

# The Direction of Transportation and Tourism Policies under the Incoming Trump Administration (Trump 2.0)

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## 1. Introduction

The United States presidential election was held on Tuesday, November 5, 2024, with Donald Trump emerging victorious. Ahead of his inauguration on January 20, various reports have surfaced regarding the policies of the incoming Trump administration, and those policy directions have been a key topic of debates held in Washington, D.C.

Under the next Trump administration, extending and expanding the so-called Trump tax cuts, strengthening measures against illegal immigration, and prioritizing tariff policies are said to be high on the agenda. While transportation and tourism policies are somewhat related to these priorities, they are not currently considered high-priority areas, and their direction remains unclear.

Nevertheless, based on information gathered locally and various reports, the following provides an overview of the possible direction of transportation and tourism policies under the new administration, while also touching on the outlook for Japan-U.S. relations.

## 2. Japan-U.S. Relations

Regarding the preparations for cabinet appointments and policy planning under the incoming Trump administration, there is an impression that lessons learned from the previous administration have resulted in better preparation this time. With a focus on Japan-U.S. relations, it is expected that cooperation between the two countries in defense and diplomacy will continue, particularly in light of ongoing U.S.-China tensions. Efforts to enhance deterrence measures are anticipated to be further strengthened.

On the other hand, in the area of trade, the U.S. appears to be shifting from promoting free trade to advancing managed trade. This raises the question of how Japan should respond. Additionally, concerns have been raised that few individuals within Trump's inner circle are focused on Japan, underscoring the need to closely monitor the trajectory of Japan-U.S. relations.

In the broader context, the strong bilateral relationship between Japan and the United States is expected to remain intact. However, Japan must adopt a strategic approach, keeping in mind President Trump's transactional style of diplomacy.

## 3. Direction of Transportation and Tourism Policies

### 3.1 Secretary of Transportation<sup>1), 2), 3)</sup>

On November 18, 2024, President-elect Donald Trump nominated former Republican Congressman Sean Duffy (Wisconsin) as the next Secretary of Transportation.

In announcing Duffy's nomination, Trump stated: "He will prioritize Excellence, Competence, Competitiveness and Beauty in rebuilding America's highways, tunnels, bridges, and airports. He will ensure our ports and dams serve our Economy without compromising our National Security, and he will make our skies safe again by eliminating DEI for pilots and air traffic controllers." and "Sean will use his experience and the relationships he has built over many years in Congress to maintain and rebuild our Nation's Infrastructure, and fulfill our Mission of ushering in The Golden Age of Travel, focusing on Safety, Efficiency, and Innovation. Importantly, he will greatly elevate the Travel Experience for all

Americans!"

Duffy previously co-hosted *The Bottom Line* on Fox Business. Earlier in his career, he served as district attorney of Ashland County, Wisconsin, in the 2000s and was elected to Congress in 2010. During his time in Congress, he served on the House Financial Services Committee, the Budget Committee, and the Joint Economic Committee. After resigning from Congress in 2019, he joined the Republican-leaning lobbying firm BGR Group as a senior counsel.

Duffy has limited experience in transportation-related matters during his tenure in Congress, so the direction of his transportation policies remains unclear as of the time of writing. Discussions with federal government officials and transportation industry representatives in December 2024 revealed that many are still uncertain about the policy agenda he will pursue. However, some have described him as "one of the more competent individuals among Trump's cabinet picks," and there are high expectations for his leadership.

It will be essential to closely monitor Duffy's actions and statements as he assumes this critical role.

### 3.2 Overall Direction of the Transportation Sector<sup>4), 5), 6)</sup>

President-elect Trump is reported to be taking office with a focus on "cuts" rather than "investment" in infrastructure. In particular, the Republican Party has indicated its intention to weaken the *Infrastructure Investment and Jobs Act (IIJA)*, one of President Biden's major legislative achievements. Enacted in November 2021, the IIJA authorized a total of \$1.2 trillion over five years, including approximately \$550 billion in new investments for improving and modernizing infrastructure across the United States. While the act has already been utilized across a wide range of sectors, the response of the incoming administration warrants close attention. However, it is worth noting that 70% of the Department of Transportation's available funds from the act's first three years have already been obligated, making it difficult for future administrations to reclaim those funds.

Additionally, the IIJA requires reauthorization by September 2026, providing Trump with an opportunity to

draft a major infrastructure-related bill during his term. Negotiations over what should be included in the new bill are expected to intensify starting in 2025. The Trump administration has criticized Biden's renewable energy funding policies, referring to them as the "*Green New Scam*," creating an opportunity for Trump to clearly differentiate his priorities.

Republican lawmakers are reportedly inclined to once again prioritize spending on "hard infrastructure," such as roads, railways, and bridges, when drafting the next infrastructure-related legislation.

### 3.3 Electric Vehicles<sup>7), 8), 9)</sup>

Discussions surrounding electric vehicles (EVs) have been prominent throughout the election campaign. This section focuses on three key aspects: tax credits for EVs, regulations, and charging infrastructure.

First, it has been reported that President-elect Trump intends to eliminate the EV tax credits expanded under the *Inflation Reduction Act (IRA)*. These credits currently allow for a tax deduction of up to \$7,500 per EV purchase, provided the vehicle meets domestic sourcing requirements. The program has been projected to cost the federal government significantly more than initially anticipated, making it an attractive target for Republicans seeking funds for other tax reform priorities. Some reports suggest that eliminating these tax credits could lead to a sharp decline in EV sales, potentially harming many automakers. However, Tesla, a leader in the U.S. EV market, may gain a relative advantage as reduced EV investments from competitors delay market progress. This could be particularly beneficial for Tesla CEO Elon Musk, a Trump supporter, as the repeal of tax credits may align with his interests.

Second, the easing of various regulations referred to by Republicans as the "mandates for EVs" is also anticipated. A reassessment of Corporate Average Fuel Efficiency (CAFE) standards, which require new light-duty vehicles to achieve an average fuel economy of 50.4 miles per gallon by 2031, is reportedly certain to occur. Similarly, emissions regulations for vehicles are also expected to be relaxed.

Third, Trump has criticized the \$7.5 billion in funding for

EV charging infrastructure provided under the IIJA, citing the slow progress in the installation of charging facilities. Reports suggest that his administration may consider cutting support for EV charging infrastructure.

Additionally, with the promotion of EV adoption, discussions are reportedly underway to introduce new usage fees for EV owners, who do not contribute to infrastructure funding sourced from gasoline taxes. These developments require continued attention moving forward.

### 3.4 Aviation<sup>10), 11)</sup>

The aviation sector has also been a topic of discussion following the election.

Under the Biden administration, stringent passenger protection regulations were introduced, including mandatory refunds for cancellations and delays, enhanced protections for passengers with disabilities, and requirements for upfront disclosure of additional fees. However, these regulations may be relaxed under the incoming Trump administration. Based on past actions, Trump has shown a tendency to limit regulations on the aviation industry, making it likely that he will respond to the industry's calls for deregulation. The Biden administration's efforts that led to the dissolution of the partnership between JetBlue Airways and American Airlines and blocked JetBlue's acquisition of Spirit Airlines could be revisited or reversed under Trump's leadership. Conversations with U.S. airline representatives often highlight expectations for such regulatory rollbacks.

In terms of climate change measures in aviation, various debates are ongoing. During his campaign, Trump advocated for increased investments in the energy sector, including oil and natural gas, raising concerns that climate change initiatives for decarbonization advanced under the Biden administration might be rolled back. However, discussions with stakeholders indicate some optimism regarding sustainable aviation fuel (SAF). Given that SAF feedstocks such as corn and sugarcane are produced in Republican-leaning regions, continued support for SAF is anticipated. Moreover, since airlines have already made significant investments in SAF-related initiatives, substantial shifts in industry support seem unlikely.

Additionally, in Trump's statement regarding the nomination of the Secretary of Transportation, he emphasized "make our skies safe again by eliminating DEI for pilots and air traffic controllers." While the training and recruitment of air traffic controllers remain particularly critical challenges in the United States, some have raised questions about linking these issues to the promotion of DEI.

### 3.5 High-Speed Rail<sup>12), 13)</sup>

Regarding high-speed rail, the California High-Speed Rail Project, which heavily relies on federal funding, is reportedly facing a severe crisis. It has already been highlighted as an example of wasteful spending by the Department of Government Efficiency (DOGE), a newly proposed agency aimed at dramatically reducing federal expenditures and reorganizing bureaucratic structures. This categorization places the project in a precarious position under the incoming administration.

On the other hand, the Brightline West project, which aims to connect Las Vegas and Southern California, presents a different narrative. Nevada is a critical swing state, and this project represents the largest infrastructure initiative in the state. There is speculation that President-elect Trump might find it beneficial to support this project if it demonstrates the potential to open by the 2026 Los Angeles Olympics. Such a move could bolster his standing in a politically significant region and showcase the administration's infrastructure achievements.

### 3.6 Tourism<sup>14)</sup>

Under the Biden administration, the State Department worked to reduce visa wait times and streamline travel processes by filling consular positions and utilizing interview waivers to clear backlogs. In contrast, during Trump's first term, visa policies became more stringent, with rigorous screenings imposed on travelers from certain regions. Some in the travel industry are concerned that similar policies could suppress the growth of U.S. tourism, which is seeing record-breaking visitor numbers. If new restrictions are imposed, they could impact airlines, hotels, and businesses that rely on international visitors,

potentially altering the global travel landscape.

With the anticipated tightening of immigration policies under the next Trump administration, tourism-related businesses that depend on seasonal or temporary foreign workers may face labor shortages. Concerns have been raised that relying solely on domestic labor could drive up labor costs and create a competitive wage market in an already challenging labor environment. This situation may accelerate a shift toward automation in the industry.

On a more positive note, discussions with stakeholders suggest that tourism policy remains a collaborative effort involving both the government and private sectors. This public-private partnership structure, which incorporates input from industry stakeholders, is expected to continue under the Trump administration. Under the incoming Trump administration, an intention to promote industrial policy has been indicated, and significant changes to tourism policy are not anticipated. Positive views have been expressed that the existing government-private sector collaboration is expected to continue as before.

#### 4. Conclusion

The above summarizes the findings on the projected direction of transportation and tourism policies under the so-called Trump 2.0 administration, based on information gathered locally and from various reports. At the time of writing, Trump has not yet assumed the presidency, and new information continues to emerge daily. Whether the administration will proceed in the outlined directions remains uncertain. Notably, most of the stakeholders interviewed expressed that "it is unclear what specific policies President-elect Trump will adopt."

Independent from the direct policies of the incoming Trump administration, New York State has implemented congestion pricing in parts of Manhattan starting in January this year<sup>15)</sup>. Under the initial proposal, a toll of \$15 per passenger vehicle was planned, but this was later reduced to \$9. Although the implementation was unexpectedly postponed in June 2024, reports suggest that New York Governor Kathy Hochul expedited the introduction of the system before Trump, who opposes the tolls, assumes office. The development of this initiative will

be closely watched in the coming months.

As illustrated, various changes are expected in transportation and tourism policies under Trump 2.0, not only at the federal level but also at the state and local levels. We will continue to monitor developments in the Trump administration and conduct further research into U.S. transportation and tourism policies.

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