Bill Batt addressed TOES on transportation

On June 19 at The Other Economic Summit in Denver, the theme was What is Real Sustainable Community? Dr. William Batt of Albany, NY, participated in a panel on Taxing Transportation Services for Community Sustainability. Other presenters on the panel were Peggy Duxbury of Redefining Progress and Peter Barnes, author of Land Reform in America. Batt is Executive Director of the Central Research Group, Inc., which focuses on public budgeting and finance for sustainable development. Batt's topic was "Motor Vehicle Transportation and Proper Pricing: Value Capture, User Fees, and Environmental Fees." Batt's presentation is reported below.

The Conservation Law Foundation's study calculates that we pay only 10% of true costs of motor vehicle transportation. So we overconsume! An NRDC study shows that total motor vehicle transportation costs equal 25% of Gross Domestic Product (GDP). A WRI study shows that of the $330 billion annual costs, only $33 billion is collected in user fees.

Underpricing leads to enormous externalities and behavioral distortions, with impacts from sulfur dioxide and carbon dioxide, the greenhouse gases that are causing acid rain, and global warming. It also results in urban sprawl, the decline of community and society, the economic inefficiencies, accidents, debased lives, and disenfranchised citizens.

There are options insofar as pricing so that all costs are recovered. Practices now include gas taxes, and in some states special truck taxes, but little else. Most costs come from general fund revenues and are shifted unfairly to the public. Highway users groups argue that they pay taxes above and beyond road costs; not true. Sales taxes are general purpose taxes and should support the general purposes of government, i.e., "public good" functions, which motor vehicle use is not. Motor vehicle travel is largely a private good, and therefore should be mostly recovered by user fees, not taxes. Some states illogically exempt motor fuel from sales tax because a user fee is levied on it. Property taxes can be construed sometimes as user fees, and do indeed pay for some road costs, but largely roads that serve areas that are residential and lightly traveled, and even then they don't cover the full costs.

Different taxes serve different functions. Each of three broad categories of revenues—taxes, user fees, and environmental fees— has a different logic and serveral different purposes. If we levy taxes to pay for the general purposes of government, that should not preclude the imposition of additional revenues that might serve a different purpose. For instance, more than one tax is imposed on cigarettes: corporation franchise tax, sales tax, and "sin" taxes.

For motor vehicle revenues, logic dictates 1) taxes on the commodities themselves; 2) a fee levied on some proxy such as fuel to pay for the use of the roads and associated services like highway patrol, etc.; and 3) an environmental fee levied to recover the costs of externalized costs. There is nothing wrong with having a tax base shoulder more than one revenue. When taxes are imposed on items to support the general purposes of government, motor vehicles and motor fuel should not be exempted—as some states now do.

Highways and associated services should have additional user fees imposed to recover the costs of operations and service. License and registration fees should pay for the cost of administration of those services. Motor fuel is an excellent proxy to pay for highway use providing it is set at the appropriate level and supplemented by other user fees for heavy vehicles—the best being what is known as an ESAL fee (axle-weight x distance).

Furthermore, fees should be appropriately placed on motor fuel as well as other fossil fuels, toward recovering the costs of environmental effects. It only remains to show the best possible fee and formula to foster the greatest efficiencies.

Considering the tradeoffs between a BTU (British thermal unit) "tax" that Clinton considered, and a Carbon "tax", a Carbon tax is more effective in addressing issues of environmental effects if it is phased in at sufficiently high levels.

In the design and constuction of transportation infrastructure, the best means by which to pay those capital costs is through "value capture." It means when a highway (or for that matter transit service) is built to serve an area, the value of the adjacent properties increase in value, and this should be recaptured to pay off the bonds that financed the project. Should these landowners reap a windfall in gains from government investment? This works especially well for transit (i.e., hypothetical studies for D.C. Metro; Lindenwold, N.J.; and the experience of Venice, California's canals). Priced at proper levels, there will be balance in transportation service.