



Getting America's Freight Back on the Move

A Plan for Investing in Our Freight Infrastructure

Keith Miller, Kristina Costa, and Donna Cooper August 2012

Introduction and summary

Ports, freight railways, and inland waterways together comprise the backbone of the American economy. Employing over 4.1 million Americans, the U.S. freight transport and warehousing industries are relied upon every day to transport millions of tons of raw materials and finished merchandise to destinations across the nation and around the globe.¹

But despite its indispensability for sustaining economic growth and ensuring international competitiveness, America's goods movement system has been allowed to fall into a dangerous state of disrepair. Decades of chronic underinvestment have left the system incapable of keeping up with routine maintenance, let alone sufficiently increasing capacity to accommodate forecasted growth.

The Obama administration understands the gravity of the situation. The president recently announced that seven improvement projects at five major ports would be expedited, with an additional 36 projects to be expedited by executive order in the near future as part of the administration's "We Can't Wait" initiative. The administration also announced the creation of a Task Force on Ports to facilitate better cross-agency coordination and help assess the relative importance of projects from a national perspective.

These developments represent significant steps in the right direction. But more must be done. Freight bottlenecks and other congestion cost businesses, consumers, and the public at large approximately \$200 billion per year, according to a report by the Building America's Future Educational Fund.² The U.S. Chamber of Commerce places the annual cost of congestion as high as \$1 trillion annually—roughly 7 percent of U.S. economic output.³ These costs result from higher transportation costs, more expensive everyday goods, and increased levels of pollution.

What's more, delays and backlogs in goods transport systems that are designed to move large volumes of commodities—such as freight rail and waterways—also lead to ever-increasing shares of freight being moved by truck across the nation's

highway system. The more freight is diverted to trucks, the more congested America's roadways become. In 2010 roadway congestion alone cost American highway commuters an estimated \$101 billion in lost productivity and wasted gas—a sum that doesn't include the cost of increased wear and tear on roadways or the societal cost incurred by higher emissions levels.⁴

With total U.S. freight traffic anticipated to increase by over 50 percent by 2040, significant expansion, modernization, and system integration will be required.⁵ Investing in our freight infrastructure system would not only help American businesses remain competitive but would also immediately produce hundreds of thousands of new jobs in the construction and manufacturing industries, which are among those hardest hit by the recession. By investing in our ports, railroads, and waterways and implementing a number of commonsense legislative reforms, the United States can both help get our economy get back on track in the short term and ensure continued prosperity for decades to come.

This will require significant public-private cooperation. The nation's freight rail system is mostly privately owned and operated, though the federal government invested about \$560 million in freight rail in FY 2010, the last year for which complete data for all freight transportation modes are available. About half of the nation's 25,000 miles of navigable inland waterways are federally maintained, with the Army Corps of Engineers responsible for infrastructure maintenance. In FY 2010, the federal government spent \$882 million on inland waterways. Port ownership and management varies widely, but in many states, public port authorities own most port infrastructure and may lease it to private corporations such that both public and private entities contribute to capital investment and maintenance. The federal government spent \$896 million on port infrastructure in FY 2010.

To bring our freight transportation system in line with modern standards, we recommend increasing annual public investment in freight rail, inland waterways, and ports by about \$2.5 billion over current levels. We estimate that about \$1.4 billion in new annual freight rail spending could be used to upgrade tracks, improve signal and control systems, eliminate street-level freight rail crossings, and retrofit tunnels and bridges. \$150 million in additional annual investment in inland waterways should go toward repairing and replacing outdated locks and dams. And an additional \$1 billion per year should be spent on maintaining and increasing channel depth and conducting water-side improvements in the nation's ports.⁶

But public expenditures alone will not address the pressing repair, maintenance, and capacity expansion needs of our goods movement system. More must be done to encourage private investment in freight infrastructure projects. Government expenditures should be particularly targeted toward projects the private sector cannot complete on its own and should always seek to draw in as much investment as possible from the industries and companies that benefit most from given infrastructure improvements. Only through collaboration and innovation can we successfully implement a comprehensive, national plan to repair, modernize, and expand our goods movement system.

In addition to increasing public expenditures and leveraging more private investment, we must seek to allocate money more efficiently and improve overall system planning and coordination. For decades, funding for ports and inland waterways has been distributed with an eye to politically driven geographic considerations rather than economic competitiveness or the relative urgency of repairs. Funds should instead be disbursed in a way that guarantees the highest possible return on investment. And while many of the nations that have recently surpassed the United States in infrastructure quality have comprehensive, national plans for modernizing and expanding their systems, infrastructure planning and spending in the United States is conducted in a siloed fashion that makes interagency or intermodal planning difficult, if not impossible.

In this report, we will first discuss in detail the unique challenges faced by our freight rail, inland waterways, and ports. We then will lay out how the federal government provides financial assistance to each mode of transport and illustrate how inefficiencies, redundancies, and underutilization of existing programs have undermined necessary investment. Finally, we will discuss in detail our general and sector-specific recommendations for boosting investment in our economically critical freight infrastructure.

One final note before turning to the topic at hand. This report does not address truck freight. Although trucks move the largest share of freight by tonnage and are a critical part of the supply chain, almost all of their infrastructure costs are already borne by taxpayers who pay for the maintenance and construction of roads and interstates. This infrastructure also overwhelmingly benefits many other kinds of road users and strategies for its improvement do not fall exclusively under the purview of improving freight movement. Consequently, we feel truck freight is better addressed in conjunction with policies addressing roads and highways, on which states and localities already spend tens of billions of dollars per year—\$53.3 billion in 2008 alone.⁷

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