

Freight Policy and Funding Under a New Transportation Bill

The Role of Metropolitan Regions in the National Distribution of Freight

Freight is the lifeblood of the American economy. Businesses rely on complex supply chains to receive inputs and ship outputs to customers—all while minimizing transportation and warehousing costs. As consumers, nearly everything we buy – from food to clothing to electronics and durable goods – arrives via the freight system. The nation’s extensive network of highways, railroads, waterways, airports, and pipelines ships a total of 17.6 billion tons of freight each year, totaling \$16.8 trillion in value in 2011.¹

The United States is home to a vast freight system – over 4 million route-miles of public roads, almost 140,000 miles of rail, and some 11,000 miles of navigable channels. While many communities host freight facilities and are impacted by freight operations, a small number of metropolitan areas play a critical role in managing goods movement. These regions are key nodes in the system, places with the ability to seamlessly transfer shipments between modes, the physical capacity to handle large freight volumes, extensive warehousing and logistics centers, and the appropriate skilled workforce to coordinate and manage goods movement.

These hubs and gateways are vital for export and import activity and the national movement of freight, but experience highly localized impacts such as congestion, pollution, and community disruption. With the largest concentrations of people and highly complex transportation systems, these metropolitan areas are closest to the daily impacts and understand the issues that arise from goods movement. As such, it is critical to involve these key freight regions in the larger national discussion on freight. A decision-making process that includes this perspective is required to truly address national freight issues as well as ensure international economic competitiveness.

Moving Ahead for Progress in the 21st Century (MAP-21), the current federal transportation authorization law, identifies a national interest in freight for the first time. MAP-21 directs the U.S. Department of Transportation (U.S. DOT) to develop a national freight policy, identify a national priority network for investment, and creates incentives for states to prepare their own freight plans. However, MAP-21 misses an opportunity to recognize the importance of metropolitan areas in setting and implementing freight policy. The law should be expanded beyond the highway system, and clarified to include the multimodal nature of the freight system.

On the funding side, MAP-21 fails to provide dedicated resources to address freight needs. The law fails to provide core formula funding for freight, although it did provide modest funding, subject to appropriation, for the Projects of National and Regional Significance (PNRS) program. PNRS, along with the competitive TIGER grant program, has provided funding for

¹ U.S. Department of Transportation, Federal Highway Administration: Freight Management and Operations. Freight Facts and Figures 2012.
http://www.ops.fhwa.dot.gov/freight/freight_analysis/nat_freight_stats/docs/12factsfigures/

large, complex freight projects in the past, although neither program has ever provided a level of funding commensurate with investment needs.

Principles for Freight in a New Federal Transportation Bill

MAP-21, while providing some federal interest in freight, leaves room for clarification. As the metropolitan planning organizations representing the nation's largest regions and key freight hubs, we recommend the following three principles for freight in the next transportation reauthorization bill:

- Integrate metropolitan regions into the freight investment decision-making process.
- Dedicate a range of funding sources and authorize a minimum of \$2 billion funding per year for freight investments, consistent with proposals from national freight advocacy organizations.
- Redefine the national freight network to comprise a multimodal transportation system.

We support a robust federal role in freight policy. The speedy and reliable movement of goods is a cornerstone of interstate commerce in the global economy, and thus of federal concern. Freight flows touch multiple jurisdictions and freight projects with broad impact can be difficult for a single agency to fund. Past transportation reauthorization bills have historically overlooked the freight system while needs have grown. It is time for the federal government to provide the leadership and resources to support a resilient national freight network.

The remainder of this section elaborates each of the three reauthorization principles for the freight system.

Integrate metropolitan regions into the freight investment decision-making process

Considering the importance of metropolitan areas in goods movement, as well as the highly-localized impacts of freight, the next reauthorization bill should provide a key role for metropolitan planning organizations (MPOs) in prioritizing and selecting freight projects. This role should include eligibility to apply for new national competitive grants.

Additionally, the next transportation reauthorization bill should provide for MPOs to be directly involved in the state freight planning process. It is critical to establish a bottom-up decision-making process through metropolitan areas to establish national policies and programs for freight. The nation's metropolitan regions play a pivotal role in the movement of freight, yet MAP-21 does not require their participation in state freight planning. Metropolitan areas should have a greater voice in prioritizing projects through this process, especially given the increased federal cost participation for eligible projects identified in state freight plans. We support the increased federal share of 95 percent for such projects and further recommend that this important incentive be retained in the next reauthorization bill.

Dedicate a range of funding sources for freight investments

We recommend the creation of a separately funded freight account, similar to the Highway Account and Mass Transit Account in the federal Highway Trust Fund. Such a “Freight Trust Fund” (FTF) would support intermodal access, access to terminals, truckways, highway operational improvements, highway-rail grade separations, and similar investments across a variety of modes. Further, a small but capable Office of Freight Planning and Development within the Office of the Secretary of Transportation at U.S. DOT could be established to administer FTF money through a competitive grant program, whereby merit-based criteria identify and prioritize freight projects with a demonstrable contribution to national freight efficiency. The criteria used for competitive federal freight investments would ensure the maximum national benefit.

Long-term funding must be made available to ensure that, once a project is approved, funds will flow through to project completion. Funds would 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.

We support and recognize that Congress may select from a menu of funding options to address the current Highway Trust Fund imbalance and establish a dedicated freight funding stream. An FTF could be funded via a number of transportation user fees, including higher motor fuel taxes and tire taxes. Additionally, excise taxes, taxes on freight equipment, and customs duties should also be considered. Congress should consider a range of funding options to authorize a minimum of \$2 billion funding per year for freight investments. Diversified funding sources should provide a stable funding stream for an FTF and ensure that the burden of financing freight investments is spread across a number of user groups. It is critical that the selected revenue sources not only provide stable funding, but that they also have a rational nexus to the benefits received by users of the freight system.

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.

Redefine the national freight network to comprise a multimodal transportation system

We believe that a broad, multimodal perspective is required for the freight transportation system. As such, the National Freight Network should be expanded to comprise roadways, freight rail, navigable waterways, inland ports, seaports, land ports of entry, freight intermodal connectors, and airports. Further, it is in the nation’s economic interest that the Primary Freight Network should be increased beyond the maximum of 27,000 centerline miles to accommodate a multimodal network.

The federal government should consider all freight modes as an integrated system, rather than as independent modes supported by standalone and financially stove-piped programs. To move national policy in this direction, we recommend that the U.S. DOT, in collaboration with

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the National Freight Advisory Committee, assess critical variables that can drive mode share for freight movements by 2040. This analysis should take into account the forecasted mix and volume of transported goods, the existing and future physical and operational capacity of the various modal systems, particularly in metropolitan areas, and the potential impacts of any mode shift on congestion, transit service, the environment, and the economy. Further, U.S. DOT should research policies that can facilitate efficient mode share, including tax breaks on certain types of infrastructure investment, partnerships with the private sector, and increased federal support for selected work types. The analysis should yield findings detailed enough to consider the impacts of expanded capacity in major metropolitan areas.

Building Support for a New Federal Freight Agenda

Freight is the cornerstone of our national economy, and we believe the importance of adequately supporting our freight system grows every day. A robust freight agenda for the next federal reauthorization bill should include an expanded role for metropolitan areas in national policy – these locations are the key origins and destinations of freight flows, and experience the local impacts of the freight system on a daily basis. It should also provide dedicated revenues to support freight investment, and consider a research agenda to help chart national policy over the long term.

In the upcoming months, we will continue to reach out to other metropolitan areas to build support for a common federal agenda based on the reauthorization principles identified above. We will present these principles to congressional members and staff, national organizations, and U.S. DOT as we make the case for a more robust national freight investment policy in the next transportation reauthorization bill.