



The Federal Government's Permitting Process Has Hamstrung Economic Growth

By **Bill Poole**
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The federal government is not “permitting” the economy to grow. Yes, that’s “permitting” as in Environmental Protection Agency permits, Federal Energy Regulatory Commission (FERC) permits, Department of Transportation permits, and the list goes on and on. Federal regulatory agencies are not granting permits for private firms to build infrastructure, and U.S. investment and employment growth are hurting because of it.

In his State of the Union address, President Obama promised to “act on my own to slash bureaucracy and streamline the permitting process for key projects.” Unfortunately, this is just more lip service from a president who has continually refused to “act on his own” to permit the Keystone XL pipeline. His failure to follow through on his words has set the tone for agencies slow-walking the permit process. Let’s consider three illustrative examples.

Gas Pipelines

In a February 2013 study, the Government Accountability Office (GAO) found that “the average processing time from pre-filing to certification for interstate natural gas pipeline projects was 558 days, and the processing times ranged from 370 to 886 days.” That makes the average approval time 18 months, and in one case two and half years.

These are outrageous delays, but more outrageous is the fact that the agency processing the permits, FERC, doesn’t even keep track of the time lags. According to the GAO study: “... FERC does not track time frames, citing the limited usefulness of such data.”

The private firms applying for these permits have to manage complex capital projects by setting timetables and milestones, but it appears that FERC does not care whether projects proceed quickly or not. If the president really wants to “streamline the permitting process,” it would make sense to require FERC to track time frames and pinpoint ways to speed up the process.

The expensive and mind-boggling complex hoops firms are forced to jump through to obtain a permit shouldn’t leave anyone, especially the president surprised that investment in this important area of national infrastructure is lagging.

Pumped Storage Projects

Given the federal government's current interest in alternative energy, one would have expected as much interest in building hydroelectric pumped storage facilities as in building wind turbines. One would have been wrong.

Pumped storage is the only practical way to store large amounts of energy – and actually makes wind power a more effective form of renewable energy. For the uninitiated, such a facility pumps water into an upper reservoir. Flowing down a pipe, the water turns a turbine to generate electricity, just as a hydro dam on a river does. During a period of low demand for electricity, power generated by any source, such as wind turbines, can be used to run the hydro turbine in reverse, to pump water up the pipe to the upper reservoir.

The technology is proven and has been used for many decades in the United States and abroad. There are currently 40 pumped storage projects operating in the U.S., which leaves a not insignificant portion of installed wind turbine capacity wasted, because there is no way to store the power generated when power demand is low. To gain an idea of the suffocating bureaucracy and delays, do an Internet search on the \$1.4 billion Eagle Mountain project, which submitted its initial pre-application documents to FERC in January 2008.

It's not much consolation, but the Eagle Mountain project isn't alone. There are over 60 pumped storage projects currently sitting at FERC awaiting licensing and permitting, according to the National Hydropower Association. Hello FERC: Did you hear the President's "streamline" call?

Interstate Highway Tolls

Many observers, including President Obama, have called for more highway infrastructure building and repair. Existing revenue sources are inadequate, and federal law for the most part does not permit tolls on Interstates. However, tolls would make perfect sense to finance repair and to build new roads and bridges. In fact, a Reason Foundation study last year analyzed traffic on Interstates state-by-state, and found that tolls could readily finance needed improvements and expansions. Several Eastern Interstates were built as toll roads and later given Interstate designations, so tolling is clearly feasible. If the president is serious about slashing bureaucracy and improving America's infrastructure, he could offer legislation to permit tolls. It is just that simple.

The failure of the federal government to provide permits bears directly on the 1930s "secular stagnation" thesis that assumed the private economy might fail to generate enough investment to bring the economy to full employment. The United States does suffer from secular stagnation, but its source is government dysfunction, not the private economy. The market will build the capital we need, as will state and local governments, if only permitted to do so.

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