

Testimony of
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Regarding

**Strengthening Intermodal Connections and Improving
Freight Mobility**

United States House Appropriations Transportation Housing
and Urban Development Subcommittee

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Good morning. Chairman Olver, Ranking Member Latham, members of the Subcommittee, I am Beverley Swaim-Staley, Secretary of the Maryland Department of Transportation (MDOT). Thank you for the opportunity to provide this testimony on behalf of the State of Maryland and speak to an issue of importance to the public sector. I am here to address intermodal freight planning and investment critical to efficient goods movement in the Washington/Baltimore metropolitan region, along multistate freight corridors including I-95 and the CSX National Gateway, and throughout the United States.

Historic Focus on Intermodal Connections and Freight Mobility

The Maryland Department of Transportation is a multimodal agency. For over 35 years, MDOT's jurisdiction has encompassed capital investment and operations in the port, airport, highway, transit and rail modes. This structure and authority afford us wide-ranging engagement across the supply chain to ensure benefits for our citizens – whether they are the supplier, carrier, or the ultimate customer. Our freight involvement extends to the management of our state-owned short line railroad, serving the vital needs of agricultural customers on the Eastern Shore, the Port of Baltimore, Baltimore/Washington International (BWI) Thurgood Marshall Airport, MARC commuter rail and our interstates, and other roadways.

As you are no doubt aware, growth in the international and domestic marketplace is constrained by a capacity crisis for traditional freight pathways. Maryland, like other states, is working across modes and borders to meet the demand and alleviate congestion in all modes. In recent years, our focus has expanded to include mega-projects and regional corridors to handle large-scale freight movement. This orientation is prominent in our strategic objectives and comprehensive transportation plans.

Fortunately, Maryland's state funding and organizational structure provide a flexible environment to plan and fund intermodal and freight mobility improvements. MDOT has a dedicated, mode-neutral funding source. Our Transportation Trust Fund (TTF) is a pooled fund, supported by motor vehicle excise taxes and vehicle fees, fuel tax revenues and a portion of the state sales and corporate income taxes. None of these revenue streams is tied directly to a stove piped program or project. Using this flexible fund, we can and do apply state funding to intermodal passenger and freight projects.

In addition to my role as Secretary, I serve as Chairman of the Maryland the Transportation Authority ("Authority"). This statutory requirement and the Authority's independent financial structure allow MDOT and the Authority to coordinate efforts and have the Authority finance, construct and operate toll projects within the State.

Maryland's location is also a key factor in our intermodal and mega-regional involvement. We are linked with other states by the busy I-95 corridor and freight-intensive I-81 corridor, and connected to other destinations by the Port of Baltimore - the closest seaport to Washington D.C. and to major Midwestern population and manufacturing centers. To maximize this strategic location for national benefit, MDOT is partnering with local

governments, neighboring states and the private sector to plan and implement needed improvements, especially in rail.

As you may know, Maryland is the birthplace of rail in America. This historic accomplishment has one disadvantage – our first-of-its kind infrastructure now the oldest tunnels, bridges and track in the nation. Located along colonial-era distribution pathways and built to 1870's standards, these facilities have significant capacity and clearance limitations that preclude access by industry-standard double-stacked containers to the Port. Addressing this impediment is a high priority for Maryland and the region. We are employing innovative mechanisms and partnerships and seeking federal funding to remove these physical barriers.

Developed creative partnerships and funding mechanisms, in several major projects:

Where federal funding is unavailable, limited in eligibility or incomplete, other public-private and regional partnerships are key options to advance projects. MDOT has developed creative public-private partnerships and funding mechanisms in at least three major areas – the port, Transit Oriented Development (TOD), and rail/truck intermodal.

Last December, Governor Martin O'Malley announced a successful Public Private Partnership (P3) at the Port of Baltimore to accommodate post-Panamax ships. Our private partner has already begun improvements to the facility under a the new 50-year lease agreement with Ports America to develop and operate the 200-acre Seagirt Marine Terminal. The potential value of the agreement is more than \$1.3 billion and includes such public benefits as:

- Creation of 5,700 direct jobs in Maryland;
- Funding for \$140 million in highway improvements to enhance intermodal connectivity between highways, rail and the Port;
- Construction of a 50-foot berth and capital investments over the life of the agreement;
- Generation of approximately \$15.7 million annually in state taxes;
- Provision of an annual revenue stream of \$3.2 million in fixed rent; and
- An additional container fee that applies under high-growth scenarios.

With respect to Transit Oriented Development, we have undertaken legislative initiatives and committed financial and real estate resources to facilitate at least twelve TOD projects along our major rail corridors. These sites are located on shared freight and commuter lines and in areas growing rapidly due to U.S. military base realignment. These projects will benefit from expanded capacity and other efficiencies on the rail corridors.

The third critical area of need and investment is a Public-Private Partnership related to the CSX Transportation's National Gateway Initiative. The initiative is supported by six states (Ohio, Pennsylvania, West Virginia, Maryland, Virginia, North Carolina) and the District of Columbia. In Maryland, Gateway will allow for double stack clearances on the main lines, improve our port/rail connections to the Midwest, and create a new intermodal container facility in central Maryland. Doublestack is the industry standard for intermodal

rail transportation. All this will generate new jobs and provide domestic and international freight customers more competitive service in the global economy.

Double-stack clearance projects in this multistate corridor recently received partial funding from a large grant under the United States Department of Transportation (USDOT) Transportation Investment Generating Economic Recovery (TIGER) program. The initiative is an \$826 million project cost-shared by the federal and state governments, the railroad, and the other industry.

We were pleased that Congress saw the need to create TIGER and that the Obama Administration recognized the benefits of the Gateway initiative by awarding \$98 million to three states in the first phase of the project. Unfortunately, that is just shy of the amount needed to finish a project on the West Virginia/Maryland line that will clear the route from Ohio to Pennsylvania. Despite considerable matching funds on the table from CSX and the coalition of states, this grant does not extend the federal investment far enough to move freight from the Port of Baltimore or to serve domestic markets in the Baltimore-Washington region.

While the lack of funding for Maryland is disappointing, we recognize the magnitude of the needs expressed in the universe of TIGER applications and appreciate this first major step in federal investment. We are hopeful that the federal government will, in time, provide additional funding to complete these vital corridor-based investments, including construction of a new intermodal facility/inland port in Maryland. These investments promise to give a permanent and long-term boost to the national economy.

The economic benefits to Maryland alone with a clearance-free gateway to provide double-stack intermodal freight mobility to the Midwest are substantial, with such public benefits as:

- Creation of nearly 10,000 jobs;
- \$2.36 billion in direct and related economic impact from a new intermodal facility,
- Reduction of CO2 emissions by more than 1.3 million tons;
- Provision of Class I intermodal service to the area's eight million underserved but active consumers; and
- A threefold increase in market access for the Port of Baltimore.

Future Needs for Freight Mobility and Intermodal Connectivity - Both Government and Private Investment are needed

Over the past year, Congress made significant investments into new programs aimed at supporting intermodal and freight projects such as the aforementioned \$1.5 billion for the TIGER grant program. This gave states the ability to consider large-scale, big-ticket, and multi-modal projects. Further, the \$8 billion High-Speed and Intercity Passenger Rail (HSIPR) initiative and the possibility of future funding provides indirect freight benefits by reducing highway and air congestion and through improvements to system reliability and safety.

Maryland is also pleased to be the recipient of \$69.4 million in federal funding for the Baltimore and Potomac (B&P) Tunnel and BWI Amtrak Station to conduct preliminary engineering and NEPA work. However, these projects will require significant future federal funds to construct – perhaps a billion in federal funding to complete a new tunnel that will ensure the next century of passenger rail service on the Northeast Corridor. Over \$100 million in mixed-source funding will be needed to complete the track, station and safety improvements near BWI that will yield speed, capacity, frequency, and reliability benefits for the Northeast Corridor, Maryland commuter rail (MARC) transit riders and aviation passengers.

We encourage the continuation of these programs and further applaud Congress's action to include \$600 million in FY 2010 National Infrastructure Investment (NII) grants. We consider this a critical opportunity, well-timed and with more flexibility in delivery deadlines than the recovery funds. We intend to seek funds in this program to advance the intermodal rail facility that will serve as an inland port in the highly congested road and rail Baltimore-Washington corridor.

In addition to providing a predictable funding stream for these programs, Maryland also encourages Congress to expand funding eligibility in other federal programs for multi-modal projects. We recently ran into hurdles when trying to fund projects on Amtrak corridors with freight and commuter service – the HSIPR program as implemented is shutting out projects with multi-modal benefits if the project does not predominantly benefit passenger rail. We believe the NII funding can help these types of projects advance, as would other programs that reward multi-modal regional benefits.

The implementation of the programs and projects may also require fine-tuning. For example, states will look to the federal government for help in managing complex projects with multiple players and diverse funding sources, much like the Eastern Federal Lands program has done in the past. There are, however, challenges associated with multiple federal agency involvement – figuring out which NEPA process is applicable in a corridor project with transit, rail and highway impacts is a challenge we are already working on with USDOT.

Both the CSX Intermodal facility and the Amtrak and Norfolk Southern rail service northeast of Baltimore are examples of the challenges we face. Amtrak's busiest service route between New York and Washington goes through Baltimore, but so do Norfolk Southern freight trains. Freight trains headed to Maryland and Delaware ports may only operate on this route during nighttime hours. A six-mile stretch of right-of way along Amtrak's NEC just north of Perryville, MD, contains only two tracks—yet is used continually by Amtrak and MARC Commuter and the Norfolk Southern freight trains to Delaware and Maryland's Eastern Shore.

This inefficiency also constrains service to our cities and rural customers with rail-dependent industries. By adding this third track, locally named the Chesapeake Connector, it could provide NS an access route to traverse Amtrak on a daily 24 X 7 basis without impeding current passenger trains and eventually allow for expanded commuter rail service. Due to Amtrak ownership and the complexity of users this project does not have a

good matching federal program in which to request funding. It was rejected as having only 'indirect' benefits to Amtrak in the recently awarded High Speed Rail grants by the Federal Railroad Administration (FRA).

While the TIGER program contained more flexible program criteria, USDOT's ability to meet Maryland's needs was limited. Maryland also supported two additional projects in the TIGER program that had freight benefits. First, the \$45 million MARC Capacity and Service Reliability Improvement project would have funded track improvements and electronic signal upgrades that will allow MARC trains and CSX freight trains to coexist and operate more efficiently on the CSX owned Camden and Brunswick lines. This initiative is a joint effort between the Maryland Transit Administration and CSX and comprises a cost effective initial stage of the MARC Growth and Investment Plan. The second project was a \$12 million rehabilitation of the Maryland and Delaware Railroad (MDDE) Snow Hill freight line. This project was sponsored by Worcester County (one of Maryland's seven economically distressed areas) and would have upgraded the Eastern Shore freight rail line between Frankford, DE, and Snow Hill, MD. This line now handles only 263,000 pound rail cars and the upgrade would allow accommodation of rail cars weighing 286,000 pounds and protect 1,500 jobs related to the region's poultry industry.

Traditional federal funding streams discourage intermodal planning and traditional private investment has previously come with little public input. These new federal funding programs provide an incentive to the business community to coordinate goals and projects with state and local government. These relationships will yield smarter infrastructure development. Maryland and the mega-regions would benefit greatly from continued and increased federal support to further efforts and accomplish the mega-projects and corridor improvements.

While we understand that not enough funding is available to address all of our requests, we believe the projects with intermodal benefits need to be developed under a scenario where they could better qualify for funding. Maryland and many other states are developing the necessary plans and preparations for future opportunities, and we are optimistic about the future direction of the Administration and Congress to improve in freight, and particularly rail intermodal connection improvements. We also appreciate the new focus on state capabilities to plan and to prioritize with stakeholder input, which has put us in the driver's seat in applying for federal funding.

Maryland's progress toward stronger connections and multi-modal freight improvement

In September 2009, MDOT released a Statewide Freight Plan, our first and also the first in the nation to prioritize projects using a set of criteria such as connectivity and mobility improvements, as well as Land Use, or Smart Growth, indicators¹. The State established internal and external advisory committees whose members provided guidance on policies and prioritization and developed the list of projects for the freight Plan. This information –

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<http://www.mdot.maryland.gov/Planning/Freight%20Planning/Update/Statewide%20Freight%20Plan%202009.pdf>

sharing and collaborative input strengthened the utility of the Plan and further developed existing relationships among public and private stakeholders. Significantly, it also validates the need and support for future federal funding requests.

MDOT also participates in farther-reaching regional coalitions such as the I-95 Corridor Coalition, a new I-81 corridor coalition, the Coalition of Northeastern Governors to tie our state efforts to a larger context and develop ideas to advance connectivity and mobility.

One product of these cooperative efforts was the Mid-Atlantic Rail Operations Study (MAROps) of the I-95 Corridor Coalition. The final report released last year recommended \$12 billion in rail capacity improvement projects in a five-state region. When chokepoints are eliminated, increased rail capacity will stimulate growth and accommodate a major shift from long-haul trucking to more energy-efficient freight rail. The region could then realize an annual increase of \$1.3 billion in business output and 9,800 more jobs. The MAROps study confirms the need for national support for major rail improvement projects, especially extremely complicated, multi-billion dollar projects including Baltimore's passenger and freight rail tunnels.

These investments benefit the regional and national economy and the environment. Further, they can be made in areas where additional highway and bridge capacity is too expensive or Right of Way is no longer available.

While states and private freight companies can address many smaller projects on their own or with existing federal formula and loan programs, ongoing and permanent commitment from the federal government is necessary to initiate and complete major projects. We hope to obtain federal funding to help build solutions that will allow the East Coast to handle the tremendous growth in freight anticipated over the next few decades. These investments can also have multimodal benefits. In Maryland, the benefits of passenger or freight projects are often shared among intercity passenger, commuter and freight rail.

We urge you to continue to fund mode-neutral programs like TIGER, Projects of National and Regional Significance, and National Infrastructure Investment, and to retain the practice of giving the states the ultimate authority to seek these investments. Intermodal and freight connectivity projects must be part of the balanced, flexible and multimodal transportation system our nation needs to compete in a 21st century global economy.

Thank you for your attention to this subject of great importance to us all.