

McCormick



Northwestern Engineering

Northwestern University Transportation Center

U.S. Freight Policy

Northwestern University
Transportation Center
Business Advisory Committee Meeting
October 3, 2010



FREIGHT Act

- Restoring competitiveness and addressing bottlenecks
- Establish a freight office within the DOT
- Tools for performance analysis; benefit-cost analysis; research for universities
- What is the role of the federal government in freight policy? Should they be involved and to what extent?

Chicago Metropolis 2020 - Public Perspective

- Do we need a national policy? Answer: We've had them over the years (regulation, Interstate system, rail land grants).
- New bill represents a growing public awareness that freight is important. It's very good politically; in the public view there is not much downside to politicians saying they want to invest in infrastructure and create jobs.
- The real question is what do you do: Who wins and who loses? How do you pay?
- Gas tax revenues and the Highway Trust Fund are shrinking. Also, there is opposition among recipients to adding a new user.

- We need to know how freight fits in to the economy and infrastructure. We don't even know if we have the right incentives to encourage the types of changes we want.
- Alone the new policy is hollow but it's a step in the right direction.
- There is concern how non-traditional ports like Illinois will be affected by the new policy which seems to favor more traditional freight gateways.
- To the extent of using fee-based methods, there must be a benefit that users can see.
- Also, a national policy must address the negative externalities associated with moving goods.

Chicago Metropolis 2020 - Public Perspective (cont.)

- In Illinois, we feel there needs to be a Freight Authority to address issues as they arise.
- Who looks out for the public interest in freight and addresses negative impacts? An authority can fill this role.
- Our reliance on petroleum needs to decrease and there is no conscious policy addressing this for freight, such as shifting goods to rail.

ATRI - Trucking Industry Perspective

- The competition between rail and truck is not as bad as some think because for many freight movements there is no competition. It simply isn't economical to move many goods by rail.
- Government is not developing the intermodal system in a sensible manner. Trucks are not being taken off the road in urban areas as some think, but in rural areas. The rail system can't replicate the truck system.
- ATRI is looking for congestion and productivity enhancements in a new freight policy.
- **Funding the Trust Fund:**
- The next transportation bill needs to be between \$500B and \$1T. Where will this money come from?
- Who isn't paying?: Government fleets; transit; charities; driver education businesses. We must recognize that some users are not held accountable, which goes against the principle of fully allocated costing.
- The fuel tax is the most efficient way to generate the funds necessary for transportation investment. A federal increase will spark state increases due to the match requirement.
- Although everyone focuses on a "User Pays" system, transportation is a public good and we are all beneficiaries. Also, the mechanism by which the entire supply chain (shippers) can pay for transportation infrastructure it utilizes is not there.
- It is not guaranteed that users will benefit from privatization, nor will it necessarily raise the funds needed. Many of the infrastructure investment groups are no longer in business.

Trucking Industry Perspective (cont.)

- **Proposed Freight Legislation (FREIGHT Act):**
- The problem is that there are no funding sources or spending targets. It's possible that the legislation will result in pure reallocation of traffic to other modes.
- No funds will go towards road investment except for intermodal connectors.
- Many organizations are starting to support the Freight Focus bill. It calls for a 12 cent per gallon gas tax increase that will go into a freight fund that everyone can access. It is estimated to have a 92 cent return on the dollar.

- At the end of the day everyone needs more money
- Solutions: Get rid of earmarks; use direct cost-benefit assessments; increase user taxes; and require everyone to pay.



BNSF - Rail Industry Perspective

- Do we need a national freight policy?
- Good: It would allow us to establish a vision, goals, strategies, and increase awareness of goods movement. Possibly more money for freight projects.
- Bad: Who will establish and implement the policy within a politically fragmented environment? Congress changes frequently and alters its direction.
- An ad hoc policy may be best: Landmark legislation (Staggers Act, ISTEA) or a strong Presidential commitment (Eisenhower).
- The FREIGHT Act will establish a Freight Office within the U.S. DOT that could fade into obscurity just as the Intermodal Office did.
- Though a national freight policy is intriguing, it is probably much better to simply consider freight in every transportation investment and policy discussion.
- The recently introduced Freight Focus Act seems more appealing.

Discussion

- How much thought has been given to converting congestion into real costs for analysis?
 - Is it truly a direct cost. No employer has adjusted work schedules to reflect congestion; it does not directly affect your bank account.
 - Quantifying and measuring congestion could allow us to develop more meaningful policies.
- On public sector intervention in the petroleum market:
 - The public sector should not try to interfere with the petroleum market. However, there is little recognition that fuel should be priced in a way that accounts for the social cost of using petroleum.
- Everyone agrees we need more money. A new freight policy should promote a balanced investment strategy and user fees/ taxes that reflect system use and benefits attained.