Coalition for America's Gateways and Trade Corridors

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REGARDING

Keeping Goods Moving: Continuing to Enhance Multimodal Freight Policy and Infrastructure

BEFORE

Senate Committee on Commerce, Science and Transportation's Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety, and Security

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I would like to thank you for allowing me the opportunity to testify before the Senate Committee on Commerce, Science and Transportation's Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety, and Security.

Today I am representing both Ports America / Port Newark Container Terminal as well as the Coalition for America's Gateways and Trade Corridors ("the Coalition"), a diverse coalition of more than 60 public and private organizations dedicated to increasing federal investment in America's multimodal freight infrastructure. I thank Chairman Fischer, Ranking Member Booker and Members of this Subcommittee for the opportunity to share my views with you. It is a pleasure to sit before the Subcommittee's Ranking Member, Senator Booker, and I thank him for his commitment to improving goods movement in our home state of New Jersey.

At the turn of the Century in America, port cities fueled the growth of a new nation. Dockworkers built New York into the busiest harbor in the Western Hemisphere. Then on April 26, 1956, shipping and the supply chain changed forever, as the first containership set sail from Port Newark. In the 1960s, the first marine container terminals in the world were built on Newark Bay.

Port Newark Container Terminal, or PNCT, is located at the heart of the Port of New York and New Jersey ("PONYNJ"), the largest port on the East Coast of North America and second largest port complex in the nation. In 2016, the PONYNJ handled 6.3 million 20-foot equivalent units (TEUs) and captured approximately 30% of North American East Coast market share. PNCT has a substantial imprint in the region, occupying roughly 300 acres and handling over 1.2 million TEUs or 20% of the container market share in the Port of New York and New Jersey.

The Port of New York and New Jersey supports 190,100 direct jobs 336,000 total jobs; $21.2 billion in personal income; nearly $53.5 billion in business income; and almost $7.1 billion in federal, state and local tax revenue across a 31-county region.[1] Moreover, for every job that Port Newark Container Terminal creates, another indirect job is created in Essex County, the county in which PNCT is located.

[1] New York Shipping Association, The Economic Impact of the New York-New Jersey Port Industry, July 2014. < http://nysanet.org/wp-content/uploads/NYSA_Economic_Impact_2014V2>

The ability to move freight safely, reliably, and expeditiously provides a competitive advantage to both exports and imports in the global marketplace. I applaud the efforts made by the Members of this Committee in prioritizing freight infrastructure investment under the FAST Act. This landmark legislation is a downpayment on our Nation's infrastructure needs. It is paramount that we acknowledge that much more is needed in order to maintain and improve aging and insufficient infrastructure in order to keep pace with the demands of a growing global economy and population.

The multimodal freight network of the United States directly supports 44 million jobs and impacts every American's quality of life. Moreover, it is a critical force in the world's largest economy: the system moves 55 million tons of goods daily, worth more than $49 billion. That's over 63 tons per capita annually; meanwhile, the U.S. population is expected to increase by 70 million by 2045.[2] Such population growth presents both challenge and opportunity – to capitalize on a growing consumer base, our infrastructure network must be up for the task.

Every sector of our economy depends on highly-efficient freight infrastructure in order to be competitive in the global marketplace, and businesses are taking note of deficiencies. According to a 2014 study by the National Association of Manufacturers, 65 percent of members surveyed do not believe that infrastructure, especially in their region, will be able to respond to the competitive demands of a growing economy over the next 10 to 15 years.[3]

According to the U.S. Department of Transportation, the annual cost of congestion, including passenger car delay on roads shared with trucks, is estimated at $1 Trillion, roughly seven percent of U.S. economic output.[4] To foster economic growth, retain U.S. businesses, and attract new industry, the U.S. needs freight infrastructure which provides a safe and competitive platform for the U.S. market. Unique from other types of infrastructure wide investment, investment in the nation's multimodal freight network is an economic multiplier. Not only are jobs created immediately in the construction phase, but an efficient goods movement system will attract and retain U.S. businesses, support exports, and benefit the economy for future generations.

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[2] U.S. Department of Transportation, National Freight Strategic Plan, October 2015. <https://www.transportation.gov/sites/dot.gov/files/docs/DRAFT_NFSP_for_Public_Comment_508_10%2015%2015%20v1.pdf>

[3] Horst, Ronald and Jeffrey Werling, National Association of Manufacturers, "Catching Up: greater Focus Needed to Achieve a More Competitive Infrastructure," September 2014. <http://www.nam.org/Issues/Infrastructure/Surface-Infrastructure/Infrastructure-Full-Report-2014.pdf>

[4] U.S. Department of Transportation, National Freight Strategic Plan, October 2015. <https://www.transportation.gov/sites/dot.gov/files/docs/DRAFT_NFSP_for_Public_Comment_508_10%2015%2015%20v1.pdf>

It's not just a matter of spending. Investment must be strategic and cut across traditional modal barriers. Some of freight infrastructure's largest, most complex, and most desperately needed improvements occur where multiple modes come together. These instances often require a partnership at the Federal level to help disentangle chokepoints which place a multitude of burdens on our communities and inhibit commerce.

The FAST Act created a much-needed competitive grant program designed to target investments in large freight and highway projects. The Nationally Significant Freight and Highway Projects Program, or FASTLANE program, contains criteria written into law that focuses on goods movement infrastructure. The goals of the programs include, <u>increasing global economic competitiveness, improving connectivity between freight modes, and improving the safety, efficiency and reliability of the movement of freight and people.</u> Competitive grant programs, such as FASTLANE, assist in funding large-scale infrastructure projects, spanning modes and jurisdictional borders, which are difficult, if not impossible, to fund through traditional distribution methods such as formula programs.

As part of a restructured long-term leasing agreement with the Port Authority of New York and New Jersey, PNCT is undergoing one of the largest privately funded transportation infrastructure projects in the state of New Jersey. Leveraging other multimodal transportation projects in the region, funded by the Port Authority and federal investments in rail, road, channel and bridges infrastructure, PNCT has spent $200 million in upgrades since 2011 and will spend between $500 and $600 million by 2030 to complete the project. These upgrades will double the capacity of the terminal allowing PNCT to adequately handle forecasted increased volumes while improving efficiency and resiliency. However, this progress would not be possible with private investment alone.

The County of Essex, New Jersey submitted a FASTLANE application under the second round seeking $29.7 million for its $112 million PNCT Wharf Revitalization and Improvement Project. Of note, 73 percent of this project is privately funded. If awarded, FASTLANE funding will accelerate the reconstruction of a decommissioned and unusable 48-year old 1,200-foot berth. In addition, the project will upgrade an adjoining substandard 1,200-foot berth to enable Ultra Large Container Vessels (ULCVs) to call at Port Newark following the completion of the raising of the Bayonne Bridge. Additionally the upgrade will support the expansion of the Marine Highway barge service system. These projects are linked to support a more efficient marine transportation system in the region.

These projects would not be completed in a timely manner using only traditional funding. While traditional formula funds complement a grant funding approach and provide state departments of transportation a funding stream to carry out construction, maintenance and preservation of the Nation's highways, their ability to fund non-highway freight projects is severely limited. Freight mobility – on all modes – requires added capacity and improved efficiency to keep pace with growing demands. Connectivity among the modes is key to the efficient movement of goods. These large-scale infrastructure projects, spanning modes and jurisdictional borders are not funded via traditional methods; therefore, we must continue to support non-traditional methods of funding in order to ensure the implementation of these key multi-modal projects.

In addition to the Nationally Significant Freight and Highway Projects program, TIGER grants, are critical for transportation projects that are difficult to fund through traditional distribution methods, however the two are not interchangeable. Whereas the Nationally Significant Freight and Highway Projects Program was developed with freight-focused investment criteria, the TIGER program can address many types of mobility needs – including freight, mixed use infrastructure, and transit.

While formula programs invest through a standard 80 percent federal to 20 percent non-federal match, under competitive grant programs, states and localities are encouraged to bring their best possible deal to the table, driving innovative and creative funding and financing arrangements.

Competitive grant programs frequently drive down the federal share through creative financing arrangements, private sector participation, and strong non-federal matching. This is exemplified through Essex County, New Jersey's TIGER award for the Port Newark Terminal Access Improvement Project, which flipped the traditional 80/20 formula match on its head. Thirty (30) percent of funding came from the federal government, and 70 percent was from private industry. According to the U.S. Department of Transportation, for every $1 of federal monies distributed through the TIGER program, $3.50 is leveraged through other sources, including private funds. The first round of Nationally Significant Freight and Highway Projects program yielded similar results: the grants, totaling nearly $800 million, will be combined with other funding from federal, state, local, and private sources to support $3.6 billion in infrastructure investment.

As Congress contemplates its Fiscal Year 2017 budget, I urge you to retain and robustly fund the TIGER competitive grant program. It has been a critical program for freight infrastructure, including ports.

It is important to note that 95 percent of the market for U.S. goods lies outside of U.S. boundaries,[5] and more than 90 percent of global trade is waterborne.[6] Ports are critical to moving goods produced in the U.S. to foreign markets. Decreasing investment in transportation and infrastructure is not a choice which supports economic growth.

Federal Role for Freight Investment

Freight congestion is more than a hindrance to economic growth – it is also a threat to public health and safety. Congestion from any mode of transport diminishes air quality and impacts essential community services such as police and EMS response times. In so many instances, local communities are bearing the environmental and social burden of nationally-significant freight movement, but they are unable to foot the bill on large-scale infrastructure projects that would alleviate negative impacts.

The benefits of freight movement accrue nationally, and as such, there is a federal responsibility to be a partner in making improvements, and in many instances, there is an opportunity for private sector contributions. State and local governments cannot shoulder the burden alone, nor can this lift be expected to be borne entirely by the private sector.

Without a campaign of strategic investment to expand capacity and increase efficiency, U.S. productivity and global competitiveness will suffer, costs will increase and investment will lag. As Congress considers steps to meet these needs, perhaps through a large-scale infrastructure investment proposal, we respectfully ask that the following steps be considered:

Develop a national strategy that guides long term planning: A national "vision" and investment strategy that shapes and guides the nation's freight infrastructure system with active coordination among states, regions, localities is needed. A focus on multimodal freight should be established within the U.S. Department of Transportation's Office of the Secretary to guide freight mobility policy and programming with a particular focus on projects of national significance that aid in the movement of commerce.

Project planning horizons for freight needs extend over multiple decades, therefore planning and financing approaches must be facilitated to support these long-term projects that enable economic growth, both domestically and internationally.

[5] U.S. Department of Commerce, *Build it Here, Sell it Everywhere: Why Exports Matter*, May 2012. <http://www.commerce.gov/news/fact-sheets/2012/05/17/fact-sheet-build-it-here-sell-it-everywhere-why-exports-matter>
[6] International Chamber of Shipping. <http://www.ics-shipping.org/shipping-facts/shipping-and-world-trade>

A unique mix of public and private infrastructure and specialized knowledge at the Federal level is required to understand the operational and economic differences between the various types of goods movement infrastructure. For example, port infrastructure development challenges will be different from challenges presented by highways and roads. This investment strategy should include innovative and flexible approaches to structuring federal financial assistance in a manner that encourages private sector investment.

Existing and undersubscribed programs such as TIFIA, which hold the potential to provide leverage to grant programs and private investment need to be retooled from a platform to support public entity partners to a platform of public-private partnerships. Over the past two years PNCT has continued to work with the Build America Bureau at the U.S. DoT to establish creative financing initiatives through the TIFIA program in support of infrastructure development in Port Newark.

Provide dedicated, sustainable, and flexible funding: Federal funding should incentivize and reward state and local investment and leverage the widest array of public and private financing. In addition to current programming, a minimum annual investment of $2 billion dedicated to multimodal freight infrastructure, and distributed through a competitive grant program is needed. We encourage Congress to provide oversight for the existing Nationally Significant Freight and Highway Projects Program and the Freight Formula Program to ensure this funding is used to improve freight infrastructure.

Implement A set of merit-based criteria for funding allocation: A goods movement funding program, such as the Nationally Significant Freight and Highway Projects Program grant program, should select projects through merit-based criteria that identify and prioritize projects with a demonstrable contribution to national freight efficiency. Long-term funding must be made available to ensure that, once a project is approved, funds will flow through to project completion. Funds would be available to support multi-jurisdictional and multi-state projects, regardless of mode, selected on the basis of objective measures designed to maximize and enhance system performance, while advancing related policy objectives.

A partnership with the private sector: Private participation in the nation's freight infrastructure is vital to system expansion. Federal funding should leverage private participation and provide transportation planners with the largest toolbox of financing options possible to move freight projects forward quickly and efficiently. The establishment of an advisory council made up of freight industry members and system users could assist and partner with USDOT in order to foster such partnering with the private sector.

Our nation's ability to move goods is tied to the quality of our multi-modal infrastructure, a key component of U.S. economic growth.

I would like to thank the committee for their time and attention to this critically important topic.