up to 90%), while federal transit officials, with some support in the Senate, are attempting through policy and legislation to force federal support down to 50% for new rail systems and extensions to old systems. Federal highway officials point with pride to expenditures by their agency; transit officials frequently denigrate the projects they fund. The federal message to most local decisionmakers is clear: if you want rail transit, be prepared for a long hard fight—whose outcome is uncertain—in order to get fewer federal dollars per local matching dollar than you'd get from the highway program.

- Regarding intercity rail passenger projects the federal message is even clearer. No ongoing grant program exists; capital projects have depended on special laws or special efforts by one or a group of legislators. The clear federal message to state planners: forget rail!

- Federal "Buy America" laws are more likely to raise costs for transit and Amtrak than for highway departments, since the former purchase more complex equipment than do the latter, and the small size of U.S. rail passenger investments mean that a disproportionate share of expertise in the design and construction of rail passenger equipment lies outside the U.S.

SEN. DOLE CITES CONSERVATION BENEFITS OF OIL IMPORT FEE

"As for [President] Reagan's opposition to the oil-import fee [proposed by Senate Budget conferees] on grounds that it is a tax, [Senate Majority Leader Robert] Dole (R-KS) said: 'It is a fee, an F-double-E. It's necessary for national security, conservation, preservation of industry and other things —to save the country.' "

—*The Washington Post*, **July 27 news story**

- The Customs Service, under President Reagan, recently proposed to charge 25 cents per international train and bus passenger —but to continue allowing passenger automobiles free passage.

What are the numbers?: People involved in the Amtrak debate often seek one number (usually assumed to be public dollars

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Letters to the Editor

The Wall Street Journal
June 14, 1985

Critics Are Wrong to Rail at Amtrak

John Semmens, like most critics of Amtrak and mass transit, argued in his June 6 editorial-page article that those forms of transportation are uniquely and heavily subsidized. He thinks the government should end transportation subsidies and rely on "market solutions to consumer needs," which in his view means automobiles and airplanes.

On the contrary, massive and inflexible government subsidies to highways and air travel distort the transportation marketplace and block efforts to achieve the balanced transportation system that will be essential to meeting continued growth in travel demand.

Secretary of Transportation Elizabeth Dole has just released a report showing that more than 38% of "all funds made available for highway improvements in 1984" did not come from user fees. Another DOT report shows that, while $28 billion of highway funds were collected from highway users in 1983, another $13.5 billion came from non-users.

These figures understate the subsidy because they exclude many highway costs: most local traffic control and ambulance costs, toxic runoff and other detrimental environmental effects of the highway system, and real estate tax revenues forgone because highway land is off the tax rolls.

To permit development of comprehensive new infrastructures, we established and continue to maintain mode-specific trust funds for highway and air transportation. That very act is more significant than the precise relationship between user taxes and expenditures. As President Ford's transportation secretary, William Coleman, wrote in a 1977 report, highway and air carriers "have their business risks reduced when the Federal Government in effect serves as their banker in arranging for the financing of investment in their rights-of-way. Highway and airport/airway projects have been charged with very little, or none, of the opportunity cost of Federal capital. . . ."

But the single-purpose funding mechanisms that helped fuel massive growth in demand for highway and air travel prevented the marketplace from reflecting the true benefits of rail travel—benefits which would have allowed it to develop into the larger niche it occupies in every other major nation.

To junk rail passenger service because its growth has been limited by the lack of even-handed public policies would be to ignore the fact that growing transportation demand is colliding with finite supplies of land, airspace, and petroleum—resources that modern rail service uses more efficiently than its competition.

ROSS CAPON
Executive Director
National Assn. of
Railroad Passengers

Reprinted from *The New York Times*, Sunday, February 10, 1985

Would America Have Been Automobilized in a Free Market?

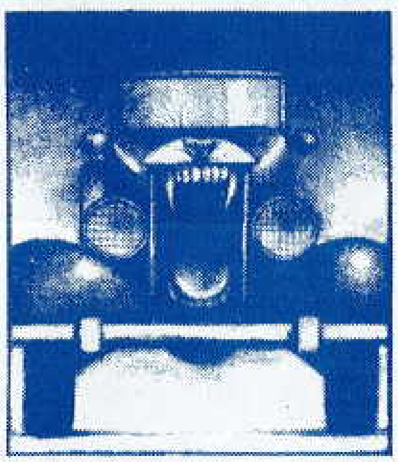
To the Editor:

Prof. Ragaei El Mallakh's Jan. 20 letter criticizes William Safire's proposal to increase gasoline taxes as contradicting Mr. Safire's "free-market approach."

However, an analysis of direct governmental subsidies to the automobile reveals that most state and local governments would have to raise gasoline taxes by at least 40 cents a gallon to cover the costs of police and fire department services to the automobile, the very expensive drains necessitated by all that concrete surface, the elongation of sewer, water and public lighting systems, etc.

In most suburban communities, at least 40 percent of police work is directly related to automobiles, as is one-sixth of fire department runs — prying people out of wrecks, washing down the pavement after a wreck, etc. None of this is covered by gasoline or weight taxes.

The cost of drainage is significantly increased by the roads and parking lots required by the automobile — peak storm-water flow can be increased as much as 10 times by paving terrain that previously held storm water or released it slowly. Drain construction is usually about 40 percent of the cost of road building. Most



Daniel Adel

drains are financed out of the local property tax. Occasionally, the Army Corps of Engineers has to solve downstream flooding problems caused by too much pavement in a river watershed.

The cost of constructing sanitary sewers is twice as high in the automobile-oriented suburb as it is in a transit-oriented urban community. This is because automobiles require everything to be spread out. Some suburban communities devote as much as 4,000 square feet of paved road and parking surface to each automobile.

Even the total cost of roads is not paid out of gasoline and weight taxes. Most local governments need to finance road maintenance and repairs partly out of general revenues. Some have allowed them to deteriorate.

Harder to measure, but nonetheless real, are the costs to society of:

- Longer food chains as farms on the metropolitan fringe are displaced by sprawl.
- Structural unemployment because new jobs in suburbia are inaccessible to job seekers without automobiles.
- Premature obsolescence of street-car-era neighborhoods whose compactness cannot accommodate automobiles.
- The oil-crunch-induced worldwide stagflation, caused in part by a fourfold increase in U.S. oil imports in the nine years after domestic oil extraction peaked in 1970. (This was just a preview of the turn-of-the-century crunch when world oil extraction starts its decline. Oil extraction in the Soviet Union, the world's largest extractor, is already declining.)

A "free-market approach" to automobilization would've made for a different world.

JAMES A. BUSH
Detroit, Jan. 25, 1985

Highway Subsidies *(continued from p. 2)*

expended per passenger-mile) for each major form of transportation. They assume this little set of numbers will provide both an accurate picture of the extent to which government supports each mode, and a valid guide to future public investment.

This assumption is wrong, because no such group of numbers would reflect:

(a.) the ways in which government has distorted the marketplace;

(b.) highway costs not traditionally included in highway subsidy calculations;

(c.) likely *future* costs associated with continued expansion of the system. Expanded reliance on public transportation, for example, generally will decrease unit costs as Amtrak and transit authorities benefit in various ways from "economies of scale," whereas many highways and aviation facilities are approaching the point where the opposite will become true.

In each case, we're dealing with factors not readily translated into numbers yet having impacts so monumental as to render meaningless any subsidy numbers that don't reflect these factors.

Of course, numbers are tossed around anyway, notably the Congressional Budget Office's (CBO) claim that the *intercity* auto gets zero *federal* subsidy. An impressive-sounding statement, perhaps, but a misleading one not only because it ignores (a.), (b.), and (c.) above, but also because it reflects no understanding of the how closely related are the different parts of the nation's transportation system.

By trying to analyze Amtrak, "intercity autos," etc., in isolation, CBO ignores the ways in which the generally acknowledged heavy subsidies enjoyed by large trucks and by peak-hour auto commuters affect Amtrak.

The truckers' subsidy reduces the ability of railroads to compete for freight, especially short-distance traffic, causing them to maintain many lines at lower standards. Unfortunately, this has a great impact on "non-Northeast" corridors in precisely those markets where Amtrak is most handicapped by the inability to run at competitive speeds.

Good rail transit connections are vital for development of high-volume intercity services and help explain the growing success of the Northeast Corridor and the even greater success of modern trains overseas. Anti-transit policies hurt Amtrak by making Amtrak trains less accessible (if you have to drive to the train you're more likely to drive all the way) and by minimizing the number of cost-sharing (read cost-saving) opportunities which result when local and intercity services share the same tracks. Such opportunities are also minimized by transit planners who tend to ignore ideal opportunities for light-rail and commuter rail systems that could easily coexist with local rail freight, and, in some cases, mainline railroad operations.

Cost-sharing is crucial. When many different types of users share a system—as with highways and aviation—the costs each user must pay tend to decline. This enables intercity buses, for example, to enjoy the use of our highway system while causing only 0.27% of highway costs under the cost assignment approach recommended in the *Final Report on the Highway Cost Allocation Study* (U.S. DOT, May, 1982). (Incidentally, under current law, intercity bus user taxes cover about one third of that 0.27%.)

Big is strong! A large system generates its own growth. Highways beget highways, and society is locked in a vicious spiral: congestion creates demand for road-widening projects and new highways; this new construction in turn creates demand for still more highways.

It's easy to get depressed over how successful the Reagan Administration has been in fighting our efforts, but good things are happening as well: Amtrak enjoys respect as an organization which we could barely imagine 10 years ago; more and more Americans are riding the San Diego trolley and wondering "why not at home too!"; Portland light-rail will be operating soon; and right-of-way acquisition has begun in Dallas, which has voted to build a major light-rail system based on an extraordinarily sound planning process. It remains our job to keep all this before our own legislators and civic officials. ■

Legislative Update *(continued from page 1)*

promise? A staffer in Speaker O'Neill's office told Empire State Passenger Association president Frank Barry that a Democratic congressman "knowledgeable" about Amtrak had assured Budget Committee members that Amtrak could live with a 15% cut. During work on Amtrak's authorization bill in the House Energy and Commerce Committee earlier this year, Kansas Democrat Jim Slattery emerged as an outspoken advocate of a 15% cut. As the only member of both Energy and Commerce and the Budget Committee, it appears that Slattery took his fight to cut Amtrak into the budget process after losing out in Energy and Commerce.

September is certain to be a crucial month in Amtrak's fight for survival. There will undoubtedly be challenges to restoration of funding over the 15% budget cut during House and Senate Appropriations action. Floor amendments to appropriation and authorization bills on Amtrak are also a distinct possibility. ■

LAND USE AND TRANSPORTATION

Government policies encourage the construction of major employment and residential centers in far suburban —and more distant "exurban"—locations that can't be served well by public transport. (Such sprawling development also raises the cost and lowers the efficiency of providing other utilities—electricity, gas, water, and sewers.)

While the administration doubtless sees such development as the healthy "free market" at work, what's really at work are market signals distorted by heavy automobile subsidies, the absence of land taxation policies that would encourage optimum use of land in and closer to urban centers, and Balkanized local governments competing to see how much of their farmland they can convert to office and industrial use.

Ironically and sadly, questionable rail transit planning contributes to auto-oriented development. When heavy rail transit—as opposed to commuter rail or light rail—is extended too far from an urban center (e.g. outside Washington's beltway), it encourages heavy development that winds up relying primarily on the auto because the rail service approaches from only two directions (only one direction if the development is at the end of the line).

Things aren't helped by the federal government's traditional build-highways-for-development-but-rail-transit-only-to-meet-already-established-demand approach. In the 1970s, for example, federal transit officials slammed the door on commendable efforts in Dayton, OH, to establish light-rail service to encourage compact development patterns.

Problem: if the highways go in first alone, demand patterns suitable for efficient rail transit may not develop. Congestion will develop, however, and rail transit may gain political support as a result. The "experts" will select heavy rail transit offering high service levels to a small number of stations, but ridership will be disappointing because little if any of the development is adjacent to the stations.

Development remains an ongoing process, however. Much transit-accessible development continues (it will enjoy long-run energy-efficiency advantages while immediately bringing more riders onto public transport); and the pendulum is likely to swing back from today's national disinterest with energy policy—witness Senator Dole's recent "conservation" comment.

In Montgomery County, MD, a Canadian investor recently bucked the local trend towards the I-270 "high-tech" corridor and located in neglected downtown Silver Spring adjacent to the major rail and bus transit terminal where he also found less highway congestion.

There's even a growing amount of development tied specifically or primarily to Amtrak service, notably in Santa Ana, CA; Wilmington, DE; and New Carrollton, MD.