

Executive Summary

Steady economic growth and increasing and shifting population make a high-performing transportation system more important than ever. Serving the mobility needs of growing cities and their emerging megaregions will be a major factor in ensuring future economic health.

- Population is growing, and the location of U.S. economic growth is shifting. Over the next 30 years, the U.S. population is projected to grow by 80 million people, from 300 million today to nearly 380 million in 2035. The South and West are continuing to grow, and the major metropolitan areas across the nation are being knit together into massive “megaregions” that are powering economic growth. Approximately one-half of the U.S. population is expected to live in metropolitan areas of more than five million in population by 2035.
- Economic activity is increasing. The economy has expanded rapidly—from a \$2.7 trillion economy in 1980 to a \$13.2 trillion economy in 2006—and the size of the economy will more than double over the next 30 years.
- The United States is the undisputed leader in the global economy, but other countries—particularly the developing countries of Asia—are growing quickly, and industries in these countries are offering formidable competition to U.S. businesses. China is likely to emerge as the number two global economy in the coming decades and challenge the United States for the number one position.

While the U.S. business community has adapted well to the changing dynamics of global economies and has achieved impressive increases in productivity, the margin of U.S. competitive advantage is threatened in key sectors of the economy. Across all sectors, a transportation network providing reliable, fast, and cost-effective performance is critical to maintaining this advantage.

- Transportation infrastructure is vital to the success of the five major economic sectors that account for 84% of the U.S. economy: services, manufacturing, retail, agriculture and natural resources, and transportation providers.
- The services industry is the largest and fastest-growing economic sector in the United States, now accounting for one-half of the U.S. gross domestic product (GDP) and one-half of all jobs. The U.S. manufacturing sector, with fewer employees but more automation, still leads the world in output.

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- U.S. industries in all sectors manage lean, on-demand supply chains that stretch around the globe. The local truck that delivers goods to a neighborhood store is often the last link in a supply chain that spans half the world, with the final retail price of those goods reflecting 10,000 miles of hard-gained freight transportation efficiencies within that chain.
- While demand outpaces capacity and the performance of the U.S. transportation system erodes, global competitors are investing heavily in their transportation systems—building highways, public transit systems, rail lines, ports, and airports that will soon provide them with transportation capacity and logistics capabilities equal to or exceeding those of the United States. If the United States continues to underinvest in its transportation system and fails to meet the transportation needs of its key industry sectors, the U.S. economy will become less productive and less globally competitive.
- The **services industry** needs access to large markets and big pools of skilled workers to keep costs down. Metropolitan congestion, however, makes it difficult for service industry workers to get to work and for service industry customers to get to offices, medical facilities, schools, and other service centers. Congestion has forced many service businesses to add extra centers across metropolitan areas; to subsidize employee commuting costs; and to add drivers, equipment, and travel time to ensure delivery of their services to customers.
- In the **manufacturing and retail sectors**, staying competitive in the changing global economy means shifting from large inventories and consolidated shipments to lean inventories and smaller, more frequent shipments that support just-in-time (JIT) manufacturing and replenishment-on-demand retailing. These sectors must build complex global supply chains to ensure competitive sourcing of materials, parts, and labor. Low-cost, reliable transportation helps manufacturers and retailers keep production costs down, increase productivity, and deliver quality products to their customers.
- In the **manufacturing sector**, congestion, deteriorating travel-time reliability, and escalating costs are draining away the benefits of global supply chains and JIT manufacturing, increasing costs for consumers and leaving supply chains less resilient when disrupted.

- In the **retail sector**, port congestion, tightening highway and transcontinental rail capacity, and mounting metropolitan road congestion are making it more difficult for retailers to ensure that they have the right products on the shelves at the right time and at the lowest prices. This situation drives up the cost of doing business for retailers and the cost of living for consumers.
- The **agriculture and natural resources sector** depends on efficient, reliable, and low-cost transportation to move U.S. agricultural commodities to trade gateways for export. The costs of new environmental regulations imposed on the industry and the explosive growth of global competitors make keeping transportation costs low very important. However, tightening infrastructure capacity and increased fuel prices threaten to drive up transportation costs and further squeeze the profit margins of these commodity producers.
- Industry and household spending on transportation accounted for nearly 10% of U.S. gross domestic product in 2006, or about \$1.3 trillion, much of it spent to purchase **transportation services**—moving people and goods via trucks, railroads, public transportation, aviation, and ships and barges. The productivity and success of the transportation services sector is tied directly to the capacity and performance of the nation's transportation infrastructure. When transportation service sector productivity drops and costs go up, clients in the manufacturing, retail, agriculture, natural resources, and service sectors feel the effects immediately.
- U.S. transportation infrastructure capacity has not kept pace with the growth in the transportation demands of these sectors, and the nation's piecemeal approach to rebuilding and improving our transportation system is not going to remedy this situation.

Continued underinvestment and business-as-usual transportation policies and programs will have a detrimental impact on the ability of the United States to compete in the world economy. Without adequate transportation infrastructure capacity and reliable and cost-effective transportation services, the economic growth, productivity, and competitiveness of metropolitan areas, megaregions, and key industries are at risk. It is time for the United States to strategically plan and invest in its transportation system. Otherwise, the transportation system will become a competitive disadvantage for U.S. industries, and it will be harder and harder to sustain the growth of the national economy.