Freight Transportation In the Chicago Region: Issues (and a few opportunities)

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ATRI

- 501(c)(3) charitable research organization
- Governed by 15 member Board of Directors
- RAC:
  - Freight Carriers
  - Federal/State Government
  - Labor
  - Suppliers/vendors
  - Academia
Freight Industry Snapshot...

- 75% air cargo moved by non-U.S. carriers
  - Fastest-growing sector over time
  - Expedited: Truck vs. airplane?
- 6 Class 1 railroads; 600 Total
  - 1.2M freight cars
  - 200K employees
  - 170K miles of track
  - Truck-Rail fast growing
- Water/Maritime
  - 51 Deep Water Ports; 148 Total
  - 8000 ships
  - 12K miles of commercial waterways
  - 12M – 20M Containers
- 640,000 Trucking Companies
  - 10.1M employees; 3.2M truck drivers
  - 2.8 million large trucks; 20M commercial trucks
  - 4.9M trailers
Key Realities

- Air Cargo…
  - Fastest Growing
  - Most Stays on the Ground?
- Barge Traffic Not Likely to Grow
  - North-South Opportunities?
- Maritime Financially Insecure
  - Labor
  - Congestion
- Finally, Cargo Heading West
Key Realities

- Rail
  - More Energy Efficient
  - Lower Emissions
  - Lower Cost
  - Longer Timelines
  - Max Capacity
  - Intermodal Growth High
  - Doesn’t Provide Local P&D
Key Realities

- Trucking
  - 6%–7% of GDP
  - Deregulated?
    - HOS/Equipment/Routing/Insurance
  - Highly Competitive
    - 640K Carriers with U.S. DOT; 100K in last 3 years
  - 68% of Tonnage; 86% of Revenue
  - 7% of vehicles; 15.5% of VMTs
- Insurance Costs
  - 20% - 50% increases for “good” carriers in 2002-2003
- New Regulations: HOS; HM Endorsements, etc.
Freight Transportation Planning...

- Multiple Agencies Involved
  - Federal Highway Administration
  - State DOTs
  - MPOs / RDCs
  - Municipalities

Not to mention: FMCSA, CBP, USDA, TSA, IRS, PHMSA, etc.
Freight Transportation Planning Products

- UPWP
- Policy Plans
- City Comp Plans
- TIPs
- STIPS
- Long-Range Plans

Shortest window: Approx. 2 years...
Juxtaposed with Freight Industry...

- 6 – 24 Months Planning
- Slim Margins: 3.6%
- High Data Sensitivity
- Unreasonable Shipper Contract Expectations (e.g. 95% - 98% on-time delivery)

Longest window: Approx. 2 years...
Top Industry Issues: 2005 vs 2006

Top Industry Issues - 2005
1. Fuel Costs
2. Driver Shortage
3. Insurance Costs
4. Hours-of-Service
5. Tolls/Highway Funding
6. Tort Reform/Legal Issues
7. Overlapping/Burdensome Regulations
8. Congestion
9. Environmental Issues
10. Truck Security

Top Industry Issues - 2006
1. Driver Shortage
2. Fuel Issues
3. Driver Retention
4. Hours-of-Service
5. Congestion
6. Government Regulations
7. Highway Infrastructure
8. Tort Reform
9. Tolls/Highway Funding
10. Environmental Issues

2007: Top 3....
Highway Funding Analysis

Addressing the issue of how to fund transportation infrastructure from the system user perspective
What’s Wrong?

- No increase in federal motor fuel tax since 1993
- Inflation has decreased motor fuel tax purchasing power
- Tax exemptions reduce user-based revenues
- Highway user fees diverted to non-highway uses
- Project “earmarking” diverts $$ from critical projects
Who Pays and Who Doesn’t?

- Trucking industry contributes nearly 40% of federal HTF; 36% of IL HTF
- IRS exempts from federal motor fuel tax:
  - State, local and municipal government vehicles
  - School buses
  - Qualified intercity and local buses
  - Vehicles used exclusively by nonprofit educational organizations
- Most states exempt; 92 million gallons in IL
- EPA and others get big $$
### Exemptions Cost $$

<table>
<thead>
<tr>
<th></th>
<th>Federal Exemptions</th>
<th>State Exemptions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Use Vehicles</td>
<td>$363,000,000</td>
<td>$155,000,000</td>
<td>$518,000,000</td>
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<tr>
<td>School Bus</td>
<td>$146,000,000</td>
<td>$126,000,000</td>
<td>$272,000,000</td>
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<tr>
<td>Transit</td>
<td>$61,000,000</td>
<td>Unknown</td>
<td>$61,000,000</td>
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<tr>
<td>Federal Use</td>
<td>N/A</td>
<td>$29,000,000</td>
<td>$29,000,000</td>
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<tr>
<td>USPS</td>
<td>N/A</td>
<td>$27,000,000</td>
<td>$27,000,000</td>
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<tr>
<td>Charitable Orgs.</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Unknown</td>
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<tr>
<td><strong>Total</strong></td>
<td>$570,000,000</td>
<td>$337,000,000</td>
<td>$907,000,000</td>
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</tbody>
</table>
Motor Fuel Tax is an Efficient Way to Collect Revenue...

- Cost to collect federal motor fuel tax approximately 0.2 percent of revenue collected
- At the state level, cost of collecting motor fuel tax 1-2 percent
# Tolls are Not!

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Toll Authority</th>
<th>Toll and Related Revenue</th>
<th>Estimated Toll Operations Cost</th>
<th>Cost to Revenue Ratio</th>
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</thead>
<tbody>
<tr>
<td>2004</td>
<td>New Jersey Turnpike Authority</td>
<td>$828,919,609</td>
<td>$251,389,101</td>
<td>30.3%</td>
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<td>2005</td>
<td>New York State Thruway Authority</td>
<td>$511,200,000</td>
<td>$123,822,151</td>
<td>24.2%</td>
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<tr>
<td>2004</td>
<td>Ohio Turnpike Commission</td>
<td>$211,771,000</td>
<td>$46,449,000</td>
<td>21.9%</td>
</tr>
</tbody>
</table>
Diversion Deadly?

- Between 1995 and 1999, Ohio Turnpike Authority increased tolls on Ohio Turnpike by 82%.
- As a result, commercial traffic diverted to alternate, non-tolled roads.
- High profile crashes (fatalities) on alternate routes led to rollback in tolls.
Privatization Issues

- Mileage taxes & privatization in rural areas are harmful.
- Contracts harm surrounding systems
- Revenue tools having nothing to do with mobility & safety
Key Findings

- HTF not meeting needs
- Fuel tax most efficient
- Tolls not only inefficient but create safety impacts
- Privatization negatively impacts seamless transportation network
- Balkanization of system harms U.S. global competitiveness
# What’s Needed?

<table>
<thead>
<tr>
<th>Additional Revenue from:</th>
<th>5 cent increase</th>
<th>10 cent increase</th>
<th>15 cent increase</th>
<th>20 cent increase</th>
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</thead>
<tbody>
<tr>
<td>6-year Gas Tax</td>
<td>$44,155</td>
<td>$88,210</td>
<td>$132,364</td>
<td>$176,519</td>
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<tr>
<td>6-year Diesel Tax</td>
<td>$12,211</td>
<td>$24,433</td>
<td>$36,614</td>
<td>$48,876</td>
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<td>Subtotal</td>
<td>$56,366</td>
<td>$112,643</td>
<td>$168,979</td>
<td>$225,395</td>
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<tr>
<td>SAFETEA-LU</td>
<td>$286,000</td>
<td>$286,000</td>
<td>$286,000</td>
<td>$286,000</td>
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<tr>
<td>TOTAL</td>
<td>$346,206</td>
<td>$402,403</td>
<td>$458,819</td>
<td>$515,235</td>
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</tbody>
</table>

6-Year Highway Funding Proposals (millions)
Knowledge!

- Freight Planning & Economics
  - Missing
    - Develop education Curricula
    - Professional Development
- Holistic Freight Transportation-Econ
  - Growth Mapping & Trends