

STATEMENT OF  
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BEFORE THE

COMMITTEE ON APPROPRIATIONS  
SUBCOMMITTEE ON TRANSPORTATION, HOUSING AND  
URBAN DEVELOPMENT, AND RELATED AGENCIES  
U.S. HOUSE OF REPRESENTATIVES

STRENGTHENING INTERMODAL CONNECTIONS AND  
IMPROVING FREIGHT MOBILITY

MARCH 17, 2010

Chairman Olver, Ranking Member Latham, and Members of the Subcommittee:

Thank you for inviting me to appear before you today to discuss strengthening intermodal connections and improving freight mobility. I am joined here by my colleagues from four key modal administrations at DOT –Victor Mendez from the Federal Highway Administration (FHWA), Anne Ferro from the Federal Motor Carrier Safety Administration (FMCSA), Joe Szabo from the Federal Railroad Administration (FRA), and David Matsuda from the Maritime Administration (MARAD), which jointly play a key role in improving the infrastructure, operational efficiency, and safety of the freight transportation industry.

Secretary LaHood has decided to focus on five key strategic goals as priorities in our national transportation policy – safety, economic competitiveness, state of good repair, livability, and environmental sustainability. Our policy on freight transportation grows out of our focus on these five key strategic goals. We want a freight policy that will allow us to target our investments on projects that are most effective in allowing us to achieve these goals.

Unfortunately, our national transportation policy has often failed to target funding toward investments that will be most effective in achieving these goals.

Developing an effective freight transportation policy has been hampered in the past by the “stovepiped” approach to transportation funding that is written into our transportation authorizing statutes. Expenditures for each freight transportation mode are generally dependent upon the revenues produced by each mode’s separate trust fund. Some modes have no source of public funding at all, even when investments in those modes would produce substantial public benefits. The result is that a truly outcome-oriented transportation investment policy – where the outcomes include the strategic goals I mentioned earlier – has been impossible, because investments have been dictated by where the funding came from, rather than where the investments could have the greatest impact on the desired outcomes.

Some of our freight transportation modes operate on publicly-owned rights-of-way, while others operate on privately-owned rights-of-way. Some rely for their investment revenues entirely on payments by users, while others rely on a mix of user charges and general fund tax revenues. Private-sector modes like railroads that rely primarily on user charges inevitably must charge their users higher prices to produce the revenues needed to provide investment funds. This in turn generates pressures for more stringent rate regulation, which unfortunately would adversely affect needed infrastructure investments. Privately-owned carriers that are responsible for building and maintaining their own infrastructure inevitably take a more cautious approach to investing in infrastructure expansion, since those investments become a fixed charge on their balance sheet that must generate a sufficient flow of income to offset the expense. Underinvestment in privately-owned infrastructure compared with publicly-owned infrastructure can produce system performance deficiencies in the intermodal movement of freight.

Whether freight infrastructure is publicly-owned or privately-owned, it produces a mix of public and private benefits. Shippers and other customers of the freight transportation system derive private benefits from freight transportation, and the Nation as a whole derives public benefits from our freight transportation infrastructure, whether that infrastructure is publicly or privately owned. Freight that moves on more energy-efficient modes – whether the right-of-way is publicly or privately owned – enhances our energy independence and reduces adverse climate change effects. Freight that moves on a lower-cost right-of-way – whether publicly or privately owned – enhances our economic competitiveness by preserving capital for hiring and additional capital investments. The most sensible freight transportation policy will be one that directs transportation infrastructure investment to where it will have the greatest impact on our desired outcomes, regardless of whether those modes are publicly or privately owned, or whether they have their own source of trust fund revenues.

Moreover, even when funding is available for freight transportation projects, the project selection process may give less priority to some projects that would be appropriate in meeting the Nation's strategic goals. For example, intermodal freight connectors can be a valuable part of our Nation's transportation system, providing critical connections between our ports and rail systems and the highway network that is usually needed to deliver freight to its final destinations. Intermodal freight connectors are often short, averaging less than two miles in length, and constitute less than 1 percent of the total highway network. They are often local – county or city streets – that generally have lower design standards than mainline highway routes.

They get a lot of wear and require more frequent maintenance. They serve heavy truck volumes moving between intermodal freight terminals and the mainline highway network, primarily in major metropolitan areas. They typically provide this service in older, industrialized, and other mixed-land-use areas where there are often physical constraints or undesirable community impacts. But because intermodal connectors are often quite short, and because local planning agencies may not be aware of their role in the larger transportation network, they are often overlooked in the planning and funding process.

The Obama Administration, with the help of this Committee, has taken several steps to work toward a more effective freight policy. First, we articulated the transportation goals that we are trying to achieve – enhancing economic competitiveness, advancing safety, improving the state-of-good-repair of our infrastructure, fostering livable communities, and achieving environmental sustainability. Second, the Recovery Act (thanks to this Committee) provided us with the opportunity to carry out a program of discretionary surface transportation infrastructure grants – which we called “TIGER Grants,” that allowed us to target our transportation infrastructure investments on projects that would most successfully advance these goals. Third, in awarding these TIGER Grants, we required applicants to provide the best economic analysis available on how their proposed projects would actually advance these goals, so that we would have some assurance that the projects we selected would actually achieve the goals we laid out. Fourth, we have taken advantage of other statutory authority, such as the TIFIA program and the Private Activity Bond program, to provide funding for other projects that achieve these goals by improving intermodal freight connections. Finally, we have proposed carrying this approach forward into the future, both in 2010, with the \$600 million National Infrastructure Investments program, and in 2011 and subsequent years with our proposed National Infrastructure and Innovation Finance Fund.

The TIGER Grant Program allowed us to fund a number of worthwhile freight projects that in some cases would not have been eligible under existing federal programs. In New Bedford, Massachusetts, for example, we are funding the replacement of two badly deteriorated freight railroad bridges that are part of the intermodal connection between the Port of New Bedford and the Nation’s freight railroad system. In Chicago, we are funding part of the CREATE project, which will have a nationwide impact on freight flows by streamlining the freight connection between western railroads and eastern railroads in the City of Chicago. In California, we are funding a critical interchange near the Otay Mesa Port of Entry at the Mexican border, which is the largest freight border crossing between California and Mexico. In Michigan, we are funding the reconstruction of the Black River Bridge, which carries a substantial portion of the Nation’s trade with Canada near the international crossing over the St. Clair River. In Mississippi, we are funding the Gulfport Rail Intermodal Improvements project. And in Rhode Island we are funding the redevelopment of the Port of Davisville on Quonset Point. Altogether, about \$555 million – over one-third of the funding we provided – was for primarily freight projects. This is in addition to over \$275 million in highway projects that will benefit both freight and passenger transportation.

We have also made use of TIFIA funding to support investments in freight transportation projects. Two years ago, for example, we provided a \$341 million loan for the Port of Miami tunnel, and we have also provided a \$66 million loan for the Louisiana State Route 1 reconstruction project that plays a critical role in supplying Gulf of Mexico oil platforms. The Private Activity Bond program authorized in SAFETEA-LU has also allowed us to support two

rail-trucking intermodal facilities in Illinois that will streamline the intermodal connection between rail and highway movement of freight.

In carrying out the TIGER Grant program, we required applicants to explain clearly – and, if possible, measure – how their proposed project would achieve the goals of the program. For larger projects, we required a full benefit-cost analysis. This has allowed us to target our funding toward the projects with the greatest payoffs. We estimate that the National Gateway Freight Rail Corridor, for example, will have benefits equal to almost six times its costs. The CREATE project will have a similarly high ratio of benefits to costs. This analysis requirement increases the confidence of the American people that their funds will be well-spent. While some project applicants had difficulty in complying with this requirement, we were impressed with the quality of the analysis that many of these project applicants provided. We believe that this requirement for economic analysis of proposed projects is essential to ensuring that the investments we make have the greatest possible impact on achieving our goals.

We are currently developing the guidance for the National Infrastructure Investments program funded in the FY2010 appropriations act. This program has somewhat different requirements from the TIGER Grant program, so the guidance will be revised to take into account those new features. But the central focus of this program will remain the same – an outcome-oriented, performance-based program that focuses funding on investments in whichever modes are most effective in achieving our national transportation goals, and that relies on the best economic analysis and professional judgment available to identify projects that promise the biggest returns on our investment. Similarly, the National Infrastructure Innovation and Finance Fund that we are proposing in our FY2011 budget request would provide funding for projects in whichever mode of transportation allows us to achieve our transportation goals in the most cost-effective way. And it will base its project selection on economic analysis to ensure that we get the maximum possible return on our investment.

The Obama Administration will continue to seek better ways to use freight transportation investments to achieve our transportation goals. One feature of our freight transportation policy that we will continue to emphasize is the reliance on partnerships between the federal government, state and local governments, and private sector partners. Our TIGER Grant projects typically were funded partly from state and local grants, partly with federal grants, and often with private sector investments as well. These partnerships are based on the concept that the private-sector user of such facilities pays for the portion of the project that returns private benefits, and the public sector funds the portions of the project that produce public benefits (in terms of reduced congestion, pollution, noise, and delay). The Crescent Corridor and National Gateway projects are excellent examples of public/private partnerships, in which the private railroads have made substantial investments.

Since intermodal facilities carry flows of privately-owned freight, seeking contributions to the cost of their improvement from private users can prove an effective strategy. In the TIFIA and

Private Activity Bond programs cited above, the Department of Transportation provided loans or provided authority to borrow private funds at tax-exempt interest rates. These loans were repaid with revenues from users. This model can be equally effective on a state or local scale. A public entity (perhaps a port, a public terminal operator, or a local jurisdiction) can make funds available and assume most or all of the business risk of an investment in improvements to a freight facility. Users will pay the investment back through charges based on the volume of freight moved. Perhaps the most familiar example of this strategy is the Alameda Corridor, a rail link between the ports of Los Angeles and Long Beach and the national rail network. The corridor was funded with a mix of bonds, direct funding from the ports, and Federal and state contributions. All containers moving on the corridor are assessed a fee which is used to cover dispatching, maintenance, and bond repayment costs.

A less familiar example is the Shellpot Bridge, south of Wilmington, Delaware. This bridge is on a freight rail route that bypasses downtown Wilmington and provides access to the Port of Wilmington. When the owner of the bridge, Norfolk Southern Railway, was reluctant to spend scarce capital funds on its rehabilitation, the State of Delaware agreed to make the money available – if the railroad would agree to pay a toll charge for each railroad car using the bridge. Five years into a 20-year agreement between the State and the railroad, more rail cars than anticipated are moving over the route, and it appears the State will recoup its investment with interest. Meanwhile, the railroad pays a per-car charge, rather than having to add the cost of the bridge to its capital investment base – thus converting a fixed charge into a variable cost.

One troubling problem is the need for better freight transportation data. The outcome-oriented, performance-based approach to transportation investment that we have emphasized relies on good freight transportation data to make possible the economic analysis of the benefits of freight transportation projects. At present there are major gaps in freight data availability. For example, imports and exports are recorded in the Journal of Commerce's PIERS (Port Import/Export Recording Service) database, but inland movements of imports are not tracked separately. Data are lacking on many truck movements within metropolitan areas. Records of freight moved by rail in intermodal service often identify commodities as "FAK" (freight, all kinds) without further detail. The Commodity Flow Survey, on which we rely for data on freight flows, doesn't cover some categories of freight, and has too small a sample size to provide detailed commodity-specific data for many metropolitan areas. Without good data on freight movements, it is difficult to distinguish good freight projects from bad ones.

We also plan to make more extensive use of information technology to improve the performance of the freight system. For example, we monitor the speed and travel time reliability of two-thirds of the Interstate System through a cooperative arrangement with the trucking industry through which we receive GPS data from over 500,000 trucks. We are working with shippers in Kansas City to minimize unproductive truck traffic in their urban core through a pilot program that improves information sharing. Information technologies can allow freight connectors to be used more efficiently by allowing drivers to be informed of gate queues, railroad crossing closings,

road conditions and delays, best route information, and the availability of loads. Information exchange has been a key element in the success of intermodal transportation. The efficient exchange of shipment data between carriers at transfer points is as important as the hand-off of the cargo itself. The internet is evolving as a popular tool for gathering and providing information on container shipments. Websites such as “eModal” and “First” can increase freight mobility on access roads to ports by sharing information with harbor truckers on congestion areas, road closures, and container availability for pick-up. One port provides real-time surveillance video of its gate on its website so truck dispatchers can gauge the waiting time at the gate. A substantial amount of truck traffic to and from intermodal facilities is picking up and returning empty containers. The internet can be used to directly connect an importer with an exporter in need of an empty container. This allows a trucker to deliver an empty container directly to the exporter after unloading its contents at the importer’s warehouse, eliminating the intermediary truck trip to the container depot.

ITS is also being deployed to help carriers and shippers track shipments on intermodal connectors. Improved information on the location of cargoes can help shippers and consignees manage inventories to reduce costs, improve en route cargo security, and help government to make more effective decisions on transportation investments.

We are also working to reduce the adverse environmental and livability impacts of freight movements. As the volume of freight movements grows, noise, vibration, and pollution impacts on adjacent communities will become more severe. Too often, local communities feel that they are exposed to all the negative livability impacts of freight movements, while many of the benefits accrue to freight shippers and communities elsewhere. Recent controversies over the siting and operation of highway/rail waste transfer facilities and intermodal terminals in several states have brought this concern into sharp focus. Carefully targeted investments in freight infrastructure can reduce impacts on local communities, as well as improving environmental sustainability by enabling cargo to move on more fuel-efficient modes such as rail and water.

The Maritime Administration has developed “Marine View” (or “MarView”), an integrated data-driven environment that provides essential information to support the strategic requirements of the U.S. Marine Transportation System. MarView provides the ability to fuse data to create models and simulations for scenario planning in the event of a crisis and provides the ability to run economic impact scenarios, on-demand forecasting, as well as capacity planning and mitigation strategies to react to emergency situations. With over 2500 links to transportation data sources, MarView can quickly provide data to enhance economic decision-making for transportation planning.

Better information on freight flows, targeted improvements to intermodal connectors, and the use of information technology to limit bottlenecks and speed freight flows can benefit planners, shippers, and communities alike. The goal of our efforts is a system of freight movement that is

more economically efficient, more environmentally friendly, and more sustainable than the one we have today.

I also want to mention Secretary LaHood's effort over the last couple of months to engage a diverse range of freight stakeholders through the Department's Surface Transportation Reauthorization Outreach Tour. One recurring theme of these discussions has been that the effective and efficient movement of freight is a critical element in promoting and sustaining regional and national economic competitiveness. As participants have highlighted, while freight policy has been a significant issue in America since the days of President Lincoln (when the first railroads were being constructed to connect communities and economic markets across the country), today we are faced with a new set of freight-related challenges that must be addressed in order to secure our economic competitiveness.

As noted by virtually all these stakeholders, a coherent federal freight plan must be developed that addresses these issues – including aging infrastructure, increased congestion, growing long-term port demand, and climate change concerns. However, as they have pointed out, a robust freight plan alone will not suffice; rather, increased flexibility in terms of funding mechanisms is needed to allow us to take action. As one participant noted, while the recent TIGER Discretionary Program has provided substantial federal funding for vital freight projects, in general freight is left out of traditional funding structures. Thus, the question now is how the freight funding momentum generated by the TIGER awards will be maintained going forward. Freight stakeholders emphasized the need to ensure a continuing funding stream for the full range of freight transportation projects, and continued encouragement of public-private partnerships within the freight sector.

In addition to these outreach sessions, the Secretary hosted a two-day Port Summit in San Diego to hear directly from the Nation's Port Directors on transportation policy issues that affect our port system and freight movements. The Summit provided a forum to discuss specific port development issues and the upcoming transportation reauthorization. The results of the Summit are now being formalized into policy recommendations.

While this hearing does not focus primarily on these agencies' budget requests, I do want to highlight a few of the key priorities in their proposed budgets.

- As part of the Department's Livability Initiative, for example, FHWA's budget provides \$200 million in highway funding for a competitive livability program to assist states and local and tribal governments in integrating transportation, land use, and conservation of natural resources in urban and rural communities.
- FMCSA will spend \$13 million on a new operating enforcement approach – Comprehensive Safety Analysis – to improve the allocation of resources to enforcement, monitoring, and training. This includes \$7 million for increased staffing for safety enforcement and compliance operations.

- FRA will provide \$1 billion for high-speed passenger rail and \$1.6 billion for Amtrak – while these expenditures are targeted at passenger rail, they will expand the overall capacity of the rail system and benefit freight rail as well as passenger rail.
- MARAD will administer \$57 million this year to fund start-up marine highway services. These funds will form the basis for development of a Marine Highway Program to complement other transportation modes, increase transportation efficiencies, and enhance the environment. MARAD is also administering \$120 million in TIGER Grants to improve port efficiencies, including the movement of freight through the ports and along America's Marine Highway.

We would be happy to respond to any questions that you have either on freight issues or on the budgets of these agencies.