Public Works Financing

Published monthly since 1988
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Reprinted from September 2010

Transportation Policy Review

A National Freight Policy

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Goods-movement infrastructure has not gotten enough attention in recent decades, either at the federal level or in the transportation plans of urban area MPOs. So many people cheered when various House and Senate members introduced a coalition-backed bill called the FREIGHT Act in July. It would create a freight office at DOT, headed by a new Assistant Secretary and administer a competitive, multimodal freight grants program (for all modes except highways). But the bill specifies no dollar amounts and no funding source.

Despite my general decentralist leanings, I agree that facilitating the free flow of commerce—with the world and among the states—is one of the tasks the Constitution gives to the federal government. So I'm OK with the federal government playing some kind of a role in making sure we have adequate interstate (and international) gateways and corridors. And obviously, this needs to involve all the modes that make economic sense for shippers to use in moving cargo.

But the difficult part is figuring out how to do this in a cost-effective manner. Our general experience with federal user taxes, centralized trust funds, and politically driven allocation of the monies is that this model creates all kinds of incentives to spend Party A's money on something that benefits Party B, and to substitute political criteria for economic/investment criteria in determining what is "strategic." Just within the Highway Trust Fund, we have not only out-of-control earmarking but a plethora of specialized programs that are anything but strategic ("Recreational Trails"? "Scenic Byways"?) as national priorities. Similar problems exist within the Airport Improvement Program and the harbor dredging program.

One of my greatest worries is that funding for such a program would be taken from the already over-extended and under-funded Highway Trust Fund. The President hinted at this in his Sept. 6 speech about a $50 billion jump-start for transportation infrastructure, saying

this would help “return the transportation trust fund to solvency.” Transportation Weekly editor Jeff Davis helpfully pointed out that, “Historically, when people in the know say ‘transportation trust fund,’ they mean ‘making the Highway Trust Fund pay for more things that do not give any significant benefits to the people who pay the gasoline, diesel, and truck taxes that support the Highway Trust Fund.’”

What kinds of unfunded needs for goods-movement infrastructure are we talking about? Some involve better intermodal connectors, such as port-to-rail and port-to-highway. Others involve reducing interference between numerous freight trains and surface streets, requiring a lot of costly grade separations. Some ports want costly new dredging so they can better compete with ports that already have deeper channels. And barge interests want someone else to pay for upgrading or replacing locks and dams on the inland waterways. Still others involve the railroads getting somebody else to pay for increasing the clearance heights of bridges and tunnels so they can run more double-stack trains.

Some—indeed many—of these investments may make good economic sense. But what seems to lie only slightly hidden beneath a lot of the “multimodal” and “mode-neutral” rhetoric is the age-old desire to have someone else pay to increase one mode’s ability to compete either with other modes (rail vs. barge) or with others within the same mode (one railroad vs. another; one port vs. another).

We need to think hard about how to design any sort of federal goods-movement program to avoid these kinds of attempts to gain unfair competitive advantages. My first suggestion is to avoid creating a single multimodal fund, where the tendency to cross-subsidize one mode with funds derived from another mode will be too great to resist. That’s not to deny that multimodal projects are sometimes appropriate. But if there is a strategic freight highway fund, a strategic freight railway fund, a strategic ports fund, and a strategic waterways fund—each paid for by user fees on its mode—then funding for specific multimodal projects that meet the needs of two or more modes can be made available, with the consent of both.

To further reinforce this principle, the users who are paying the user fees should have a significant say in which projects get selected—“user pay means user say.” Thus, even if the user fee is legally a federal user tax that gets deposited in the Treasury and must be authorized and appropriated by Congress, each modal fund would have a user board to determine both the general principles for selecting strategic projects and the allocations to specific projects (whether single-mode or multi-mode) of the funds made available by Congress each year. These funds would not be subject to congressional earmarking.

Under this sort of arrangement, something like the huge CREATE project to improve highway and rail infrastructure in Chicago would likely get support from both the highway and rail funds, since it offers clear benefits to both. But plans for raising the height of rail tunnels would depend only on rail-user-fee funds, which might not sit well with those railroads that have paid for similar improvements on their own. Proposals to replace aging locks on waterways, if they had to be funded only by waterway user fees (rather than funds derived ultimately from competing modes) would concentrate first on the major river

systems that handle 90% of the tonnage before considering the smaller ones where costs might greatly exceed benefits. And it's unlikely that ports with deep channels would support shifting their user-tax monies to deepen the channels of competing ports.

By focusing both mode-specific and multimodal investments on projects that produce the greatest bang for the buck, this system would make the new modal user fees go farther, since many such economically viable projects could attract private capital under PPP arrangements.

This would be a dramatic change from the way we've operated federal infrastructure funds historically. It would mean Congress delegating the details to the goods-movement community, rather than micro-managing them itself. I realize that's a tall order. But if we simply replicate, for goods-movement investment, a model that we know from experience is seriously flawed, we shouldn't be surprised when the results turn out to be far less beneficial than hoped for.