



## T2 Explainer: What transportation policies create value for consumers?

*The Transportation Transformation Group is an unprecedented alliance of state government, finance, academic and private industry leaders who aspire to transform American transportation policy into a goal-based arrangement that maximizes flexibility to enhance the roles of the state and local public sectors and their private partners to solve the growing problems of congestion and mobility.*

*T2 publishes explainers to help policy makers and the public understand concepts essential to transportation transformation.*

The Transportation Transformation Group believes that creating value for our customers needs to drive reform of the U.S. transportation system. A consumer in the transformation context could be a motorist, a transit rider, or a commercial driver. Congestion relief, increased safety, and the efficient movement of goods can measure service. Technology should play a predominant role in the transformation of America's transportation system.

So what creates value for our customers? What does a consumer-oriented transportation system look like? To answer those questions, we turn to Northeastern University Executive Professor of General Management and T2 founding member Joe Giglio, who answers the more fundamental question: What is the purpose of a transportation system?

*The basic purpose of a transportation system is to support the nation's economy. It is an unavoidable fact of life that economic activity generates demand for moving people and goods. The more economic activity we have, the greater is this demand. Therefore, the capacity of our roadway, freight rail, and public transit systems must be sufficient to accommodate this demand. Otherwise the level of economic activity in our society is inevitably going to be less than it could be, and we will be poorer as a result. After all, a growing economy is what keeps America strong and prosperous. And effective transportation is one of the most important underpinnings for a growing economy.*

Knowing transportation policy's fundamental purpose, Giglio says that marketing to consumers must become the cornerstone of planning, building, and managing the kind of surface transportation system that can properly support future economic growth. In short, responding to customer needs should be the primary driver for the efficient allocation of

transportation capacity.

The four most important components of marketing are:

- Defining whom our customers really are.
- Identifying important needs that these customers will pay good money to have satisfied.
- Developing solutions that satisfy those needs.
- Aligning the entire enterprise around creating value for customers.

These tools of customer satisfaction are as relevant for developing effective roadway, freight rail, and public transit systems as they are for developing effective computer applications software or automobiles or toothpaste. Satisfying customers requires establishing what customers want. Not all customers have the same desires.

Giglio suggests, as one example, automobile commuters are likely to perceive transportation needs quite differently from the managers of business firms concerned with moving the goods they produce from factory to marketplace and the supplies they need from distributors to their factories. Their views may be very different from managers of freight railroads or of those who manage multi-modal logistics firms like UPS and FedEx.

Giglio recommends on-going market research to identify each segment's perception of needs that are worth paying an ideal transportation system to satisfy. He suggests using the customers' views to measure success in developing the kind of transportation system that the nation needs and to determine how those desires evolve over time.

As America transforms transportation and moves from a transportation vision that is based on the process of meeting government checklists to one that is focused on creating value for customers, the operators of the system need to connect with their consumers, measure their needs and build a system that satisfies their demand. States and toll operators, the institutions that run the transportation system, should assume responsibility for analyzing transportation's consumer environment, determining the need, strategies to satisfy them and ways to measure success. The state and toll members of T2 are ready for that challenge.

*Next week: What is the Role of Private Activity Bonds?*

*T2 is happy to exchange ideas about this or any other matter related to the next surface transportation bill. Contact Billy Moore at (202) 288-0892 to set up a discussion. You can also get additional information at our website [www.trans2group.com](http://www.trans2group.com)*