

## Conference Planning Workshop Summary: Financing Options for a Competitive Supply Chain

On March 11, 2009, supply chain stakeholders met at the Department of Commerce's Financing a Competitive Supply Chain Infrastructure planning workshop. The workshop was held to discuss private sector perspectives on how to finance the development of new freight transportation infrastructure that is needed to improve America's supply chain and economic competitiveness. Workshop participants, expressing their individual viewpoints, came from a wide range of industries and associations. The event was the last in a series of stakeholder workshops intended to explore topics and content for the Department's May 11, 2009 "Game Changers in the Supply Chain Infrastructure: Are We Ready To Play?" conference.

At the workshop, various private sector participants described current difficulties in infrastructure financing policy and project funding availability, with suggestions on how these difficulties should be resolved, as topics for further discussion on May 11th. The stakeholders' various concerns underscore the need for these issues to be considered in the development of national transportation infrastructure policy.

### National Freight Policy

A freight transportation advocate said that the Federal Government must implement a national freight policy, and it must address financing issues. She also emphasized that federal investments must be prioritized in a way that is objective and transparent. She supported the idea of a Freight Trust Fund similar to the Highway Trust Fund that would cover all modes.

A transportation industry specialist stated that financing improvements in multimodal transport links is the most problematic funding issue, as there is no transport mode or freight constituency with direct responsibility for that issue. A shipping industry specialist suggested the development of an Office of Multimodal Freight Movements, which could coordinate multimodal funding and monitor issues of multimodalism.

Finally, the freight transportation advocate pointed out that there was a "freight crisis" before there was a credit crisis, and that while capacity demand has dropped due to the current U.S. and global economic slump, domestic congestion problems and constraints are likely to re-emerge once again when the economy recovers.

### Revenue Sources

One participant expressed concern that the current national economic stimulus package is mainly a "pothole filling bill," or as the president called it, a "down payment." In particular, the participant pointed out that the stimulus may do harm by lulling decision makers into complacency if they assume that the U.S. supply chain infrastructure deficiencies have been adequately funded through the stimulus. A member of a business advocacy group pointed out that developing revenue sources - more specifically, deciding which users or owners will pay for which infrastructure projects - continues to be a point of contention among the modes and users, and that the need to strengthen multimodal exchange links, in which no one mode or interest has ownership, is not being addressed.

A retail industry analyst noted that retailers are generally lukewarm toward the idea of user fees, mainly because the "devil is in the details" and they want to make sure that any user fee scheme would be fair. The analyst noted that it is difficult to

allocate usage fairly under most user charging methods. Nevertheless, the analyst stated that a gas tax is not a sustainable revenue source in the long run, although another participant felt it that such a tax is still viable in the short run and should be raised.

A shipping industry representative stated that the Federal Government must lead in the area of financing nationally important freight improvements, and that private industry cannot be the first one to provide financing. The representative noted that other governments are financing supply chain investments through general revenues obtained from a national sales tax, which better allocates fees beyond users to those who benefit from the system.

### Private Financing

A freight transportation advocate was skeptical about the viability of public-private financing mechanisms (PPPs) as a project financing and project management vehicle, and explained that private investors want to ensure that they have a demonstrable return for their investment, or at the very least to have identifiable and quantifiable risk. The advocate also pointed to opacity and lengthy delays in the permitting and approval process as constraints on private financing, and noted that an environmental assessment can take between months and years, stating that this type of risk is beyond the appetite of most investors. The advocate suggested that a "one-stop shop" for permitting and approval could bring transparency to the process and entice private investment. One participant noted that other governments handle this issue differently, pointing out that Canada, which is relatively advanced in the area of private infrastructure financing, can complete environmental assessments in a matter of weeks.

A business analyst suggested securitization of infrastructure assets. Currently, infrastructure investment is limited to investors that can afford, and have an appetite for, large illiquid investments. These are generally limited to pension funds, sovereign wealth funds, and other private equity. The analyst suggested that securitizing the cash flows from these assets would bring liquidity to the market and open it up to a wider range of investors.

### Non-Finance Issues

A number of non-finance issues that affect financing were also raised by a maritime industry analyst. The analyst stated that the manner in which foreign investment in U.S. transportation assets has been handled by the Committee on Foreign Investment in the United States (CFIUS) is leading to protectionist decisions. The analyst also described the 2005 Dubai Ports World controversy - in which the firm's investment in the U.S. was approved by CFIUS but blocked by Congress - as an inhibitor of foreign private investment in U.S. infrastructure.

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