

USA's creaking infrastructure holds back economy

By Paul Davidson, USA TODAY

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Inland waterways quietly keep the nation's economy flowing as they transport \$180 billion of coal, steel, chemicals and other goods each year — a sixth of U.S. freight — across 38 states. Yet, an antiquated system of locks and dams threatens the timely delivery of those goods daily.

Locks and dams raise or lower barges from one water level to the next, but breakdowns are frequent. For example, the main chamber at a lock on the [Ohio River](#) near Warsaw, Ky., is being fixed. Maneuvering 15-barge tows into a much smaller backup chamber has increased the average delay at the lock from 40 minutes to 20 hours, including waiting time.

The outage, which began last July and is expected to end in August, will cost [American Electric Power](#) and its customers \$5.5 million as the utility ferries coal and other supplies along the river for itself and other businesses, says [AEP](#) senior manager Marty Hettel.

As the economy picks up, the nation's creaking infrastructure will increasingly struggle to handle the load. That will make products more expensive as businesses pay more for shipping or maneuver around roadblocks, and it will cause the nation to lose exports to other countries — both of which are expected to hamper the recovery.

"The good news is, the economy is turning," says [Dan Murray](#), vice president of the American Transportation Research Institute. "The bad news is, we expect congestion to skyrocket."

The ancient lock-and-dam system is perhaps the most egregious example of aging or congested transportation systems that are being outstripped by demand. Fourteen locks are expected to fail by 2020, costing the economy billions of dollars. Meanwhile, seaports can't accommodate larger container ships, slowing exports and imports. Highways are too narrow. Bridges are overtaxed.

Effects 'sneaking up'

The shortcomings were partly masked during the recession as fewer Americans worked and less freight was shipped, easing traffic on transportation corridors. But interviews with shippers and logistics companies show delays are starting to lengthen along with the moderately growing economy.

"I call this a stealth attack on our economy," says Janet Kavinoky, executive director of transportation and infrastructure for the [U.S. Chamber of Commerce](#). "It's not like an immediate crisis. It's something that's sneaking up on us."

Freight bottlenecks and other congestion cost about \$200 billion a year, or 1.6% of U.S. economic output, according to a report last year by Building America's Future Educational Fund, a bipartisan coalition of elected officials. The chamber of commerce estimates such costs are as high as \$1 trillion annually, or 7% of the economy.

Yet, there's little prospect for more infrastructure investment as a divided Congress battles about how to cut the \$1.3 trillion federal deficit, and state and local governments face their own budget shortfalls. Government investment in highways, bridges, water systems, schools and other projects has fallen each year since 2008. [IHS Global Insight](#) expects

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such outlays to drop 4.4% this year and 3% in 2013.

The U.S. is spending about half of the \$2.2 trillion that it should over a five-year period to repair and expand overburdened infrastructure, says Andrew Herrmann, president of the [American Society of Civil Engineers](#).

Inland waterways, for example, carry coal to power plants, iron ore to steel mills and grain to export terminals. But inadequate investment led to nearly 80,000 hours of lock outages in fiscal 2010, four times more than in fiscal 2000. Most of the nation's 200 or so locks are past their 50-year design life.

A prime example is an 83-year-old lock on the Ohio River near Olmsted, Ill. Congress set aside \$775 million to replace it and another nearby lock in 1988. The project began in 1993 and was scheduled to be finished by 2000 but still isn't complete, in part because of engineering modifications intended to save \$60 million. Now, the cost has ballooned to \$3.1 billion, and the new lock won't be ready until 2020 or later.

The cost overrun leaves little money for other projects. About \$8 billion is needed to replace 25 locks and dams in the next 20 years, says Michael Toohey, president of the Waterways Council, an advocacy group.

But Congress allocates only about \$170 million a year, with the government and a 20-cent-a-gallon tax on tow operators each funding half. Toohey says \$385 million a year is required to fund all the work. "We're the silent industry" because waterways are less visible, he says.

The biggest railroad bottleneck is in Chicago. A third of the nation's freight volume goes through the city as 500 freight trains jostle daily for space with 800 passenger trains and street traffic. Many freight rail lines crisscross at the same grade as other trains and cars — a tangle that forces interminable waits. It takes an average freight train about 35 hours to crawl through the city. Shipping containers typically languish in rail yards several days before they can be loaded onto trains.

Manufacturers, in turn, must stock more inventory to account for shipping delays of uncertain length, raising product costs about 1%, estimates Ken Heller, a senior vice president for DSC Logistics. Caterpillar has built two multimillion-dollar distribution centers outside the city to increase its freight volumes so it can get loading priority at rail yards.

About \$3.1 billion in projects are planned, underway or complete, such as separate intersecting roadways and rail lines, but only a third of the money has been approved.

Highways, meanwhile, suffer from Congress's failure in recent years to assure long-term funding for a federal trust fund that pays for upgrades. The fund kicks in about \$42 billion a year, but that goes largely to maintenance, and the fund is expected to temporarily run out of money in 2013.

Among those affected is UPS. The giant courier says that if each of its 95,000 U.S. vehicles is delayed an average five minutes a day for a year — a realistic figure — it costs the company \$103 million in added fuel costs, wages and lost productivity.

Con-way, one of the largest trucking companies, often builds an extra day of travel into shipping schedules to ensure it meets customers' exacting just-in-time delivery demands, says Randy Mullet, head of government relations. Customers pay a premium for that.

In Texas, worsening delays on Interstate 35 between [San Antonio](#) and Dallas, much of which has only two lanes each way, forces regional grocery chain H-E-B to charge about 15 cents more for a gallon of milk, says [Ken Allen](#), a former H-E-B executive and now a consultant for the company.

Bridges under strain

The nation's 600,000 bridges are also falling behind. Nearly a quarter are classified as "structurally deficient" or "functionally obsolete," according to the [Federal Highway Administration](#). As of the end of last year, more than one in 10 were closed or had weight limits that barred trucks. For Illinois corn grower [Paul Taylor](#), such a restriction on the [Pearl Street](#) bridge in Kirkland means he must drive three extra miles to deliver his corn to a grain elevator, raising his costs by about 5 cents a bushel.

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Many unrestricted bridges, meanwhile, are strained, especially at border crossings. The busiest in [North America](#) is the 83-year-old, four-lane [Ambassador Bridge](#), the only direct link between Detroit and Canada. The bridge, already impaired by its capacity, often closes lanes for repairs and empties onto a busy city street in Windsor, Ont. Delays, typically lasting two hours, are exacerbated by a Customs checkpoint that's not large enough for the traffic volume.

U.S. auto companies store extra parts at factories and closely space deliveries so that if one truck is sidetracked, another isn't far behind, says [Kevin Smith](#), senior vice president for consulting firm Sandler & Travis. Ford Motor told a state legislative committee last fall that such maneuvers, along with extra freight expenses, add up to \$800 to the cost of a vehicle.

"This is one of the last remaining impediments" to business recruitment, says Sandy Baruah, CEO of the Detroit Regional Chamber of Commerce, noting that both taxes and union wages have fallen in recent years.

The Canadian government has proposed building a new bridge that skirts Windsor and connects to highways in Canada. But the Michigan legislature has rejected the plan amid a lobbying and advertising campaign by the Ambassador Bridge's owner, 84-year-old billionaire Manuel "Matty" Moroun.

In Nogales, Ariz., snags cause several hours of delays at the Mexican border, where a customs plaza undergoing a \$200 million expansion feeds into a two-lane road in each direction.

That often translates into delays for about 200 local fresh produce importers whose customers require timely deliveries.

The plaza work is to be completed in two years, but that's expected to dump even more cars and trucks onto two-lane Mariposa Road. Officials only recently began to study widening it.

Jaime Chamberlain, owner of J-C Distributing, says that several times a week, the snarls delay by as much as a day deliveries of his tomatoes, squash, bell peppers and other produce to U.S. wholesalers or grocers. He says he loses thousands of dollars in orders almost weekly and occasionally has lost the business of a major grocery chain at a cost of several million dollars a year.

Far more revenue is jeopardized by outdated seaports on the East and Gulf coasts. A half-dozen ports can't handle new larger ships with greater container capacity because the harbors are too shallow, says [Paul Anderson](#), CEO of the Jacksonville Port Authority.

That raises shipping costs and delays exports of steel, factory machines and computers that may sit at docks for days. Delivery times and costs are also higher for imports of electronics, apparel and other goods, boosting retail prices.

While some larger ships can dock at the port of Savannah during high tide, they can't load to full capacity and must typically wait up to six hours for the tide to come in, says Curtis Foltz, head of the [Georgia Ports Authority](#).

The need to accommodate bigger ships will become even more dire after the [Panama Canal](#) is widened in 2014, allowing big ships from Asia to cross from the [West Coast](#) to the Eastern U.S. There are plans to deepen several ports, but project studies by multiple federal agencies take about 13 years.

By contrast, Brazil, India, China and [Southeast Asia](#) are dredging ports in as little as three years, including planning and construction, Anderson says.

Meanwhile, U.S. and foreign companies often turn to countries with modernized ports.

Caterpillar, the world's top maker of construction and mining equipment, has moved 30% of its exports and 40% of imports to Canadian ports in recent years, costing U.S. ports tens of millions of dollars a year in revenue.

"We can get our exports and imports to market faster and at lower costs," Caterpillar Chief Financial Officer Ed Rapp says of the move.

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