Coalition for America's Gateways and Trade Corridors

Written Submission of

The Coalition for America's Gateways and Trade Corridors

Presented by

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Committee on Commerce, Science and Transportation

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on

Freight Transportation in America: Options for Improving the Nation's Network

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The **Coalition for America's Gateways and Trade Corridors (CAGTC)** was established in 2001 to bring national attention to the need to significantly expand U.S. freight transportation capabilities and to work toward solutions for this growing national challenge. Comprised of more than 50 members, its sole purpose is to raise public recognition and Congressional awareness of this need and to promote sufficient funding in federal legislation for trade corridors, gateways, intermodal connectors and freight facilities.

During the 2009 Surface Transportation Authorization, the CAGTC is calling upon Congress to create a new discretionary federal program and Freight Trust Fund (FTF) and partnership with the private sector.

Larry "Butch" Brown, executive director of the **Mississippi Department of Transportation** (MDOT) is presenting testimony on behalf of CAGTC and as one of its active members. Mr. Brown is a native of Natchez, Mississippi, a longtime businessman and the former mayor of Natchez. Mr. Brown has hands-on experience through has business ventures in transportation, warehousing, real estate, wholesaling, and the hotel trade.

Mr. Brown's public experience in transportation comes from both public and private sector roles. Brown is a longtime businessman and the former mayor of Natchez, Mississippi. He serves as President of the Southeastern Association of State Highway and Transportation Officials (SASHTO) and Vice President of the American Association of State Highway and Transportation Officials (AASHTO). Other appointments include Co-Chairman of the International Trade and Transportation Institute, Chairman of the Mississippi Transportation Institute, the Advisory Board of the Mississippi State University School of Engineering, and Ex-Officio Board Member of Mississippi Mainstreet. He has also served on the Executive Board of Directors of the Mississippi Business Finance Corporation, the White House Conference on Small Business, the U.S. Department of Commerce Industry Sector Advisory Committee on Trade Policy, and as former Chairman of the Mississippi-Louisiana Bridge Authority, responsible for funding construction of the Natchez/Mississippi River Bridge.

America’s Freight Challenge

The rapid and cost efficient movement of goods throughout the U.S. supply chain, and particularly through our trade gateways and corridors, is vital to securing America’s economic future and maintaining our competitiveness in world markets. Trade, as a percentage of the U.S. GDP, has been steadily increasing during the past quarter century, rising from 13 percent in the 1990s. Today, it is 30 percent and it is expected to grow to 35 percent in 2020 and to as much as 60 percent by 2035.

Many factors, including enhanced logistics systems, improvements in manufacturing processes and new technology are placing an ever-greater strain on the capacity of our goods movement transportation network. Failure to respond to these strains will put a damper on our economic growth.

Freight movements, whether by rail, truck, ship or air, are a crucial link in the $7 trillion commodity flow fueling the U.S. economy today. The chokepoints that are developing along the nation’s highways only tell a fraction of the story. That strain on capacity is being felt along all of the nation’s major gateways and trade corridors.

Congestion on these facilities is not only an environmental disaster; it serves as a trade barrier as well. Manufacturers and agricultural producers across the nation depend on this infrastructure to get their products to international markets. American businesses and families rely on the goods movement system to bring products to their shelves and homes.

Before a long-term solution to America’s freight challenge can be developed, we have to think about the problem differently, as a nation.

It is not merely the highways that trucks drive on – though those do play a very important role. It is also the ports and border crossings, the rail lines, the intermodal connectors, and the local roads that handle the final delivery. It is less an issue of modal competition—rail vs. truck vs. barge—and more an issue of modal interdependence. We must focus on the system as a whole, rather than viewing the nation’s transportation infrastructure as several different systems that occasionally interact. We must think in terms of the entire network, interconnected and interdependent. Only then can we begin to discuss real solutions to the supply chain infrastructure issues this nation faces.

The Emerging, New Consensus

Despite these compelling facts, we do not have a national freight plan or a coherent program to document, anticipate and provide for our economy's goods movement needs. Infrastructure that was adequate in the first half of the twentieth century is still being relied on today, with some facilities utilized well beyond design capacity, while others are no longer as useful in today's economic patterns. State departments of transportation, such as the one I head in Mississippi, and regional transportation planning authorities are working hard to meet the maintenance demands of our existing system, while the declining federal funding source – the motor fuels tax – will fail to cover currently authorized spending this year.

A consensus is beginning to emerge, beginning with the two organizations I believe to be the thought leaders for the formulation of a new freight program – CAGTC and the American Association of State Highway and Transportation Officials (AASHTO).

This emerging consensus has two important elements.

- First, there is a wide and growing belief that a new federal-aid program, with dedicated funding, to address multimodal goods movement infrastructure needs should be an important element of this authorization process.

- Second, while estimates of the total freight needs vary greatly, there is a minimum funding consensus emerging. We believe a minimum of \$7 to \$10 billion annually , with flexibility and incentives for participation from other sources, is needed to begin addressing our nation's goods movement needs.

This annual funding figure is a level around which we believe many organizations will coalesce as the realities of freight's importance in this authorization is realized. As the Senate begins consideration of a new freight program, we would respectfully request that $10 billion annual level be incorporated in the Committee's mark-up legislation for a new discretionary freight program.

Part One: The New Program

Under the current federal-aid program, passenger and freight projects compete for an inadequate supply of federal funds. Both suffer. Establishing a new federal program can balance and separate these competing needs, especially if that program is based on user fees from outside the traditional sources. In addition to a program size of at least $10 billion annually, other primary tenets that will ensure the success of a new, federal-aid goods movement program include provisions addressing:

- **Project Eligibility** -- Funds should be available to support projects of various size and scope, but with special priority for projects of national significance. Eligible projects should include:
    - Title 23 eligible highway and bridge projects, to the extent they carry freight;
    - Intermodal connectors and freight transfer facilities;
    - Separations of at-grade road and rail crossings;
    - Freight rail projects, to the extent there is an identifiable public benefit;
    - Port infrastructure investment, to the extent there is an identifiable public benefit; and,
    - Other infrastructure that is predominantly used for the movement of goods.

  Funds should be available to support multi-jurisdictional and multi-state projects selected on the basis of their contribution to national freight efficiency. Eligible recipients should include:
    - State & Local governments;
    - Transit agencies;
    - Port authorities;
    - Other political subdivisions of State and Local government (MPOs, COGs,etc); and,

- Multi-State/Jurisdictional applicants.

Projects eligible for funding under multiple federal programs should be allowed to combine freight fund monies with other sources, including Highway Trust Fund monies.

- **Fund Allocation** -- The Office of Intermodalism, or a new office for multimodal freight, should be reestablished within USDOT to administer the new freight mobility program working in concert with the DOT modal administration(s) with the most expertise in the relevant project area. Projects, regardless of mode, should be judged on objective evaluation metrics established through criteria similar to the new Projects of National and Regional Significance selection criteria, and in consultation with Congressional leaders.

  - **Long-Term Funding** – Because goods movement projects are generally large, and carried out over multiple years, monies should be made available through Full-Funding Grant Agreements to ensure that, once a project is approved, funds will flow through to project completion and allow the widest array of financing options.

  - **Private Funds** -- Private participation should be encouraged to provide transportation planners with the largest toolbox of financing options possible to move freight projects forward quickly and efficiently. Among the tools federal policy should enable are tolling of new facilities, innovative financing, private investment and public-private partnerships. Creative solutions are needed to increase capital sources.

In addition, general fund allocations are an important tool at the state and local levels and federal FTF funding should be structured to incentivize and reward state and local investment. This is vital to support the development of local projects and connectors, in addition to the necessity of raising funds to match federal FTF monies.

Part Two: The Fees and Funding Mechanism

The other core issue the Senate needs to address in establishing a new freight program is the source of revenue and how those funds are reserved for goods movement.

The good news is that many freight users have indicated a willingness to support increased fees if they are dedicated to goods movement projects where the result is tangible and cost-effective. Any effective solution to the goods movement problem is predicated upon addressing these concerns, but also on the establishment of a dedicated federal fund, such as a an account within the HTF or a separate Freight Trust Fund (FTF), whose revenues are predictable, sustained, firewalled from other uses, and committed to new freight infrastructure program that enhances the movement of goods.

The FTF should be comprised of largely of new revenue sources. While some of the traditional HTF sources might be allocated if a solution is found to the well-known problem of HTF solvency, additional monies must come from beneficiaries of freight infrastructure improvement – essentially freight system users, which are the beneficial cargo owners – and be based on the following principles:

- The price of goods should support and internalize some portion of the cost of expanding related infrastructure, such that growth in demand for moving goods delivers proportional funding for related infrastructure improvement.

- All potential funding mechanisms and sources should be considered and fees assessed on user benefit.

- Revenue sources should be predictable, dedicated and sustained.

- No one user group should be disproportionately affected, with the recognition that the consumer is the ultimate beneficiary.

- While the current federal gasoline tax should continue to be dedicated to the traditional core programs, a small percentage of any future increase in the gas tax should be dedicated to the FTF, reflecting the real benefit to the driving public from freight projects that relieve highway congestion.

Contributions to support the new freight program should come from one or more new sources in a way that will fairly share the burden of cost for system development and maintenance among users/beneficiaries commensurate with their use of facilities. All users of the freight transportation system should be required to contribute to and revenue streams should be as diverse as practicable to ensure FTF income is resistant to economic cycles and will grow to keep pace with demand for infrastructure and inflation.

We believe a small, "thin" fee broadly assessed across all freight would raise substantial revenue for infrastructure, with little impact on the consumer, while remaining neutral to the market for goods movement transportation. While there is no unanimity over the "right fee", a one percent fee on all bills of lading would raise the $7 to $10 billion needed, according to estimates by the Eno Foundation. In addition, because a bill of lading fee effectively measures "freight consumption" more accurately than many other options discussed, we would respectfully recommend this receive serious consideration.

Finally, private participation in the nation's freight infrastructure is vital to system expansion. The establishment of an advisory council made up of freight industry members and system users could assist and partner with USDOT in optimizing results from planning, coordination and evaluation processes.

Conclusion

Sustainable goods movement lies at the center of our quality of life, not only for the availability of consumer products, but because of transportation's impact on land use, energy consumption and environmental quality. Improvements to freight infrastructure can result in reduced congestion, better air quality, and less time and fuel wasted. The anticipated acceleration of trade, combined with domestic growth, has created millions of new job opportunities and a higher standard of living for Americans. But these benefits will last only if we are able to keep moving the goods.