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feature article

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Invisible touch

Pete Goldin explores the impact of the US economic stimulus programme on the ITS industry from the ITS vendor perspective

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The American Recovery and Reinvestment Act (ARRA) was enacted in February 2009 to fund projects to stimulate the US economy. The actual legislation states that two of the main goals of ARRA are "to preserve and create jobs and promote economic recovery" and "to invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits".

In terms of transportation, the US Department of Transportation (USDOT) received \$48.1 billion to promote short-term economic recovery and an additional \$1.5 billion in discretionary grants to invest in projects that provide long-term economic benefits. The ITS industry is in a position to be a beneficiary of a portion of both of these sets of funds.

Now that six months have gone by, however, it is time to ask some questions. How are ARRA funds being spent on transportation? Has anyone in the ITS industry seen any positive impact from ARRA? And what are the expectations for the future?

Making an impact

"ARRA funding has helped many states fund transportation projects that would not have been funded otherwise, which is a good thing," says Scott F. Belcher, President and CEO of ITS America. "Most of the projects that we are seeing are road repair and expansion projects, but there have been a significant number of smaller ITS projects that have been funded across the country. Some states have specific ITS projects that are being funded by ARRA or have technology built into their ARRA projects."

One example is Pennsylvania's \$21.7 million federal stimulus project which includes installation of CCTV cameras, incident detectors and travel time readers across 19 miles of I-95 in Philadelphia and surrounding areas, as well as two miles of I-676. The Pennsylvania DOT says the technology project, scheduled for completion in December 2010, will enable early incident identification and response, and keep motorists better informed of traffic conditions.

In the ITS vendor community, however, ARRA is getting mixed reviews. "We have seen some benefit," says Don Leavitt, Communications Director, Wavetronix. "There is no way to know if we would not have seen the same benefits without the stimulus act; many of the states that have used stimulus funds to purchase our products already had us in their budgets. The stimulus funding allowed them to proceed with planned purchases and kept state DOTs from having to cut those purchases from their budgets."

"We have seen very few transportation technology projects built with ARRA funds," states Patrick McGowan, Vice President, Business Development & Marketing for **Telvent** Transportation North America. "The bulk of the ARRA funds have gone toward roadway maintenance and construction projects. Clearing these critical projects from the DOT programme has indirectly helped the ITS programme maintain a similar funding level to 2008. We believe that without the stimulus funding, ITS projects would have been cut to fund critical maintenance projects due to the state revenue shortfall."

"On the downside," McGowan adds, "the volume of ARRA projects in early 2009 has delayed many non-ARRA project selections due to the increased workload at the DOTs."

While ARRA is clearly making some sort of impact on the ITS industry - even if it is simply by freeing up other funds for ITS projects - other ITS vendors say they have yet to see any actual impact.

"A lack of direction"

Harold Worrall, Chairman of the Board of **Citilog** and Managing Director of Transportation Innovations, has worked with a number of toll agencies in the last six months from New York to Washington State and throughout the southeast. He says, "I have perceived relatively little

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impact generally. There have been some project advancements but there seems to be a lack of direction from a policy perspective that serves to guide the kinds of projects that might be eligible and therefore that should be advanced through the design stages."

"Thus far, stimulus for us has been a non-event," adds David Sparks, TransCore's Executive Vice President Transportation Systems & Services. "There are some potentially significant projects being considered, and ITS-related work tends to follow or lag actual shovel-ready construction activities, so stimulus money has not impacted our work in any significant way, yet."

While some in the ITS industry are hoping for more ARRA funds in the future, others doubt the effectiveness of ARRA and even question the fairness of the process by which ARRA distributes funds.

There is a suspicion from some quarters that stimulus is mostly intended to satisfy the ideological views of the Obama Administration rather than delivering a real impact on the economy. There are the familiar assertions of 'pork barrel' carve-ups and social engineering being allowed to hold sway over decisions that would have resulted in more tangible benefits in the longer term.

In counter to this argument, the US Government claims to maintain transparency and accountability with ARRA and has established a website (www.recovery.gov) which is intended to provide information on ARRA's progress. Obviously this does not guarantee fair or sensible distribution of funds, however, it does show that the country's leaders are aware of the concerns and are attempting to address them.

Trickle-down economics

"As a technology provider, we understand that a majority of stimulus funds are going toward heavy construction projects, and we anticipated that the benefits of the stimulus for us would be secondary to that," says Leavitt. "So far, that has been the case."

In many cases, road construction projects must take place first, making way for the ITS technologies which DOTs will inevitably deploy afterward for greater efficiency, safety, visibility and management effectiveness. Since the shovel-ready projects are just getting under way, many ITS vendors are playing a waiting game.

Leavitt also points out that some state transportation infrastructures are aging rapidly, while the number of cars on those roads is constantly increasing. Those states must modernise their roads or build new ones first before they can think about ITS technology.

Even if most of the ARRA funds go toward road construction, however, ITS vendors may still benefit in the long run, because more roads should result in a greater need for ITS technology.

"There is a strong relationship between road construction and traffic detection," Leavitt confirms. "Most state DOTs now recognise the need for accurate, reliable traffic detection. So, even though the majority of stimulus funds are being spent on shovel-ready heavy construction projects, the need for detection will eventually trickle down to the technology side. As the heavy construction projects wrap up, we do expect to see a surge in the need for detection devices to complement those roads."

Shovel-ready vs. tech-ready

According to McGowan, many people expected immediate projects and a steady flow of ARRA funds the week the bill was signed, but ITS industry veterans knew better. Many steps are needed to get a project planned, designed, funded, contracted and started.

"The schedule was expected," he says, "yet the lack of technology projects was a missed opportunity to make major advances in our transportation network."

"We wish there was more funding being used for smart transportation technology," Belcher agrees.

"The requirement that the projects be shovel-ready has limited states' abilities to invest in projects that are larger, more complicated, and that rely on greater use of technology to help address their problems," he continues. "The needs of individual states and communities differ greatly. We believe, however, that more 'tech-ready' projects should be funded."

The reason tech-ready projects are so important, according to Belcher, is that technology can help communities address congestion and safety through the use of better traffic management and traveler information. Technology can also help communities become more livable by providing real modal choice, better use of transit and reduced emissions. And finally, technology can help address the freight movement crisis in the US through drive-by weigh stations, electronic manifest control, multimodal communications, and improved fleet operations.

Belcher also believes there should be a stronger focus on improving transportation system performance and optimising existing capacity, with resources and incentives provided for state and local agencies to meet specific performance goals in areas such as safety and mobility. ITS technology can serve this objective as well.

Chasing the TIGER

The ITS industry is not only waiting for the completion of ARRA-funded construction projects, which is expected to result in a need for technology. ITS vendors are also waiting for the distribution of funds from ARRA grants.

"The industry is watching the award of the TIGER grant funds," says McGowan. "This could be the only avenue for innovative transportation solutions."

"We are really excited about the \$1.5 billion discretionary grant program known as Transportation Investment Generating Economic Recovery or 'TIGER' Discretionary Grants," adds Belcher. "This grant programme seems geared toward technology projects."

Belcher notes that in addition to generating jobs and economic stimulus, the TIGER selection criteria are intended to capture the benefits of innovative new approaches.

Examples specifically referenced in the grant selection criteria include ITS, dynamic pricing, smart cards, real-time dispatching, active traffic management, RFID and innovations that demonstrate the value of new approaches to transportation finance, contracting, project delivery, congestion management, safety management, asset management, and long-term operations and maintenance.

Uncertain future

So the general feeling in the industry seems to be a tentative expectation, or at least a hope, that as ARRA-funded shovel-ready construction projects are completed, and as the more tech-focused TIGER grants are awarded, a greater portion of ARRA funds will be spent on ITS technology. In addition, the new roads funded by ARRA will require technology sooner or later, whether or not the technology is funded by ARRA.

"From an ITS industry perspective," concludes Sparks, "we expect to see over the longer-term that programmes will increasingly rely on and include ITS as a core element in enhancing safety and as a vital part of ensuring and measuring performance and impacts on sustainability and quality of transportation-related investment."

McGowan sees future funding as a serious hurdle, however. "ARRA is a very short-term fix to our transportation funding problems," he notes. "The fact that the funding was 100 per cent federal verses the typical 50-80 per cent was a big help to the states. We don't expect to see another stimulus bill of this size again and if transportation, including technology, is to continue to see the required growth, we will need to see additional revenue. Tax increases are the only logical way to increase transportation funding.

"Once funding levels return to a typical level," McGowan concludes, "we hope the nation looks at new ways to manage transportation and does not return to the old practice of trying to build our way out of congestion."

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