# Environmental Spending and More Regulation Aren't Supply-Chain Fixes

Dominic Pino
April 1, 2022

Biden's latest plans to solve our supply-chain crisis leave much to be desired, and his party's regulators could make things worse.

JOE BIDEN really wants you to think that his administration is solving the supply-chain crisis. But in fact, its proposed fixes are ineffective at best and could exacerbate the problem at worst.

In a statement on Tuesday, the White House touted $2.7 billion in new spending meant to "strengthen port and waterway supply chains and climate resilience." But a big chunk of that total will go toward the latter goal. The three largest individual projects that the statement describes — $350 million to be spent in the Denver area, $220 million to be spent on the Howard Hanson Dam in Washington state, and $150 million to be spent in Norfolk, Va. — all aim to "bolster resilience to climate change." The statement also describes $184.2 million in spending intended to "advance environmental justice," including $2.2 million to restore aquatic habitats in New Mexico that are "an integral part of constructing social identity and transmission and retention of traditional knowledge for both the Pueblo of Santa Clara and Ohkay Owingeh."

These may or may not be worthwhile projects, but they certainly aren't about fixing the nation's supply-chain problems.

Once we get past the environmentalism and identity politics, we discover that the portion of the package's spending that actually *is* about fixing our supply chains is rather limited. The two largest supply-chain-related projects both focus on inland waterways: $92.6 million for the Arkansas River and $77 million for the Ohio River. But the heart of the supply-chain crisis is our inefficient coastal ports, and on that front, the plan doesn't do much: The Ports of Los Angeles and Long Beach, ground zero for the shipping sector's woes in recent months, are never mentioned in the statement at all.

Meanwhile, the projects within the bill that most directly relate to the crisis — efforts to widen and deepen Norfolk Harbor ($72 million) and deepen channels at the Port of Brownsville ($68 million) and Port of Galveston ($11 million) — account for only 6 percent of the $2.7 billion in total.

The Army Corps of Engineers will be tasked with carrying out the projects, but it typically contracts such jobs out to private companies, which are the beneficiaries of strict protectionist laws. Insulation from foreign competition has not led to a thriving domestic dredging industry; rather, as Colin Grabow of the Cato Institute pointed out last year, there are only 16 hopper dredges in the entire United States, whereas the Belgium-based Jan de Nul firm owns 30 such dredges by itself.

For a president who claims to be gravely concerned about the state of competition in the American economy, Biden is perfectly fine feeding more taxpayer money into dredging, one of the least competitive industries in the country. A 2019 Congressional Research Service report found that 42 percent of Army Corps dredging contracts received only one bid, and dredging costs have been rising in the U.S. while they have been falling in the rest of the world. Unlike meatpacking or the grocery business, the dredging sector seems to be an actual case in which the absence of competition is contributing to price increases — yet Biden isn't echoing congressional Republicans' calls to repeal the Foreign Dredge Act and the Jones Act, which would allow competition to bring prices down.

At the very same time the Biden administration is bragging about these projects to improve supply chains, the Surface Transportation Board's Democratic majority is looking increasingly likely to make things worse for freight railroads. The STB chairman seems favorable to mandated reciprocal switching, which would give the government more power to force rail carriers to transport other carriers' traffic. A wide array of interests that don't normally agree have all sounded the alarm about the damage this regulation would do to supply chains, yet the Democrats on the STB appear unmoved.

No matter how hard the Biden administration tries, more federal spending and regulations aren't going to make supply chains better. The real keys to solving the problem are user fees and a thriving private sector.

Port investment should be guided by port authorities, which are government entities, but make most of their money from port operations. That means those who use the ports pay for their improvements, giving everyone involved incentive to produce the best outcomes. Instead of waiting around for Congress to pass giant omnibus bills and hoping for budgetary table scraps, last Tuesday the Georgia Ports Authority approved $538 million in new projects. The projects will be funded through bonds and port-authority revenue, not taxes, and they are projected to increase container capacity at the Port of Savannah by 58 percent by 2025.

Another positive aspect of port-authority revenue is that it doesn't come with all the strings attached to federal dollars. That allows the Port of Virginia, for example, to invest in automation technology and purchase equipment from foreign firms that might not be allowed under the union-backed anti-automation regulations and Buy American requirements that apply to federal funds.

Innovation is ultimately driven by the private sector, and we're already starting to see the fruits of record levels of private investment in supply chains in response to the ongoing crisis. FreightWaves published a long story Thursday documenting many new technologies being developed for freight railroads, including automated terminals, drones that inspect trains, and enhanced data-gathering capabilities that let us know where improvements are needed. Such innovation is a sign of a healthy, competitive industry that doesn't need new government interference.

Fortunately, Biden's actions on supply chains so far have been just ineffective, rather than outright destructive. There's not a lot the federal government can do to make the situation better besides getting out of the way, but there's a whole lot it can do to make the situation worse. Mandating reciprocal switching would certainly fall into the latter category. And pouring a bunch of federal money into "environmental justice" as part of a plan to improve ports and waterways isn't going to have any effect on supply chains at all.