



REDUCING THE DOT'S ROLE IN REGULATING AND FUNDING US INFRASTRUCTURE

BY TRACY MILLER AND BRIAN DEIGNAN

Many Americans take the federal government's role in regulating and funding transportation infrastructure in the United States for granted, viewing federal oversight as indispensable. The Department of Transportation (DOT) did in fact play an important role in establishing the interstate highway system and promoting safety. But with a mature interstate highway system in place and a more competitive transportation-manufacturing sector, is the DOT still a smart investment for US taxpayers?

In a new paper for the Mercatus Center at George Mason University, Tracy Miller and Brian Deignan examine the DOT's current role in regulating and funding transportation infrastructure and explore the costs and benefits of alternative policies. They find that regulation adds to the cost of transportation even as DOT has failed to fund the most urgent infrastructure needs.

A brief overview is below. For the full study, visit www.mercatus.org/research.

KEY FINDINGS

The DOT Does Not Fund the Most Urgent Infrastructure Needs

While state and local governments and the public have historically looked to the federal government to take the lead in facilitating Americans' mobility for almost every mode of transportation, deterioration of the interstate highway system, worsening congestion in many cities, and costly public transit systems raise serious questions about the efficacy of DOT policy.

- Fuel taxes have been the preferred source of transportation funding, but growing traffic congestion along with declining real revenues as vehicles have become more fuel efficient have revealed the inadequacies of this source.

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- This means that federally driven investment decisions do not accurately reflect the traveling public's priorities, leaving many transportation needs unmet. The federal government has directed funds so that congested highways have not been addressed while mass transit has been funded even when there is little demand for its services.

With the interstate highway system complete, there is much less reason for continued federal funding and regulation of highways and mass transit. State and local governments are better equipped than the DOT to make decisions when it comes to funding, building, and repairing highways, roads, bridges, and public transit.

The DOT's Regulations Are Not Cost-Effective

The DOT is also viewed as the leader in promoting safety for nearly all modes of transportation. Yet the DOT's safety regulations are often overly expensive and add to the cost of transportation—particularly to the price of automobiles.

- Regulatory costs disproportionately weigh on the pocketbooks of poor families. The number of safety regulations continues to increase, despite questions over their necessity and cost-effectiveness.
- Meanwhile, market advances have contributed to greater safety and allowed consumers to purchase the safety features they need and prefer, rather than those regulators find important.

Although the DOT may be able to play a central role in implementing a transition to a new system for regulating and funding transportation that relies on state and local governments and private firms, once that system is in place, its role could be drastically reduced or eliminated in favor of more market-based decisions and greater local control.

POLICY RECOMMENDATIONS

Reducing the DOT's role in funding and regulating transportation could facilitate a more efficient transportation system while permitting everyone greater freedom to choose the mix of safety and other benefits they want. To improve transportation management, the DOT should

- consider alternatives to relying on federal fuel taxes for funding highways and federal subsidies for other modes of transportation (such as mass transit);
- encourage transit agencies to provide discounted fare cards to low-income transit users instead of subsidizing everyone's use of the transit system;
- increase the role of state and local governments and private firms in funding and managing surface transportation infrastructure;
- promote innovative technologies and institutional arrangements that will facilitate more efficient funding and management of transportation infrastructure;
- reduce its role in direct safety regulation;
- promote safety in commercial transportation through tort liability combined with private insurance. Extensive government regulation in commercial transportation currently limits insurance companies' incentive to investigate their policyholders' safety practices. Decreasing government involvement would provide insurance carriers with market-based incentives to be more thorough.