



Summary of Meeting with Craig Westover

Civic Caucus, 8301 Creekside Circle, Bloomington, MN 55437

Friday, May, 16, 2008

Guest speaker: Craig Westover , senior policy fellow, Minnesota Free Market Institute

Present: Verne Johnson, chair; Charles Clay, Paul Gilje (by phone), Jim Hetland, and Wayne Popham (by phone)

A. Context of the meeting: As part of its inquiry into priority-setting for highway and transit projects, today the Civic Caucus meets with an individual who believes that transportation policy should be guided by the objective of assisting individual mobility, which differs from system-oriented purposes like guiding development or combating congestion.

B. Welcome and introduction —Verne and Paul welcomed and introduced Craig Westover, senior policy fellow, Minnesota Free Market Institute. Westover is a freelance writer who early worked for an advertising agency and later moved to corporate communications and strategic marketing. In addition to his role with the Free Market Institute, Westover is a weekly contributing columnist for the *St. Paul Pioneer Press* and online news source MinnPost.com.

C. Comments and discussion —During Westover's comments and in discussion with the Civic Caucus the following points were raised:

1. Minnesota Free Market Institute explained —According to its website, the Minnesota Free Market Institute "conducts research and advocates for policy that limits government involvement in individual affairs and promotes competition and consumer choice." Westover said that the Free Market Institute's president, David Strom, formerly was head of the Taxpayers League of Minnesota. The Free Market Institute was formerly the Taxpayers League Foundation, but is today a more independent organization with a broader charter than just tax policy.

2. Guiding principles —Westover outlined principles which he said guides the agenda of the Free Market Institute: Limiting government to its constitutional functions, adhering to the idea that "state resources are state resources," which means state government should prioritize all its spending against all its resources rather than dedicated funding pools, which in turn would help hold down taxes; keeping decisions as local as possible; preserving personal responsibility; enhancing individual

freedom; and ensuring choice for consumers among competitive suppliers. The Free Market Institute currently focuses on policies creating competition and choice in education, health care, transportation, and supports policy promoting limited government.

3. The problem is mobility, not congestion or guiding development -Current policymakers start with the idea of creating an effective and efficient transportation system rather than with the basic question, "What problem are we trying to solve?" The problem in transportation, he said, is not congestion; it's providing mobility. He defined mobility as "the ability of people to get from where they are to where they want to go, to do what they want to do when they want to do it." Typical individuals will choose LRT, bus, or car based on what best helps them accomplish their immediate practical needs: to get from where they are to where they want to go, to do what they want to do when they want to do it. Persons don't make a decision on the mode of transportation for a trip absent the purpose of a trip.

Thus, Westover said, transportation policy ought to be designed to respond to hundreds of thousands of individual decisions concerning mobility, and should not be used to guide development or to reduce congestion, which are top-down, system-oriented decisions. Public bodies in transportation ought to be responding to behavior of individuals, not try to change the behavior of people to fit the planners' ideas of a perfect system.

For additional discussion of mobility and congestion, see Westover's memo at the end of this summary.

4. Attack affordability directly; don't subsidize one mode over another —Westover believes it is bad policy to specifically design a transportation system to serve low-income people at the expense of overall mobility. He argues that such systems don't actually enhance the mobility of low-income people. "How," he asks rhetorically, "does a single mother use LRT to get one child to daycare in one direction from her home, another child to school in another direction and still get to work on time at a job in a third direction?" Instead, he said, when subsidies are needed, provide subsidies directly to individuals in need, giving them the purchasing power to choose among transportation options. Others should pay fares that approach full operational costs of transit.

5. Questions about LRT —Westover has no personal preference for LRT or any other system, other than it prove cost/effective. He does not believe current light rail projects meet that standard, but is intrigued by Scot Halstead's idea presented to the Civic Caucus of high-speed light rail along the I-94 corridor. When one examines the Central Corridor LRT costing almost \$1 billion you need to ask whether that investment represents the best way to maintain and improve mobility of people, he said. Everything he has seen to date would indicate much more could be accomplished with those dollars by fixing four or five major highway bottlenecks around the region.

6. Governmental decision-making on transit and highways —Rather than turning to the level of government with the broadest geographical area (like the Met Council) Westover favors keeping decisions on highways and transit as local as possible. A broader jurisdiction, such as MnDOT or the Met Council in an advisory role, is needed to address coordination among communities, he said. He agreed that he is not offering a specific structural proposal for Minnesota. He says one of the largest transportation problems facing the state is everyone has a different scheme to structure transportation planning, but no one addresses the mobility problem. You can't create a problem-solving structure

until you can agree on the problem you are trying to solve. He understands the complexities of dealing with the federal government, state government, MnDOT, the Metro Council, the new transit ways board of the metro counties, individual counties themselves, and individual cities, all of which have a seat at the decision table now. The decision-making structure has too many levels and should be flattened, he said. He believes agreement on a central objective—keeping decisions as local as possible—is needed before getting into details. Local roads should be a local responsibility and be funded locally, he said. He has no philosophical objection to using a property tax for local roads that primarily benefit the local community. State roads should be a state responsibility and be funded by the state. He believes the federal gas tax should be discontinued and the federal government should get out of the business of funding state and local projects, an action that often distorts state and local planning. Money and decision-making should be focused locally.

Westover said the current decision-making structure in Minnesota is very much out of control, with problems accentuated by the 2008 Legislature's creation of the metro counties' transit ways board. Westover, however, is no fan of the Metropolitan Council, which he prefers should serve primarily in an advisory and coordination capacity. In the continuing discussion on this point, it was noted that the Metropolitan Council is responsible for the operations of the regional bus system. Westover would prefer a private mass-transit system, but given the realities of the current situation, he agrees that an organization like the Met Council is necessary to operate public transit.

7. Opposition to distribution of transportation funds by formula —Westover is opposed to the current practice of distributing state gasoline taxes and motor vehicle license fees by formula (constitutional or statutory) to state, county and municipal highways. Such an "entitlement" approach will never create a sensible system of setting priorities based on actual needs, he said. The Free Market Institute opposed the package of transportation taxes enacted by the 2008 Legislature because it represented a continuation of the entitlement approach. The emphasis should be on "how much should we spend," not "how much can we spend," he said.

8. General obligation bonds favored— The Free Market Institute favors using general obligation bonds for capital construction, he said, because the lifespan of the improvements exceeds the time required to pay off the bonds. Using bonds makes it possible to bring forward future benefits to the present, he said. Emphasizing the idea that "state resources are state resources," he said that all capital investments - roads and bridges, transit construction, University buildings, zoo exhibits, and even band music libraries — should compete for the same pool of state resources. The current "bucket approach" of dedicated funding sources and formulas allows the legislature to justify a tax increase for under-funded transportation, while bonding for local projects of high political value but low economic return to the state taxpayers footing the bill for local projects.

Westover ultimately would place all funds now distributed by formula into the state general fund from where they would be distributed as part of the budget process. The Governor and Legislature are the decision-makers, he said. We shouldn't let them off the hook for tough spending decisions.

9. Distinguishing between the public good provided by roads and by transit —Roads are an economic public good that provide the essential connection for each of us to everyone else, he said. We benefit from roads whether we drive on them or not. They enable products and services to be brought to our homes and businesses. They enable police fire and emergency services to reach

citizens in need. Transit is not an economic public good. We benefit only if we choose to ride the service, making it a private benefit, he said. Because roads are a public good, it makes sense to spread the cost to everyone through general funding supported by taxes. Transit, being a private benefit, ought not be supported by taxes but by user fees.

In response to a question Westover repeated his earlier point it is better policy to identify and subsidize poor and elderly persons dependent upon transit instead of subsidizing and entire system.

10. Essential steps to be taken —While Westover refrained from making specific suggestions for change in decision-making, he was pressed for what changes would be necessary. First, he said, there must be agreement on the problem that is being solved. Second, we need agreement that revenue collection and decision-making should be pushed to the lowest level where it makes sense. Third, develop solid definitions for how specific road and transit facilities are assigned among specific jurisdictions.

11. Congestion can't be solved —Congestion is a problem, but it is good problem to have, Westover said, because it is a measure of economic vitality. Eliminating congestion is an impossible goal. Trying to eliminate congestion means you always need more money than what is available. Further, he said, only 40 percent of congestion can be attributed to lack of lane capacity (according to the Federal Highway administration). The balance of congestion can be attributed to unplanned events, such as traffic accidents and weather, plus inevitable congestion produced by special events that attract crowds. He distributed a policy memo from the Free Market Institute's president, David Strom, on dealing with congestion. (Available at <http://www.mnfmfi.org/images/pdfs/congestionmemo.pdf>)

As measures are taken to reduce congestion, it induces more demand among people that didn't use the roads or used them at a different, less convenient time. Congestion is a market driven creature that will always tend to some constant, acceptable level. As soon as new capacity is created, people start changing their travel patterns in light of their need to "get from where they are, to where they want to go, to do what they want to do, when they want to do it", he said.

Westover said, the Free Market Institute advocates an Acceptable Levels of Service model, which balances the public tolerance for congestion during peak use periods with a cost/benefit analysis including use during off-peak hours. One can't always expect free-flowing service, he said. But expectations of acceptable levels are achievable. In the larger scheme, individuals will make trade-offs acceptable based on their needs. Individuals might move closer to work or look for work closer to home. They might leave earlier for work. They might consider public transit. Those are individual mobility decisions and it makes better policy sense to facilitate individual decisions than to try and create the "perfect system," which in reality will benefit only a few and create hassles for everyone else.

12. Congestion pricing can be used —Westover said congestion pricing such as tolls should be used to encourage people to make travel choices based on additional value received. For example, allowing people to use a high-speed lane or alternative route, but for a price. In other words, he said, people are paying to save time - they are getting value for the dollar. People should not have to pay tolls for roads already paid for by taxes, nor should they have to pay tolls to drive to a specific place at a specific time, which hinders mobility. Congestion pricing should be contingent on providing additional value, not simply as a way to raise revenue.

13. Opposition to building transit or highway improvements to direct future development— In response to a question Westover said he's opposed to building transit or highway facilities in areas where one hopes that future development will occur. Area growth and development is an organic process that works best when it's the result of individual choices rather than bureaucratic planning.

(In a post-interview comment, Westover cited University Avenue as an example. The street has and is undergoing transformation from a run-down area to a vibrant business corridor primarily due to the industry of immigrant populations. Now city planners are going to run light rail down University Avenue in hopes of creating "transit-friendly" shops and development. It's a case of building what the planners want, not what individuals have, through the market, decided they want. Another is the Lake Elmo controversy - the Met Council deciding how a local community should plan for the future, a way contrary to the reason people moved their in the first place.)

14. Westover's views and those of the Free Market Institute compared —Responding to a question, Westover said his views and those of the Free Market Institute are largely comparable, although some conservative supporters of Institute and free-market philosophy might not be as strongly supportive of giving direct transportation subsidies to the poor and letting them make choices about when, where, and how to travel. Westover characterized himself as talking more in terms of concepts than in terms of specific proposals, but emphasized that without agreement on the problem that transportation policy is suppose to solve, concrete proposals will necessarily be disjointed and unproductive at best, harmful at worst.

15. Hunger for information continues —Turning briefly to the question of changes in the mass media, Westover said that while there's a clear reduction in the number of people who are reading newspapers, there's a clear increased demand for more information on the part of the people who continue to read newspapers. He speculated that while general readership of newspapers is down, he'd be surprised if readership of the editorial pages was down. Circulation drop is among people that aren't looking for analysis and comment. Policymakers and politicians still care what's in the paper. Westover noted that he's a contributor to the conventional media (*Pioneer Press*) and new media (MinnPost.com). If the online economic model works, he's enthusiastic about online journalism gaining more credibility with policymakers.

16. Thanks —On behalf of the Civic Caucus, Verne thanked Westover for meeting with us today.

* * * * *

Additional comments by Craig Westover on the distinction between promoting mobility and easing congestion

The following memo from Westover was sent to the Civic Caucus after the meeting, when clarification was requested on

the distinction between promoting mobility and easing congestion:

First, the increasing mobility is the objective; easing congestion is one means to that objective. Easing congestion can, but does not necessarily increase mobility. To take an extreme example for illustration only, if we put a \$100 toll on I-94 during rush hour, we would certainly reduce congestion,

but fewer people would be able to get from the east side of St. Paul to downtown and points west when they wanted to travel. In other words, we eased congestion but decreased mobility - a poor trade-off.

Looking at situation from a congestion perspective - say we have a stretch of road with two lanes in each direction that can accommodate 1,000 cars during rush hour. The number 1,000 is a market driven number - if more than 1,000 cars try to use the road, some people start to make trade-offs; they leave earlier or later in the day, for example, to avoid the traffic. As the number of cars drops below 1,000 other people notice and return to rush hour driving if its more convenient that altering their driving hours. Thus, the total number of cars stays about 1,000.

Now assume we add another lane in each direction with the potential to accommodate an additional 500 cars. Initially, the 1,000 cars using the stretch of road spread out and enjoy reduced congestion. However, remember congestion is a market-drive force; as others making other transportation choices become aware of the new lanes, they alter their driving habits to take advantage of the lower congestion. Eventually, 500 new cars will fill the new lanes and congestion will return to the same density it was prior to building the new lanes.

There is an important difference, however. You have increased mobility!

Whereas before the lane addition you had 1,000 cars "getting from where they were to where they wanted to go, to do what they wanted to do when they wanted to do it" you now have 1,500 cars "getting from where they are to where they want to go, to do what they want to do when they want to do it" - a beneficial result and increased mobility.

An implication is the poor return when we try to ease congestion with LRT. Because a high proportion of LRT riders are not drivers, we take few cars off the road at a great deal of cost. The road quickly returns to its market-driven level of congestion, but you've accommodated no additional capacity for cars. The net benefit, from a congestion perspective, is the relatively few commuters LRT coaxes out of their cars. The cost per rider for a \$1 billion line is huge - far more than eliminating bottle necks.

Another consideration is LRT congestion, also a market driven force. More riders, means more crowded trains. As trains become more crowded, some riders will opt back for their cars, preferring the convenience and privacy of personal transportation, even considering traffic congestion, over crowded conditions on the train. Adding additional trains is a costly proposition on a per passenger mile basis.