Coalition for America's Gateways and Trade Corridors

TESTIMONY OF

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REGARDING

Connecting America: Examining Intermodal Connections Across Our Surface Transportation Network

BEFORE

Senate Committee on Commerce,
Science & Transportation's
Subcommittee on Transportation and Safety

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Thank you for the opportunity to testify before the Senate Committee on Commerce, Science and Transportation's Subcommittee on Transportation and Safety. As Congress considers the possibility of an infrastructure investment package and approaches the surface transportation bill's reauthorization in 2020, I appreciate the Committee's ongoing dedication to freight system investment.

Today I am representing both the Chicago Metropolitan Agency for Planning (CMAP) 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 Duckworth and Members of this Subcommittee for the opportunity to share my views.

CMAP is the regional planning organization for the northeastern Illinois counties of Cook, DuPage, Kane, Kendall, Lake, McHenry, and Will. We work to help communities prosper by addressing transportation, housing, economic development, open space, environment, and quality of life issues for our region through long-range planning. Our most recent plan, *ON TO 2050*, calls for bold steps toward a well-integrated, multimodal transportation system that seamlessly moves people and goods within and through metropolitan Chicago. To balance improving our economic advantage with improving quality of life, freight recommendations in the plan emphasize strategic investment in the freight network, improving local and regional truck travel, and mitigating the negative impacts of freight on adjacent communities.

The CMAP region plays a vital role in intermodal connectivity for the nation. Approximately 16.4 million twenty-foot equivalent units (TEUs) of cargo moved through the region's twenty rail-truck intermodal facilities in 2016, an increase of nearly 38 percent since 2009.[1] This represents more TEU lifts than the busiest seaports in the country. Chicago is also home to the regionally and nationally significant CREATE program, which includes 70 projects that aim to invest billions in critically needed capital improvements in our area's rail infrastructure. Due to our critical location at the nexus of the North American railroad network, Chicago has been a national rail hub for almost 150 years, seeing nearly 500 freight trains pass through the region every day. One-fourth of the nation's freight rail traffic and nearly half of all intermodal trains pass through Chicago. But the rail lines, built over a century ago, were not built for the volumes nor the types of freight being carried – meaning Chicago is now the nation's largest freight rail chokepoint.

[1] Chicago Metropolitan Agency for Planning, *Intermodal Lifts.* <https://www.cmap.illinois.gov/programs/regional-economic-indicators/clusters#Intermodal_Lifts>

Rail congestion, resulting in delays and unreliable transit times, can be exacerbated by market conditions and severe weather. Congestion in Chicago during 2014 caused lingering service disruptions for farmers across the Upper Midwest. Revenues decreased due to increased transportation and storage costs and losses caused by spoilage.[2] Comprised of a partnership between the U.S. Department of Transportation, the State of Illinois, Cook County, the City of Chicago, Metra, Amtrak, and U.S. freight railroads, CREATE aims to address this bottleneck to increase the reliability and efficiency of the region's rail infrastructure. More than $1.6 billion has been spent or committed, with an estimated $2.8 billion needed to complete the full program. To date, federal sources have provided 39 percent of spent and committed funds.

Freight transportation is America's economic engine and the ability to move goods safely, reliably and expeditiously keeps U.S. businesses competitive in the global marketplace and supports a higher standard of living for our population. I applaud Members of this Committee for prioritizing freight infrastructure investment under the Fixing America's Surface Transportation (FAST) Act. This landmark legislation made significant improvements to our freight policy and programming. It is a down payment on our Nation's infrastructure needs, but as you know, much more is needed to make up for years of underinvestment and prepare for growing demands. With lawmakers preparing for the FAST Act's reauthorization in 2020 as well as the potential of a large-scale infrastructure investment bill, I ask you to include a robust freight program as the hallmark of both approaches.

According to the Bureau of Transportation Statistics, "productivity growth in freight transportation has long been a driving force for the growth of U.S. overall productivity and contributed directly to the growth of U.S. GDP."[3] The economic importance of freight infrastructure cannot be overstated. The United States' multimodal freight network directly supports 44 million jobs and impacts every American's quality of life.[4] The system moves 55 million tons of goods daily, worth more than $49 billion.[5] That's roughly 63 tons per person annually; meanwhile, the U.S. population is expected to increase by 70 million by

[2] U.S. Department of Agriculture, *Rail Service Challenges in the Upper Midwest: Implications for Agricultural Sectors – Preliminary Analysis of the 2013-2014 Situation*, January 2015. <https://www.usda.gov/oce/economics/papers/Rail_Service_Challenges_in_the_Upper_Midwest.pdf>
[3] U.S. Department of Transportation Bureau of Transportation Statistics, *Growth in the Nation's Freight Shipments,* May 2017. <https://www.bts.gov/archive/publications/freight_shipments_in_america/entire>
[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>
[5] Ibid.

2045.[6] Such population growth presents both challenges and opportunities: the U.S. Department of Transportation estimates that freight tonnage will increase by an average of 1.4 percent annually through 2045.[7] To capitalize on a growing 21st century consumer base and workforce, our infrastructure network must be up for the task.

Unfortunately, years of underinvestment in our national transportation system have driven up the cost of doing business. U.S. companies spend around $27 billion annually in extra freight transportation expenses due to congestion,[8] and the total cost of congestion is estimated at $1 trillion annually – roughly seven percent of U.S. economic output.[9] Businesses are taking note. According to a study by the National Association of Manufacturers, 65 percent of their 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.[10]

Infrastructure deficiency carries a cost, and it is not just businesses paying the price. According to TRIP, the average U.S. motorist is losing $599 in additional vehicle operating costs as a result of driving on infrastructure in need of repair.[11] INRIX estimates that congestion costs the average U.S. driver $1,348 annually.[12] By contrast, an often-cited solution is significantly less burdensome: an immediate 25-cent increase in the motor fuel tax would cost the average household $285 annually.[13]

Public investment in our nation's multimodal freight infrastructure is chronically inadequate to meet the system's demands. States and localities have made attempts to increase their infrastructure funding – since

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[6] Ibid.
[7] Congressional Research Service, *Freight Issues in Surface Transportation Reauthorization,* January 2019. <https://fas.org/sgp/crs/misc/R45462.pdf>
[8] 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>
[9] Ibid.
[10] 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>
[11] TRIP, *Bumpy Road Ahead: America's Roughest Rides and Strategies to Make Our Roads Smoother,"* October 2018. <http://www.tripnet.org/docs/Urban_Roads_TRIP_Report_October_2018.pdf>
[12]INRIX, *Congestion Costs Each American 97 Hours, $1,348 a Year,* February 2019. < http://inrix.com/press-releases/scorecard-2018-us/ >
[13] U.S. Chamber of Commerce, *Here's What You Need to Know About the Gas Tax,* April 2018 <https://www.uschamber.com/series/above-the-fold/here-s-what-you-need-know-about-the-gas-tax>

1993, 39 states have raised their own gas taxes.[14] However, states and localities cannot, and should not, shoulder the burden of nationally-significant freight movement alone. Embedded in the framework of our country, the Commerce Clause of the Constitution tasks the Federal government with making investments to support interstate commerce. 77 percent of U.S. freight crosses state lines, illustrating the need for a Federal role in freight planning and investment.[15] At its peak, the Federal government provided 38 percent of public infrastructure funding but that number has fallen to just 25 percent in recent years.[16] This places a strain on communities and local governments, many of whom have already raised their user fees and are therefore struggling to determine where to dig up additional funds.

While a variety of federal funding solutions for transportation infrastructure have been contemplated by Congress and infrastructure advocates, our group has coalesced around a waybill fee dedicated to freight infrastructure improvements. A waybill fee assessed on the cost of surface transportation movements would not skew the market for services and would grow along with the demand for freight transportation. Freight infrastructure needs are significant and continue to grow; CAGTC remains committed to exploring solutions that will provide robust and dependable funding.

Many of freight infrastructure's largest, most complex, and most desperately needed improvements cross local and state boundaries and occur where multiple modes come together. These instances often require a partnership at the Federal level to untangle chokepoints that burden our communities and slow commerce.

The annually-appropriated BUILD, formerly TIGER, competitive grant program is designed to fund capital investments in infrastructure projects across all modes, including both freight and mixed use infrastructure. 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 INFRA program, contains criteria written into law that focus on goods movement infrastructure, and its goals include: increasing global economic competitiveness, improving connectivity

[14] U.S. Chamber of Commerce, *Modernizing America's Infrastructure Requires Adjusting the Federal Motor Vehicle User Fee*, January 2018 < https://www.uschamber.com/issue-brief/modernizing-america-s-infrastructure-requires-adjusting-the-federal-motor-vehicle-user >

[15] Tomer, Adie and Joseph Kane, Brookings and JP Morgan Chase Global Cities Initiative, *Mapping Freight: The Highly Concentrated Nature of Goods Trade in the United States*, November 2014. < https://www.brookings.edu/wp-content/uploads/2016/06/Srvy_GCIFreightNetworks_Oct24.pdf>

[16] Council on Foreign Relations, *The State of U.S. Infrastructure*, October 2017. < https://www.cfr.org/backgrounder/state-us-infrastructure>

between freight modes, reducing congestion and bottlenecks, and improving the safety, efficiency and reliability of the movement of freight and people. Both programs are essential: while BUILD is available to address a multitude of mobility issues of various sizes, INFRA is aimed at investing in large-scale, freight and highway-specific infrastructure improvements, both filling important niches.

According to a 2019 study by the Congressional Research Service, "discretionary grants may be more effective in providing large amounts of federal funding for very costly freight-related projects, particularly those requiring interstate cooperation."[17] Competitive grant programs, such as INFRA and BUILD, assist in funding large-scale infrastructure projects, which often span modes and jurisdictional borders and are difficult, if not impossible, to fund through traditional distribution methods such as formula programs.

While formula programs invest through a standard 80 percent federal to 20 percent non-federal match, competitive grant programs encourage states and localities to bring their best possible deal to the table, driving innovative and creative funding and financing arrangements. Over the 10 rounds of the TIGER/BUILD programs, $3,577,140,879 has been awarded to projects with a freight component, yielding a total investment of $12,685,024,323, meaning sources other than the BUILD program provided 72 percent of funds.

Similarly, in the INFRA grant program's three rounds, USDOT awarded $2,057,899,933 to projects with a strong freight component. Those monies combined with funds from various other sources to result in $10,072,983,957 in total project investments – meaning 79.6 percent of funds came from sources other than the INFRA grant program.

In my region, USDOT awarded CREATE's 75th Street Corridor Improvement Project $132 million through the INFRA program's most recent funding round. The funds will combine with $342 million from other CREATE partners to pay for the first portion of this project to separate several freight and passenger rail lines in the 75th Street Corridor – improving reliability and travel time for more than 200 freight trains, 30 Metra commuter trains, and 10 Amtrak trains daily. While benefits will begin to accrue upon completion of the first portion, $474 million represents less than half the funds needed to complete both

[17] Congressional Research Service, *Freight Issues in Surface Transportation Reauthorization*, January 2019. <https://fas.org/sgp/crs/misc/R45462.pdf>

portions of the project. Completion of the full project will reduce rail and roadway congestion resulting in an anticipated $3.8 billion of economic benefits.

The INFRA program's ability to leverage the federal dollar is impressive, but a small federal ask, or likewise, a significant private contribution should not be the primary considerations when deciding to fund a project. Perhaps more important are project outcomes – we must consider the regional and national benefits of a project, not just the source of the matching funds. Projects should first be evaluated on their ability to meet the program's goals, based on measureable and objective criteria defined by Congress. Just because a project requires less federal investment, it does not mean it is the most valuable investment for the nation.

Complementary to the INFRA competitive grant program is the FAST Act's freight formula program, which allows state departments of transportation to target freight system improvements, like first and last mile connectors. Some states, such as California and Illinois, have distributed the federal freight dollars through a state-level competitive program. In Illinois, the program is funding 23 important projects statewide, including $50 million for a CREATE grade separation in Chicago that will improve safety and alleviate motorist delay at a "911 Crossing" deemed critical for emergency services to access communities in the area. In order to increase the flexibility afforded to state departments of transportation, we encourage Congress to eliminate the cap on non-highway projects, currently set at 10 percent of total funds, so each state can invest in its most pressing supply chain needs, regardless of mode. It should be noted, that even administered as a state-level competitive grant program, the formula program is not a replacement for INFRA or BUILD, which fund nationally and regionally significant projects that frequently span multiple states and jurisdictions. As stated previously, such freight projects require a federally-administered competitive approach.

Recommendations

We need a strategic freight mobility program that prioritizes the current economic needs of our country while planning for generations to come. This campaign of strategic investment should expand capacity and increase efficiency, regardless of mode or political jurisdiction. Without such a campaign, U.S. productivity and global competitiveness will suffer.

To address these needs, we respectfully recommend that Congress:

Develop a national strategy that guides long-term planning: We need a national "vision" and strategy to shape and guide our freight infrastructure needs. Such a strategy should have active coordination among states, regions, and localities and should endeavor to anticipate freight needs extending over multiple decades to allow for a smooth path for free-flowing freight both today and into the future.

An office of 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. Because the movement of goods spans different modes of infrastructure, specialized knowledge at the Federal level is essential. An office of multimodal freight will allow experts in the unique operational and economic needs of each mode to work together to make the best investments in our system. Additionally, this investment strategy should include innovative and flexible approaches to structuring federal financial assistance in a manner that encourages private sector investment.

Provide sufficient levels of funding that are dedicated, sustainable, and flexible: An investment program dedicated to multimodal freight infrastructure is necessary to ensure that public agencies can invest in their most critical goods movement needs – regardless of mode. Federal funding should incentivize and reward state and local investment and leverage the widest array of public and private financing. Funding should be based on revenue sources that are predictable, dedicated and sustained. Because they are the primary beneficiaries of any system improvements, owners of goods should be part of the revenue user-base.

Existing programs available to freight infrastructure, like the INFRA competitive grant program, are oversubscribed: in its most recent FY17/18 round, the INFRA grant program saw $12 in unique requests for every $1 available. Currently funded at an average of $900 million annually, given this level of oversubscription, we estimate the need to be closer to $12 billion in multimodal freight investment annually through a competitive grant program.

As we approach the FAST Act's reauthorization next year, we encourage Congress to not only increase the funding levels of both the freight formula program and the INFRA grant program, but to also eliminate the caps on non-highway spending under both programs. Freight does not move on highways alone – where public benefit is derived, public investment must be made. Intermodal freight is one of the fastest-growing sectors of the freight market.[18] And, it is often in the places where various modes come together

[18] U.S. Department of Transportation, *Beyond Traffic*, February 2015.
<http://www.dot.gov/sites/dot.gov/files/docs/Draft_Beyond_Traffic_Framework.pdf >

that public assistance is needed to close the funding and infrastructure gaps, which result in capacity inefficiencies and bottlenecks. Examples include highway-rail grade crossings, rail spurs to access cargo, logistics or transfer facilities, tunnels and bridges for port access, border crossing capacity enhancements, and air-freight connectors.

Implement a set of merit-based criteria for funding allocation: Projects should be selected through the use of 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 should 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. The U.S. Department of Transportation's decision-making process should be made transparent to ensure the integrity of the evaluation process.

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. We recommend that Congress consider establishing an advisory council made up of freight industry members and system users who could assist and partner with the U.S. Department of Transportation in order to optimize results from planning, coordination and evaluation processes.

Oversight of existing freight programs: We recommend Congress oversee execution of the INFRA program to ensure projects are evaluated against criteria codified in law. We commend Congress' foresight in mandating that the Government Accountability Office (GAO) publish a report on the decision making process for the first round of the INFRA grant program and encourage Congress to continue such oversight to aid decision-making transparency and adherence to Congressional intent.

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