Some thoughts on national freight policy

TRB Executive Committee Policy Session

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Presentation Outline

- The challenge of freight from policy perspective
- Prior national policy efforts
- Federal resources and regional competition
- The changed world of US transport policy
- Possibilities for federal role

Scale and growth of trade

Growth in Foreign Trade

	1998	2008
US Foreign trade	$1.6 trillion	$3.4 trillion
As share of GDP	26%	30%

Growth in Total Trade (2002 $ billions)

	2002	2008
Total	13.2	16.8
Domestic	11.0	14.2

Challenge: concentration of trade

- Top 10 international gateways account for 44% of all trade
  - – LA region #1
  - – NY region #2
- Top 5 port complexes account for 53% of all waterborne trade
- Top 5 container port complexes account for 70% of all container trade
  - – LA/LB account for 35%

Policy challenges

Attribute	Policy Problem
Concentration	How to distribute federal funds on merit Pressures for formula allocation
Highway system largest investment	Shrinking HTF Competition – freight vs passenger needs Fair share issues
Complexity of major freight bottleneck problems – many stakeholders, public and private	How to determine appropriate federal role How to achieve consensus
Fluidity of supply chains and freight flows	How to predict future demand
Regional competition	How to avoid distorting competition

Prior national policy I: TEA-21

- Nat'l Corridor Planning and Development Program + Coordinated Border Infrastructure Program
  - $1.1 B; discretionary grant programs with allocation by USDOT
  - From discretionary to earmarks
  - About 80% of total earmarked
- TIFIA ($530 M)
- RRIF ($3.5 B)

Prior policy II: SAFETEA-LU

Program	Funding ($M)	Comments
National Corridor Infrastructure Improvement Program	1,954	33 earmarked projects
Coordinated Border Infrastructure Program	833	Formula distribution based on metrics
Projects of National and Regional Significance	1,059	13 earmarked projects
Rail Line Relocation and Improvement Capital Grant Program	1,400	Applications from states only
Freight Intermodal Distribution Pilot Grant Program	30	6 earmarked projects
Truck Parking Facilities Program	25	Discretionary
Total Capital Funding	5,301	

SAFETEA-LU, cont

- Expanded credit assistance
  - TIFIA to $23.6 B
    - $4.3 B used, $265 M for freight
  - RRIF to $35 B
    - $800 M obligated
  - PABs $15 B
    - $5 B approved, but only 1 bond issuance (not freight)

Observations from prior bills

- A collection of grant and loan programs, not a national policy agenda
- Grants vs credit assistance
- Extensive earmarking
  - Discretionary allocation based on merit mostly ineffective
- What constitutes “national significance”?

Federal resources and regional competition

- Trade as economic development tool
  - Regions compete for economic development
  - Efforts to attract major manufacturers, hi-tech, etc., and int'l trade (ports, airports)
- Federal freight investments influence regional competition
- States and locals use federal funds to leverage their own
  - Alameda Corridor, Seattle FAST, ACE, I-95
  - More infrastructure to facilitate trade
  - More infrastructure to mitigate environmental problems that threaten trade and economic development

Case study: Seattle FAST

- Collaboration among industry, public agencies, elected officials
- Purpose: promote freight and passenger mobility
  - Focus on rail/highway crossings
  - Phase I $470 million; by 2006 $868 million
- Strategy
  - State and local special taxes
  - Leverage existing state and other fund sources
  - Seek earmarks to supplement
  - Acknowledge RR as minor contributor

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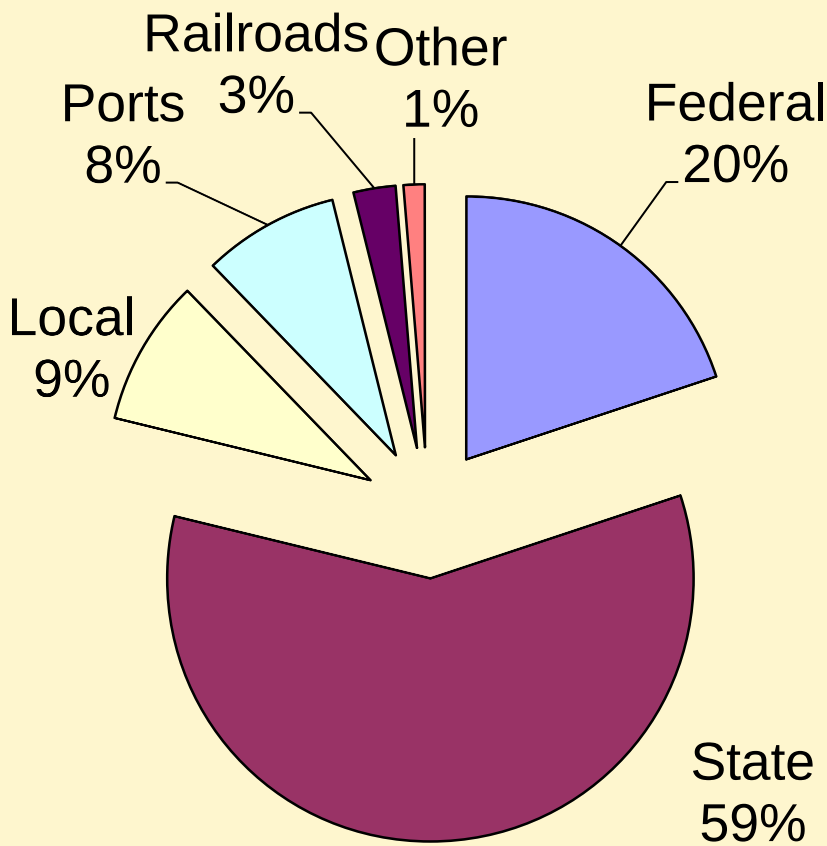
FAST funding sources for 10 projects



Funding sources:

Federal is all earmark

State includes highway funds + special taxes

Local includes special taxes

Case study: Heartland Corridor

- PPP initiated by Norfolk Southern
  - Formal partners: FHWA, WVA, VA, Ohio, NS
  - Informal partners: Port of VA, Maersk terminal
- Purpose: increase NS line capacity via clearances to allow double stack trains
- Total funding = $309M
  - $84.3M from NS, $140.4M from earmarks, rest from VA state

Some difficult questions

- Who benefits and who pays?
  - Should federal funds be used to generate private benefits?
  - Are the economic benefit and mobility arguments persuasive?
  - What is the payoff in national economic competitiveness, or national system efficiencies?
- Should federal funds be allocated on the basis of political influence?
- Is there a national policy rationale for influencing regional competition?

The changed world of us transport policy

- The Interstate program was unique
  - Particular circumstances for passage
  - Fit with US politics
    - State management, big federal match, funds distributed to every state
  - It hasn't been replicated, in or out of transport sector
- Big changes in governance
  - Devolution/decentralization
  - Bottoms up planning and decision-making

Changed world, cont

- Big changes in transportation finance
  - Shrinking share of fed $$ to total transport spending
  - Growing share of local, state $$
  - With local $$ comes local control
- Federal surface transportation legislation and funding
  - No consensus re how to prioritize with shrinking pie
  - No consensus to increase pie via taxes
  - Increased earmarking, demands for fair share return
- Bottom line: weakened federal role
  - No voice for national system priorities
  - Regions consider their own costs and benefits

Possibilities for federal role

- Fundamental rationales for federal role
  - Market failures
    - Monopolies, competition problems
    - Externalities
  - Large, complex projects
    - Cooperation and coordination problems
    - Last resort funder
      - Regulatory and pricing alternatives
      - Funding to reduce externalities
  - Purpose: increase efficiency and performance of national system

Federal role, cont

- What would an effective federal freight policy look like?
  - Performance based decisions
  - Support/enhance private sector investments
  - Provide R&D, technical capacity

From recent TRB study

1. Establish guidelines for federal assistance in freight infrastructure development
2. Establish freight infrastructure ***discretionary*** program
3. Provide credit assistance and tax incentives
4. Establish incentives for new local and project specific revenue sources
5. Invest in system monitoring, planning and project evaluation

What would be required

- Agreement on
  - National system efficiency and productivity as legitimate policy goal
  - Use of performance criteria for fund allocation
  - Appropriate criteria
- More emphasis on
  - Credit assistance, less on grants
  - User fees
- More investment in
  - Planning and research
  - Project evaluation

Can we do it?

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Acknowledgements

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