

# Free Enterprise

November 2010

## U.S. TRANSPORTATION SYSTEM IS IN CRISIS

Publication Date: November 2010

### Investment Critical to Economic Growth and Jobs

The nation's transportation system is underperforming and unable to meet the needs of the business community and the overall economy, according to a groundbreaking study released by the U.S. Chamber.

"The performance of the nation's transportation system is not keeping pace with the rate of growth of the demands on that system," said Chamber President and CEO Tom Donohue. Donohue released the Transportation Performance Index at a September 23 event in Washington, D.C. "The bottom line is this: Our nation's deteriorating infrastructure is placing a major drag on our economic growth.

The high cost of poor infrastructure is something that FedEx Freight President Bill Logue is all too familiar with. "The lack of investment in infrastructure is already impacting our business. We see it every day," Logue told the audience at the event. Infrastructure-caused delays mean condensed delivery windows, more facilities, and extra trucks, planes, and employees—all of which increase FedEx Freight's costs.



FedEx Freight President Bill Logue says that infrastructure-caused delays mean condensed delivery windows, more facilities, and extra trucks, planes, and employees—all of which increase FedEx Freight's costs.  
Photo: Ian Wagreich

The Index combines indicators of supply (availability), quality of service (reliability, predictability, and safety), and utilization (potential for future growth) across all modes of passenger and freight transportation—highways, public transportation, railroad, aviation, marine, and intermodal—to show how well the U.S. transportation system is serving the needs of businesses and the overall U.S. economy.

The Index found that from 1990 to 2008, the effectiveness of the national transportation system increased by just 6%, while the U.S. population during that period grew 22%; passenger travel, 39%; and freight traffic, 27%. Moreover, the Index shows that every 1-point increase in transportation effectiveness results in a 0.3% increase in GDP, or \$42 billion. The status quo in infrastructure effectiveness over the next five years will result in an 8-point drop in the Index, the equivalent of \$336 billion in lost economic growth.

The Index ranks each state and Washington, D.C., on its transportation effectiveness. D.C. ranked last, followed by New Jersey, Hawaii, Nevada, and California. North Dakota and South Dakota have the best systems, followed by Nebraska, Montana, and Iowa.

By pursuing the lead of the top five states, the nation could add another \$1 trillion to GDP, the Index found. "We're leaving \$1 trillion on the table in GDP by not getting the most bang for the buck out of our transportation system," Donohue said. "If we don't head off that decline, we're taking money out of every American's pocket."

To reverse the downward trend, the Chamber is calling on Congress and the administration to pass pending legislation funding highway and transit, water, and aviation improvements—as well as an infrastructure investment tax credit for railroads. Long-term surface transportation reauthorization legislation has been put off several times in favor of short-term extensions.

According to Don Shubert, president of the Connecticut Construction Industries Association, uncertainty in federal transportation funding stifles state transportation programs, which, in turn, stalls the delivery of much-needed infrastructure, disrupts hiring and equipment purchases, interrupts steady employment,

fosters inconsistent training, and causes the loss of highly skilled employees. "In short, this shuts down a large economic engine," he said in testimony before the Senate Banking, Housing, and Urban Affairs Committee on September 21, 2010.

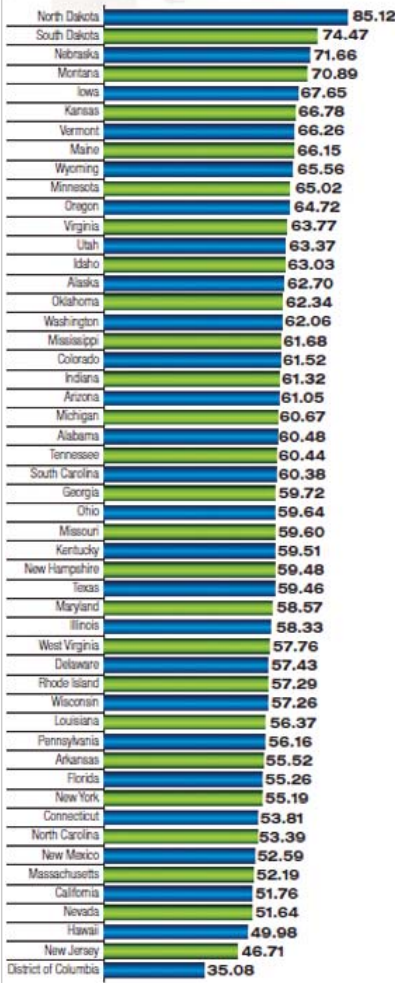
The Chamber is also urging policymakers to eliminate the red tape that endlessly delays and raises project costs and streamline the project review and approval processes to ensure that improvements to the transportation system are finished in a timely and environmentally sound manner.

Finally, the Chamber recognizes that private financing is critical. "There is north of \$180 billion in private capital just waiting to be invested if only we swept away regulatory roadblocks and encouraged its use," Donohue said.

Since 1983, the Chamber has supported the concept of a national infrastructure bank to leverage private capital. A number of proposals in various stages of development have been floated in the nation's capital. "But, as with so many things, the devil is in the details," said Donohue. "We're willing to work in good faith with any interested parties to see if we can get this done and done right."

The U.S. Chamber has a comprehensive infrastructure improvement initiative called Let's Rebuild America. This initiative includes lobbying Congress, developing policy, conducting research, and building grassroots support for infrastructure investment. The Chamber is also a leader of the Americans for Transportation Mobility coalition and its FasterBetterSafer campaign. This national coalition of business, labor, transportation organizations, and concerned citizens advocates for increased federal investment in the nation's transportation system.

### Transportation Performance Index 2007 State-by-State Results



The Transportation Performance Index can be found at [www.uschamber.com/lra/transportation-index](http://www.uschamber.com/lra/transportation-index). A Chamber paper on a national infrastructure bank can be found at [www.letsrebuildamerica.com](http://www.letsrebuildamerica.com).



U.S. Chamber of Commerce