

Coalition for America's Gateways and Trade Corridors

CAGTC POLICY PLATFORM 2019

FREIGHT: America's Economic Engine

Freight transportation is America's economic engine. The ability to move goods quickly and cost effectively produces millions of jobs and supports a higher standard of living for our population. In fact, 44 million U.S. jobs are directly supported by the multimodal freight network. When the freight network is congested, unreliable, and unsafe, American businesses struggle to remain competitive, paying \$27 billion annually in extra freight transportation expenses due to delays resulting from system congestion and creating a "drag-effect" that reduces our nation's ability to compete in the global marketplace.

According to the Bureau of Transportation Statistics, "productivity growth in freight transportation has long been a driving force for the growth of U.S. overall productivity and contributed directly to the growth of the U.S. GDP." Representing 85 percent of our national economy, our country's five major economic sectors – manufacturing, retail, agriculture, natural resources and transportation providers – are reliant on efficient freight movement to be efficient and cost-effective in both the national and world marketplace.

Public investment in our nation's multimodal freight network is chronically inadequate to meet growing demands – and businesses are paying attention. According to a recent study by the National Association of Manufacturers, 70 percent of members surveyed believe American infrastructure is in fair or poor shape and 65 percent do not believe that infrastructure will be able to respond to the competitive demands of a growing economy over the next 10 to 15 years. Additionally, we have a growing domestic consumer base: the U.S. population is expected to increase by 70 million by 2045, with each person requiring the movement of roughly 63 tons of freight annually. Investment is needed to make this demand an opportunity, rather than a crisis.

Unique from other types of transportation infrastructure spending, investment in the nation's multimodal freight network is an economic multiplier. Not only are jobs created immediately in the construction phase, but an efficient goods movement system attracts and retains U.S. businesses, supports exports, and benefits the economy for years to come. Every economic sector depends on a reliable, safe and cost-effective network to move goods and services.

While 2015's FAST Act made significant improvements in freight policy and programming, more is needed to make up for years of underinvestment and to prepare for growing system demands.

AECOM

Alameda Corridor-East
Project, San Gabriel Valley
Council of Governments

Broward County's
Port Everglades

California Department
of Transportation

Cambridge
Systematics, Inc.

Canaveral Port Authority

Cascadia Center

Chicago Metropolitan
Agency for Planning

City of Chicago

COMPASS – Community
Planning Association of
Southwest Idaho

Dewberry

Economic Development
Coalition of
Southwest Indiana

Florida Department
of Transportation

Florida East
Coast Railway

Florida Ports Council

Florida Transportation
Builders' Association, Inc.

Freight Mobility Strategic
Investment Board
(Washington State)

Gateway Cities Council of
Governments

HERZOG

HNTB Corporation

Illinois Soybean
Association

Intermodal Association
of North America

Kootenai Metropolitan
Planning Organization

Los Angeles
County Metropolitan
Transportation Authority

Majestic Realty Co.

Maricopa Association of
Governments

Memphis Chamber of
Commerce

Metal Fatigue Solutions

Moffatt & Nichol

National Railroad
Construction and
Maintenance
Association

NASCO – North
American Strategy for
Competitiveness

The Northwest
Seaport Alliance

Nossaman LLP

Ohio Kentucky Indiana
Regional Council of
Governments

Orange County
Transportation Authority

Port Authority of
New York & New Jersey

Port Houston

Port Newark Container
Terminal

Port of Hueneme

Port of Long Beach

Port of Los Angeles

Port of New Orleans

Port of Oakland

Port of Portland, OR

Port of San Diego

Port Tampa Bay

Port of Vancouver USA

Ports America
Chesapeake

Prime Focus, LLC

Puget Sound Regional
Council

RAILCET

SANDAG - San Diego
Association of
Governments

Southern California
Association of
Governments

Tennessee Department
of Transportation

Washington State
Department of
Transportation

Will County Center for
Economic Development

WSP

CAGTC'S FREIGHT MOBILITY PROGRAM PRINCIPLES

A truly strategic freight mobility program would prioritize the economic needs of our country in the near term and for generations to come by making investment decisions that optimize freight mobility, especially at locations of national significance, unconstrained by mode or political jurisdiction. All modes and freight transportation facilities would be eligible, and funding should both leverage investments already made and provide resources for new investments. Corridors, gateways and integrated hubs would be the locus of activity, rather than states, counties, cities or towns. The result would be a comprehensive, free-flowing freight network unfettered by jurisdictional boundaries.

CAGTC Principle: A national strategy is needed to guide long term planning

Currently, passengers and freight in the U.S. compete for an inadequate supply of infrastructure capacity and financial resources. Both suffer. A national "vision" and dedicated investment strategy that shapes and guides the nation's freight infrastructure system with active coordination among states, regions and localities is needed. Planning horizons, with a particular focus on projects of national significance, should endeavor to anticipate freight needs extending over multiple decades and seek to smooth the path for free-flowing freight, both domestically and internationally.

➤ **CAGTC Request: Focus and coordination at the Federal level**

A new office for multimodal freight should be established within USDOT's Office of the Secretary to administer freight mobility programs.

CAGTC Principle: Funding must be dedicated, sustainable and flexible

Funding should be based on revenue sources that are predictable, dedicated and sustained. Owners of goods are the primary beneficiaries of system improvements and should be part of the revenue user-base. At the same time, funding distribution programs should incentivize and reward state and local investment and leverage the widest array of public and private financing.

➤ **CAGTC Request: Provide \$12 billion annually through a Multimodal Competitive Program**

The FAST Act's competitive freight-focused grant program, INFRA, is oversubscribed. In the combined FY17 & FY18 round of awards, USDOT received \$12 in unique requests for every \$1 available; all 50 states, the District of Columbia, and Puerto Rico have submitted applications to the program, demonstrating freight infrastructure needs across the nation. The program is allocated an average of \$900 million annually through 2020, and a total of just \$500 million is available to multimodal freight projects over the five year period.

CAGTC calls for a minimum annual federal investment of \$12 billion through a multimodal freight competitive grant program. Further, the funding cap on non-highway projects should be eliminated to ensure that states and localities are able to address their most pressing freight infrastructure needs, regardless of mode.

Competitive grants, such as INFRA and BUILD, generate innovation and encourage creative funding and financing arrangements, calling on state and local governments to bring the best deal forward when asking for federal funding assistance. Research shows that for every \$1 invested through a federal competitive grant program, an additional \$3.50 is invested in the

project, leveraged through other sources, including private funds¹. USDOT's decision-making process should be made transparent to affirm the integrity of the evaluation process and best use of the federal dollar.

➤ **CAGTC Request: *Increase freight formula funding***

Funding available through the FAST Act's freight formula program fills an important role by allowing states to invest in goods movement projects of varying sizes, particularly those that may not be candidates for scarce federal competitive grant resources due to size or absence of sufficient matching funds. To receive freight formula dollars, the FAST Act required states to produce "fiscally constrained" freight plans; 22 states demonstrated the need for additional resources by producing fiscally unconstrained plans. Unconstrained plans from these 22 states showed a need of \$205 billion for freight infrastructure investments. Accordingly, CAGTC requests that Congress increase funding for the freight formula program and remove the 10% cap on non-highway investment, allowing for increased project selection discretion at the state level.

CAGTC Principle: *A set of merit-based criteria is needed for funding allocation*

Competitive grants are critical to funding large-scale freight infrastructure projects, which are difficult to fund through traditional distribution methods such as formula programs. We need a freight competitive grant program that selects projects through merit-based criteria that identify and prioritize investments with a demonstrable contribution to national freight efficiency. Long-term funding must be made available to ensure that, once a project is approved, funds will flow through to project completion. Funds should be available to support multi-jurisdictional and multi-state projects, regardless of mode, selected on the basis of objective measures designed to maximize and enhance system performance, while advancing related policy objectives such as environmental improvement.

➤ **CAGTC Request: *Confine FAST Act Competitive Grant Awards to freight.*** Criteria written into law under the INFRA program focuses on goods movement infrastructure and lists goals such as increasing global economic competitiveness, improving connectivity between freight modes, and improving the safety, efficiency and reliability of the movement of freight and people. INFRA resources must be invested in high-impact goods movement projects that improve the flow of freight and aid the regional and national economy. Funds supporting projects in freight hubs and along freight corridors, invested in both rural and urban communities, will improve the economy's overall health.

➤ **CAGTC Request: *INFRA Competitive Grants and the Freight Formula Program should be fully multimodal.*** Freight does not move on highways alone – where public benefit is derived, public investment must be made. While the FAST Act establishes a national policy of maintaining and improving the condition and performance of the National Multimodal Freight Network, about 90 percent of funding through the INFRA competitive grant program and freight formula program is confined to highways, roads and bridges. These caps should be removed. Freight movement necessitates cooperation among many modes and funding flexibility is required to make investments yielding the highest return. Leveraging federal

¹ <https://www.transportation.gov/BUILDgrants/about>

dollars with private investment should be encouraged when possible and appropriate; increasing the flexible use of the federal dollar will yield increased opportunities for private sector participation.

CAGTC Principle: A partnership with the private sector is needed to maximize federal efforts.

Private participation in the nation's freight infrastructure is vital to system expansion and system preservation. Federal funding should leverage private participation and provide transportation planners with the largest toolbox of financing options possible to move freight projects forward quickly and efficiently.

- **CAGTC Request: Establish a private sector freight advisory committee at USDOT.**
The establishment of an advisory council made up of freight industry members and system users could assist and partner with USDOT in optimizing results from planning, coordination and evaluation processes.

A DEDICATED APPROACH TO FEDERAL FREIGHT INVESTMENT

CAGTC proposes the creation of a National Strategic Freight Mobility Program and Trust Fund (FTF). Such an approach can create an expanded national freight program to balance and separate the interests of freight and passengers, especially if based on user fees and funding from outside the traditional sources. **Congress and the Administration must commit to exploring sustainable revenue sources across all modes.** Such an approach need not be overly burdensome; for example, capturing a small fraction of the value of the commodities moved would generate considerable revenue.

While all possible funding sources should be considered, the FTF would best be served by a combination of new national freight-related user fees (such as a waybill fee assessed on the cost of transportation) and existing highway trust funds, as supported by the National Surface Transportation Policy and Revenue Study Commission's report, *Transportation for Tomorrow*. Additionally, a fair contribution — such as a portion of increased fuel taxes or the freight fees that are currently dedicated to the Highway Trust Fund, including excise taxes on truck tires and tractors — from the Federal Highway Trust Fund could appropriately reflect benefits that accrue to the broader motoring public. While the FTF would provide a dedicated source for freight project funding, participation in this program would not preclude projects from seeking funding from existing federal, state and local sources, reflecting the multiple benefits they can provide to local communities as well as to national freight movement.

Other sources, such as a waybill fee, may also be appropriate to support the FTF. Ultimately, the price of goods should support and internalize a portion of the cost of expanding or preserving related infrastructure, such that growth in demand for moving goods delivers proportional funding for related infrastructure improvement.

About the Coalition

The Coalition for America's Gateways and Trade Corridors (CAGTC) is a diverse coalition of more than 60 public and private organizations dedicated to increasing federal investment in America's intermodal freight infrastructure. In contrast to single mode interests, CAGTC's main mission is to promote seamless goods movement transportation system across all modes to enhance capacity and economic growth.