The Economic Impact of Increased Congestion for Freight Dependent Businesses in Washington State

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Project Overview:

• Congestion on the urban road network in the United States is estimated to cost the nation about $85 billion annually (USDOT, 2009), as each and every vehicle using the public roadway system experiences some degree of:
  
  • Wasted fuel
  • Lost productivity
  • Reduced mobility

• The cost value is large, but can it inform state level policy?
  
  • Additional knowledge is needed to understand:
    • How industries are impacted by congestion
    • What their likely response will be to increasing congestion
    • The net impact of these industry responses to the Washington State economy.
**Step 1:** Survey Freight Dependent Industries in Washington State

- Design CATI

  Administer CATI to 6,624 private-sector freight companies and carriers

  1,062 Respondents

**Step 2:** Calculate Direct Costs of Congestion to Freight Dependent Industries

- Calculate total revenue of freight dependent industries from IMPLAN

- Calculate increased trucking and inventory costs due to congestion by industry

- Estimate the direct costs of congestion to freight dependent industries (Assuming 60% of costs are passed to consumers)

**Step 3:** Translate Rising Business Costs into Gains or Losses of Jobs and Output for Each Industry

- Enter direct costs into IMPLAN models

- Link trade flow data from each regional IMPLAN model

- IMPLAN multipliers translate costs into direct, indirect and induced impacts:
  - *Industry output*
  - *Industry employment*

**Step 4:** Evaluate the Losses and Gains (in Employment and Industry Output) to Determine the Regional and Statewide Impacts of Congestion
### Step 2: Calculate the Direct Costs of Congestion to Freight-Dependent Industries

<table>
<thead>
<tr>
<th>Industry</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Forestry, Fishing*</td>
<td>$14,025,087,392</td>
</tr>
<tr>
<td>Mining*</td>
<td>$1,722,882,632</td>
</tr>
<tr>
<td>Construction</td>
<td>$39,590,105,088</td>
</tr>
<tr>
<td>Manufacturing*</td>
<td>$160,187,755,858</td>
</tr>
<tr>
<td>Retail Trade**</td>
<td>$111,814,709,161</td>
</tr>
<tr>
<td>Wholesale Trade**</td>
<td>$142,323,314,397</td>
</tr>
<tr>
<td>Transportation/Warehousing*</td>
<td>$16,754,995,185</td>
</tr>
<tr>
<td>Waste Management</td>
<td>$3,589,177,344</td>
</tr>
</tbody>
</table>

- **Calculating Total Revenue:**
  - Two modifications from IMPLAN’s output values:
    - Subtracted the value of inventory from output to reflect actual sales (*)
    - Adjusted using margins to show the total value of the goods sold (**)
### Step 2: Calculate the Direct Costs of Congestion to Freight-Dependent Industries

<table>
<thead>
<tr>
<th>Industry</th>
<th>Inventory Cost</th>
<th>Trucking Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Forestry, Fishing</td>
<td>0.01%</td>
<td>6.00%</td>
</tr>
<tr>
<td>Mining</td>
<td>0.00%</td>
<td>9.24%</td>
</tr>
<tr>
<td>Construction</td>
<td>0.04%</td>
<td>8.28%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.42%</td>
<td>6.04%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>0.34%</td>
<td>2.59%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>0.23%</td>
<td>3.16%</td>
</tr>
<tr>
<td>Transportation/Warehousing</td>
<td>0.04%</td>
<td>6.51%</td>
</tr>
<tr>
<td>Waste Management</td>
<td>0.00%</td>
<td>2.86%</td>
</tr>
</tbody>
</table>

- Inventory Costs (as percent of total revenue) based on need to hold inventory to combat congestion.
- Trucking Costs represent need for additional trucks, and used in conjunction with reported hourly trucking costs ($55-light, $76-heavy, $59-mixture)
## Step 2: Calculate the Direct Costs of Congestion to Freight-Dependent Industries

<table>
<thead>
<tr>
<th>Industry</th>
<th>Direct Cost of Congestion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Forestry, Fishing</td>
<td>$505,744,651</td>
</tr>
<tr>
<td>Mining</td>
<td>$95,516,613</td>
</tr>
<tr>
<td>Construction</td>
<td>$1,976,338,046</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>$6,208,877,417</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>$1,965,702,587</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>$2,894,856,215</td>
</tr>
<tr>
<td>Transportation/Warehousing</td>
<td>$658,471,311</td>
</tr>
<tr>
<td>Waste Management</td>
<td>$61,590,283</td>
</tr>
</tbody>
</table>

- Totals nearly $14.4 billion
- 20% congestion increase
- 60% cost realization
**Step 3: Translate Rising Business Costs into Gains or Losses of Jobs and Output for Each Industry: Consumer Costs**

- Consumers must decrease purchases of services and non-freight dependent goods to pay for the increased costs of freight dependent goods.

- Household consumption function in IMPLAN was modified to incorporate the spending decrease.
  - Weighted by population and income
Freight dependent business must increase spending on resources to counteract increased congestion.

- Congestion as an inefficiency
- Spending on Insurance and Capital is placed in corresponding IMPLAN industries.
- Wages models as an increase to employee compensation
Step 4: Evaluate the Losses and Gains to Determine the Statewide and Regional Impacts of Congestion

**Positive Economic Impacts:**
Industries add employees and assets to combat congestion

**Negative Economic Impacts:**
Costs to consumers rise and lead to decreased spending on other industries
Step 4: Evaluate the Losses and Gains to Determine the Statewide and Regional Impacts of Congestion

Positive Economic Impacts:
Industries add employees and assets to combat congestion

Negative Economic Impacts:
Costs to consumers rise and lead to decreased spending on other industries

Industries add 17,831 jobs

Industry output grows $3.03 billion
STEP 4: EVALUATE THE LOSSES AND GAINS TO DETERMINE THE STATEWIDE AND REGIONAL IMPACTS OF CONGESTION

**Positive Economic Impacts:**
- Industries add employees and assets to combat congestion
- Industries add 17,831 jobs
- Industry output grows $3.03 billion

**Negative Economic Impacts:**
- Costs to consumers rise and lead to decreased spending on other industries
- Industries lose 45,088 jobs
- Industry output declines $6.34 billion
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Positive Economic Impacts:
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Industries add 17,831 jobs
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Industry output declines $6.34 billion
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Positive Economic Impacts: Industries add employees and assets to combat congestion

Negative Economic Impacts: Costs to consumers rise and lead to decreased spending on other industries

Industries add 17,831 jobs

Net loss of 27,257 jobs (0.7 percent of statewide total) and $3.3 billion (0.5 percent of statewide total) of industry output
## Step 4: Evaluate the Losses and Gains to Determine the Statewide and Regional Impacts of Congestion

<table>
<thead>
<tr>
<th>Industries incurring additional expenditures (positive impacts) in order to combat congestion</th>
<th>Industries suffering from reduced expenditures (negative impacts)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation and Information</td>
<td>Health and Social Services</td>
</tr>
<tr>
<td>Administrative Services</td>
<td>Real Estate and Rental</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>Finance and Insurance</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>Accommodation and Food</td>
</tr>
<tr>
<td>Government</td>
<td>Arts and Entertainment</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Construction and Utilities</td>
</tr>
<tr>
<td>Management of Companies</td>
<td>Professional and Scientific</td>
</tr>
<tr>
<td>Mining</td>
<td>Educational Services</td>
</tr>
<tr>
<td>Ag, Forestry, and Fishing</td>
<td></td>
</tr>
</tbody>
</table>
**Step 4: Evaluate the Losses and Gains to Determine the Statewide and Regional Impacts of Congestion**

- **Statewide Total**
  - $4.6 billion output
  - 29,500 jobs

- **Northeast**
  - IMPACTS
  - $290 million output
  - 2,200 jobs

- **Northwest**
  - IMPACTS
  - $162 million output
  - 1,800 jobs

- **Southwest**
  - IMPACTS
  - $266 million output
  - 1,600 jobs

- **Puget Sound Metro**
  - IMPACTS
  - $3.6 billion output
  - 21,700 jobs

- **Central Basin**
  - IMPACTS
  - $244 million output
  - 1,800 jobs

- **Southeast**
  - IMPACTS
  - $31 million output
  - 345 jobs

**Percentage of Regional Total**

<table>
<thead>
<tr>
<th>Region</th>
<th>Employment</th>
<th>Output ($millions)</th>
<th>Employment %</th>
<th>Output %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northwest</td>
<td>-1,786</td>
<td>-$162</td>
<td>-0.48%</td>
<td>-0.29%</td>
</tr>
<tr>
<td>Southwest</td>
<td>-1,622</td>
<td>-$266</td>
<td>-0.52%</td>
<td>-0.57%</td>
</tr>
<tr>
<td>Central Basin</td>
<td>-1,793</td>
<td>-$244</td>
<td>-0.47%</td>
<td>-0.54%</td>
</tr>
<tr>
<td>Northeast</td>
<td>-2,213</td>
<td>-$290</td>
<td>-0.77%</td>
<td>-0.80%</td>
</tr>
<tr>
<td>Southeast</td>
<td>-345</td>
<td>-$31</td>
<td>-0.31%</td>
<td>-0.21%</td>
</tr>
<tr>
<td>Puget Sound</td>
<td>-21,741</td>
<td>-$3,600</td>
<td>-0.90%</td>
<td>-0.82%</td>
</tr>
<tr>
<td>Statewide Total</td>
<td>-29,500</td>
<td>-$4,600</td>
<td>-0.76%</td>
<td>-0.72%</td>
</tr>
</tbody>
</table>
Lessons Learned and Recommendations:

• What do these Findings Suggest for WSDOT’s Policies Towards Addressing Congestion on Corridors Used by Trucks?
  • The state’s economic vitality and livability depend on reliable, responsible, and sustainable transportation.
  • Congestion causes increased direct transportation costs to freight-dependent industries – which translate to increased costs of goods and services to consumers in Washington State.
  • Creates an operational efficiency problem for freight dependent firms: Trip Time ↑ Unproductive time in Traffic ↑ Productivity ↓ resulting in $14 Billion of increased operating costs.
  • These demonstrated economic impacts suggest that WSDOT should prioritize investments that enhance mobility for trucks and freight industries as a way to support the State’s goals of a strong economy.
Lessons Learned and Recommendations:

- Imbedding investment Principles into WSDOT’s *Moving Washington*:
  - Operate Efficiently
  - Manage Demand
  - Add Capacity Strategically
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