

Testimony of
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Regarding

National Strategies for Efficient Freight Movement

SENATE COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION

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Founded in 1914, AASHTO represents the departments concerned with highway and transportation in the fifty States, the District of Columbia and Puerto Rico. Its mission is a transportation system for the nation that balances mobility, economic prosperity, safety and the environment.



Good afternoon, I am Astrid Glynn, Commissioner of the New York State Department of Transportation. Thank you for the invitation to speak today on an issue of critical importance to the nation— current and future challenges facing the efficient movement of freight throughout our nation’s transportation system and national strategies to address these challenges.

I am appearing on behalf of the American Association of State Highway and Transportation Officials (AASHTO). I chair AASHTO’s Standing Committee on Rail Transportation and am a member of AASHTO Freight Transportation Authorization Policy Team. I will also touch on some New York State issues and the activities of the I-95 Corridor Coalition.

Since the publication of the AASHTO Freight-Rail Bottom Line Report in 2002, AASHTO and its members have worked hard to respond to the increasing freight sector demand for safe, reliable, efficient and affordable transportation. Despite these efforts, the condition and performance of the transportation system is not keeping up with the increasing demands of the freight sector.

AASHTO has undertaken a number of freight transportation activities. Specifically, AASHTO has:

- Published *America’s Freight Challenge*, a report with recommendations submitted to the National Surface Transportation Policy and Revenue Study Commission;
- Organized a Transportation Vision Conference in Spring, 2007 which included substantial attention to freight transportation needs; and
- Updated the *Freight Rail Bottom Line Report* to a comprehensive freight report, currently in final draft, which contains analyses of the major freight modes as well as an overview of freight demand and logistics.

These and other materials will be provided to the Committee staff for use by the Committee.

For the Spring, 2007 Vision Conference, AASHTO convened a predominantly private sector group to produce a report. That group’s report was titled “**The U.S. Freight Transportation System in the Global Economy: Anchored in the Past—Adrift in the Future.**” The conclusions and recommendations were on two dimensions—the improvements needed in the freight transportation system and, changes needed in politics and government to accomplish these improvements.

In the first of these dimensions they recommended:

- Expanded and targeted highway capacity;
- Integration of private supply-chain management and public infrastructure;
- Increased freight rail capacity;
- More efficient port operations;

- Improved intermodal connections;
- Coordinated multimodal/multistate corridors; and
- Strategically located intermodal facilities.

But, they said, it will not be possible to achieve these objectives unless political and institutional obstacles are overcome, including:

- Lack of national leadership;
- A weak Federal role;
- Absence of a clear consensus on a vision of the freight system and its performance;
- Fragmented Congress;
- U.S. DOT modal stove pipes;
- A disconnect between business and government;
- Lack of multi-state collaboration;
- Projects which have a national benefit of transportation projects, yet but whose costs are borne locally; and
- Local fragmentation and parochialism.

Business has entered the 21st Century, while the U.S. freight transportation system that supports it was built for the 18th, 19th, and 20th Centuries. While the United States still has the most fully developed, efficient, and productive transportation system in the world, it is showing signs of age, over-use, obsolescence, and fragmentation. Although transportation and logistics are fundamental elements of the manufacturing and retail sectors, the transportation system not well-integrated with contemporary supply-chain management practices.

Emerging world economies are investing in transportation and intending to leap into the future while the United States patches up the past. Every mile of highway, railroad, and waterway, every acre of seaport is operating in the global economy and, depending on its condition and performance, either helps or hinders America's global competitiveness.

Some say that by the middle of this century, the U.S. economy will no longer be the world's largest. Is America in decline? Investment in a 21st Century transportation system is one of the actions needed to avert decline. The challenge now is to think differently and to execute that new way of thinking effectively and expeditiously.

For nearly a decade we have been dwelling on the national freight transportation problem. By now, everything has been said and everyone has said it. We must translate the agreement that there is a problem into a commitment to action. Now is the time to solve it. If we don't we will pay a high price.

The demand for freight transportation to support economic growth will nearly double between 2005 and 2035 (see chart). Measured in tons, freight demand will grow from 15 billion tons today to 26 billion tons in 2035, an increase of 89 percent. Measured in ton-miles (a ton of freight moved a mile counts as one ton-mile), freight demand will

grow from 6 trillion ton-miles today to 11 trillion ton-miles in 2035, an increase of 92 percent. The table attached shows the freight tonnage forecast by mode for 2005 through 2035.

The effects of rapid growth in demand and limited growth in system capacity for all modes are increased congestion, increased costs and less reliable trip times. This, in turn means increased costs for manufacturers, higher import prices, and a need for businesses to hold more expensive inventory to prevent stockouts. The effect on each individual shipment or transaction is usually modest, but over time these costs add up to a higher cost of doing business for firms, a higher cost of living for Americans. And it makes it more difficult for our nation to compete in the global marketplace,

Constraints on freight transportation infrastructure for all modes have contributed to a disturbing rise in total logistics costs—the first in 25 years. In 1980 these costs totaled about 16 percent of the gross domestic product (GDP). Infrastructure investment, deregulation, and advanced logistics practices combined to reduce logistics costs to less than 9 percent in the first years of this century, reflecting increases in efficiency and capital released for other investment that produced a significant spur to economic growth. Now we are headed in the opposite direction, with logistics costs now at about 10 percent- before the recent significant increase in the price of diesel fuel.

The performance of the nation's freight transportation system is critically important. It directly affects:

- **Economic Development and Jobs** – Cost-effective and reliable freight transportation gives industries and businesses a competitive advantage in the global economy by providing them the ability to deliver products at lower cost and reach larger markets. This translates into more jobs, greater profitability, and better growth prospects. Poor freight transportation performance means smaller markets, fewer jobs, and limited economic development opportunities.
- **Standard of Living** – The freight transportation system delivers an immense range of food, clothing, tools, materials, and services to our homes and businesses. Consumers enjoy an unprecedented variety and quality of products because producers are able to manufacture, trade, and distribute across local, national, and global markets. Poor freight transportation performance means higher costs, less choice, and a lower standard of living for all citizens.
- **Communities** – Freight transportation is heavy industry. A well-performing and innovative freight transportation industry means less congestion, fewer air pollutants and greenhouse gas emissions, quieter operations, and greater safety in our communities. Poor freight transportation performance leads to degradation of community health and safety.
- **Military Capability** – The freight transportation system that supports the nation's civilian economy also supports the nation's military. It ensures a ready and reliable supply of materiel and gives the military the mobility to operate effectively at home

and abroad. Poor freight transportation performance means less mobility, higher cost, and greater risk.

The public sector has a major role in the freight transportation system: it owns and operates the highways; owns and manages most of the nation's ports, waterways, and airports; regulates the rail and pipeline systems; and oversees the security of all freight transportation facilities and freight carriers. It has an immense social, economic, and environmental stake in the condition and performance of the freight transportation system.

The nation is entering the early stages of a freight transportation capacity crisis. But the public sector is poorly positioned to deal with the emerging crisis because there is:

- No clear and consistent description of the national freight transportation system, its performance, and investment needs;
- Insufficient public sector knowledge of freight transportation and supply chain management and their importance to businesses and economic growth;
- Lack of coordinated public and private actions on freight transportation policies, programs, and finance; and
- Lack of public sector focus on transportation operations.

As a nation, we rely upon a legacy of 300 or more years of transportation investment to deliver the promise of an economy of the future. Our most recent major investment, the 50-year old interstate highway system, was laid on top of a 19th century rail system. As a direct result of that federal investment, the rail system adapted and shrank, leaving thousands of modal disconnects that would be unjustifiable and inconceivable if the network were designed today. The reduction in rail track mileage, the increase in rail traffic (both passenger and freight), and changes in the operating strategy of the freight railroads have resulted in more and longer trains operating at reduced speeds, creating more conflicts with highway movement, increased safety risks, bifurcation of communities, and exacerbation the problems of urban traffic circulation. Some of the best-known freight projects or programs—the Alameda Corridor, CREATE, and the Seattle-Tacoma FAST Corridor-- are largely grade separations and crossing upgrades that also benefit highway operations and safety. In areas fortunate enough to have robust commuter rail and intercity passenger rail, the conflicts are between passenger and rail customers each trying to use the same constrained system.

Most of the nation's gateway seaports and other major modal and intermodal freight traffic generators established over the past three centuries are now embedded in densely populated urban areas. Most cannot be moved. Their efficiency has been compromised by the characteristics of their surroundings which present obstacles to linking with these important freight gateways with the national highway and rail systems. The lack of connectivity leads to substantial negative environmental impacts on local communities. Many of those negative impacts can be mitigated by improving the transportation connections between these freight gateways and the core national transportation system.

Deficient intermodal connectors were identified at the time the National Highway System was designated in the mid-1990's. In the decade since there has not been a systematic, national strategy to address the local burden of transportation facilities which provide national benefits.

Since the interstate highway system was originally envisioned and built in the 1950's, the nation's population has increased, population growth has shifted, the number of vehicles and vehicle miles travelled (VMT) has increased disproportionately, and the trucking industry has grown and evolved in ways that no one did or could have predicted. Today, we have a number of interstate highway chokepoints, principally at the intersection of Interstate highways and in major metropolitan areas, which produce sizable costs to the economy in the form of delay and unreliability in freight shipments. The highway chokepoints also affect the movement of people. Individual states and localities cannot absorb the full burden of financing the maintenance, operations, and improvements to the highway system that is the foundation of interstate commerce.

It is important to note that each of these examples involves both freight and passenger mobility. It is impossible to separate the freight and passenger transportation issues and our dual-use infrastructure compels us to seek solutions that are beneficial to both. That is why AASHTO made the following recommendation to the National Surface Transportation Policy and Revenue Study Commission:

Establish a National Rail Transportation Policy. Intercity passenger and freight rail are critical components of the nation's surface transportation system. Current rail capacity is not sufficient to meet passenger or freight needs. It is imperative that a national rail policy be developed which addresses institutional roles, passenger and freight capacity, and new non-Highway Trust Fund funding and financing options.

We are competing in the global economy, and the health of our national transportation network is critical for our competitiveness.

Growth in trade volume has been substantial and is continuing (see chart). From a transportation perspective, however, what is equally important is the changing trade patterns which affect freight movement. Trade is not simply growing- it is coming from different origins, bound for different destinations, requiring a response to both the growth in volume and the shift in trade patterns. A look at the changes in the ranking of national economies around the world makes clear the challenge of investing in transportation infrastructure that will meet import and export needs in the future. (see chart)

One of the important drivers of the growth of the economies of other nations is infrastructure investment. China and Europe, our two largest competitors and with very different governmental/political systems are carrying out national programs of transportation infrastructure investment in support of their economic objectives. China, with a population of 1.3 billion, is building a 53,000-mile National Expressway System which, when complete in 2020, will rival the 47,000-mile US Interstate Highway System. India, with a population of one billion, is building a 10,000-mile national expressway

system. Europe, with a population of 450 million, is spending hundreds of billions of euros on a network of highways, bridges, tunnels, ports, and rail lines.

The United States must significantly increase its financial commitment to her transportation system if we are to remain a world economic power.

State Freight Initiatives

State Departments of Transportation, local governments, and the freight transportation industry have collaborated on many important projects and programs to nudge the freight transportation system into the 21st century. Four of the most notable are the Chicago CREATE program, the FAST Corridor and the Alameda Corridor.

Chicago's CREATE Program—The seven Class I railroads, Amtrak, Metra, the City of Chicago and the State of Illinois are cooperatively planning and financing a program of projects including 15 new overpasses to separate motor vehicles from train tracks, six new overpasses to separate freight-rail trains from passenger-rail trains, and extensive upgrades to tracks, switches, and signals. The program, which costs \$1.5 billion will greatly reduce the time needed to transfer freight between the eastern and western railroads and will address the freight and passenger transportation problems arising from 19th century infrastructure operating in the 21st century.

The FAST Corridor--In the Seattle–Tacoma Washington region, the FAST corridor network seeks to tie together overcrowded port, highway, and rail connections at the nation's third busiest international freight portal. The Puget Sound ports serve the entire nation with up to 75 percent of the containers entering its ports moving to rail with destinations outside of Washington State. More than \$60 billion in imports and \$12 billion in American exports used the Washington State ports in 2004. The Washington State DOT, the Puget Sound Regional Council, and the freight industry developed and are carrying out a multiyear, multimodal program of projects. Since 1998, the public–private coalition has invested \$568 million of public and private funding for strategic freight mobility infrastructure improvements in the FAST Corridor. Another \$300 million is needed to complete the remaining 16 of the 25 of the priority Corridor projects.

The Alameda Corridor—The Alameda Corridor is the grandmother of the intermodal connector projects. The ports of Long Beach and Los Angeles handle more than 64 percent of Asian container imports and nearly 25 percent of all U.S. imports. The Alameda Corridor project built a state-of-the art rail access network to the ports. It consists of a 20-mile long rail expressway—basically a large-grade separation project—linking the Ports of Long Beach and Los Angeles to the nation's rail network near downtown Los Angeles. It consolidated four branch line railroads and eliminated more than 200 at-grade crossings. The financing for the \$2.4 billion project, which included a \$400 million federal loan, was backed by a fee on every container moved. Traffic exceeded the projections, making it possible to retire the original Federal loan 28 years early. Trains moving through Corridor in 2006 hauled about 5 million TEUs, up by 32 percent from 2005.

New York State Freight Initiatives

New York exemplifies a multi modal approach to address to the projected exponential growth in freight.

It is often said that the greatest challenge for freight is the last mile. This is particularly true in major metropolitan areas, where highway congestion is the greatest threat to freight mobility. New York City is one of the most truck dependant major cities in the nation. This is directly attributable to its geography. New York City is an archipelago- a series of islands. Of the five boroughs, only the Bronx is on the mainland. Goods need to reach this huge consumer market through a very constrained highway, transit and rail network serving both the consumers and the goods that they want. The more we are able to move people by transit, the more scarce urban highway capacity we can make available for trucks. The interrelationship between transit and efficient goods movement is not unique to New York City- it is a factor in every major metropolitan area across the country.

New York is also working with Class I railroads and shortline railroads to improve rail freight service. In our draft statewide rail plan, New York is proposing the following goals for 2020:

- Increase freight market share by 25 percent, reducing growth in truck traffic and energy consumption;
- Increase state investment in intermodal facilities and in “last mile” connections;
- Allow modern freight cars to access the New York metropolitan area and Long Island, eliminating 300,000 truck trips from the region’s highways each year;
- Develop at least three new intermodal facilities/inland ports across the state serving the rapidly growing container segment of freight movement;
- Increase the use of rail to transport hazardous commodities, taking advantage of the well-documented safety benefits of rail; and
- Establish the first “green” shortline locomotive fleet in the nation, by deploying a fleet of Low Emission Locomotives. Low emission locomotives have been developed for light duty yard operations. Low Emissions Locomotives can reduce fuel usage by 25 to 35 percent and reduce emissions by up to 80 percent.

New York has a strong commitment to transportation system operations to support the movement of freight. New York, working through the I-95 Corridor Coalition, is undertaking the first multi-agency permanent demonstration and deployment of Commercial Vehicle Infrastructure Integration (CVII) in the nation. The Vehicle Infrastructure Integration (VII) Program is a cooperative effort between the USDOT, State governments and the automobile industry to develop and test an information technology that uses the most advanced communications technologies to exchange real time information between the roadside and vehicles to improve safety and mobility. VII systems can warn a driver when it is not safe to enter an intersection, or when a vehicle is following too close behind another vehicle. Vehicles can serve as data collectors and anonymously transmit traffic and road condition information from major roads in the transportation network. Such information can help transportation agencies and emergency responders implement active strategies to reduce congestion and save lives. New York’s CVII project, developed under real world conditions, will involve driver

identification and verification using the Transportation Worker Identification Card (TWIC) and biometrics integrated with the operating system of the truck. It will demonstrate and test additional dashboard safety indicators with more direct vehicle safety data such as tire pressure and brake status. It will also provide real-time safety warning to the truck driver such as work zones and speed reduction zones. The New York State CVII will be features at the ITS World Congress in New York City this November.

New York is committed to moving goods safely. Working closely with the New York Motor Truck Association, New York State DOT developed the One Stop Credentialing and Registration system, known as OSCAR, the gateway to New York's motor carrier safety system. Five state agencies collaborated to design a one-stop shopping website which allows the industry a single point of contact to apply, change, pay for, and receive operating credentials for Highway User Tax (HUT), International Fuel Tax Agreement (IFTA) , and International Registration Program (IRP). OSCAR is also the gateway for truckers to apply for oversize/overweight permits, and it provides a link to the Department of Motor Vehicles for commercial driver's licenses.

Finally, New York is working with other states, neighboring Canadian provinces, as well as federal agencies to address the impacts of land border crossings on the movement of goods within our regional marketplace. We are particularly interested in making sure that the gains of faster travel and fewer tariffs are not lost to the needs of greater security. Transportation supports a global economy. Increased federal support for infrastructure improvements at major ports of entry for trade and travel is critical to our nation's ability to compete in the global economy. This includes the major seaports, airports and international border crossings that carry global trade to/from the U.S.

In New York City, the impact of global trade is evident. JFK International Airport ranked first in the nation in a 2004 ranking of all U.S. freight gateways with \$125 billion in shipments. The Port Authority of New York and New Jersey (PANYNJ) handled 4.8 million TEUs (twenty foot equivalent units) in 2005 – third-largest in the U.S. after Los Angeles and Long Beach. Of all the U.S. trade by vessel and air (\$1,773 billion), 16 percent (\$283 billion) moves through the New York-New Jersey region. This trade does not stay within the New York City metropolitan area. It travels throughout the region, the country and around the world. About half of the international cargo at PANYNJ originates from or is destined for locations beyond the 26 county PANYNJ region.

Similarly, nearly one quarter of all U.S. Canadian trade (the largest bilateral trading relationship in the world) passes through New York State's northern and western ports of entry. Nearly 80 percent of this trade either originates in or is destined for states outside of New York.

The federal government needs to bear a share in the cost of maintaining and improving transportation access through these facilities in relation to the benefits that accrue to the national economy. Localities should not be solely responsible for the cost of infrastructure at these ports of entry. While the direct impacts are local, much of the benefit of this trade is received elsewhere. Gateway projects can cost hundreds of

millions, even billions of dollars. To expect states to fund these improvements through existing resources is unrealistic. There is a national role in funding national benefits.

Multi-State Freight Initiatives: The I-95 Corridor Coalition

Freight has always been a multi-state enterprise and New York is fortunate to be able to collaborate with transportation agencies along the entire Eastern Seaboard on freight issues through the federally-funded I-95 Corridor Coalition. New York was a founding member of the I-95 Corridor Coalition, a coalition of transportation agencies from Maine to Florida plus the Canadian provinces of Quebec and New Brunswick. The 15 states on the I-95 corridor also contain 40,000 national highway system miles, 31,000 miles of rail lines, both freight and passenger, 46 major seaports, and 103 commercial airports.

Population growth and economic growth have put an increasingly heavy burden on all modes of transportation. In response the I-95 Corridor was formed, initially as a means of coordinating on intelligent transportation systems initiatives across states lines. It has evolved into an institution that “provides a forum for key decision and policy makers to address transportation management and operations issues of common interest,” with a high priority for relieving congestion on the region’s highways by enhancing the capability of other modes to shoulder a greater share of freight movements in the region. The I-95 Coalition has undertaken a number of studies to assess capacity and performance of its highway, rail, and maritime modes. The Coalition is an excellent example of a coordinated effort to address the transportation challenges arising from increasing congestion and constrained capacity in a large region

Under the auspices of the I-95 Corridor Coalition all modes of transportation within the Corridor have been analyzed. These analyses include the following:

- Highway Bottlenecks Study—Analysis currently in progress will identify the passenger and freight highway bottlenecks that are most severely impacting regional, long-distance travel in the Coalition region.
- Mid-Atlantic Truck Operations Study (MATOps)—Will provide a detailed analysis of truck movements through the Mid-Atlantic region and identify bottleneck/chokepoint locations that impede the flow of truck traffic through the Mid-Atlantic region .
- Mid-Atlantic Rail Operations Study (MAROps)—An examination of rail system performance through the Mid-Atlantic Rail Operations Study (MAROps), involving five states (Delaware, Maryland, New Jersey, Pennsylvania, and Virginia), and three railroads (Amtrak, CSX Transportation, and Norfolk Southern).
- Northeast Rail Operations Study (NEROps)—The Coalition is studying the rail network in New York and the New England states (Maine, New Hampshire, Vermont, Massachusetts, Connecticut, and Rhode Island). The NEROps study is describing the current and future demand for freight and passenger rail service in the region as well as examining the current and planned supply of freight and passenger rail service.

- Southeast Rail Operations Study (SEROps)—The Southeast Rail Operations Study (SEROps) is completing the rail picture in the Coalition region by identifying and describing key rail issues, activities, and initiatives as well as the trends and issues affecting freight movements and freight and passenger rail transportation in the Southeastern states (North Carolina, South Carolina, Georgia, and Florida).
- Short-Sea and Coastal Shipping Options Study—Provided to state DOTs and MPOs a better understanding of how short-sea shipping fits within local, statewide, and regional transportation systems. One of the key outcomes was a preliminary identification of commodity types and general traffic lanes that could be amenable to short-sea shipping operations.
- The most substantial and notable of these analyses has been the Mid-Atlantic Rail Operations Study (MAROpS) The study identified over 70 major rail choke points within the Mid-Atlantic rail system. These included:
 - Antiquated and undersized bridges and tunnels.
 - Lack of capacity on critical segments of freight and passenger lines.
 - Inadequate vertical clearances for double-stack container traffic on freight mainlines
 - Inadequate connections between rail lines. Congested grade crossings, stations, yards, and terminals.
 - Outmoded and inadequate information and control systems.

The MAROps study defined a 20-year, \$6.2 billion program of rail improvements aimed at improving north-south rail transportation for both passengers and freight in the Mid-Atlantic region and helping reduce truck traffic on the region's overburdened highway system. In a follow-up study in 2004, the benefits from the MAROps program improvements were estimated at \$12.8 billion—about a 2-to-1 benefit-cost ratio. The benefits included:

- \$2.9 billion in direct shipper benefits due to reduced freight transportation costs;
- \$6.3 billion in direct savings due to reduced highway congestion for vehicles still on the road—\$0.8 billion for trucks, \$0.7 billion for work-related auto trips, and \$4.8 billion for non-work auto trips; and
- \$3.7 billion in indirect economic benefits generated throughout the economy by these transportation savings.

Other State Freight Initiatives

In addition to these well-known initiatives, virtually every state is actively planning, organizing, collaborating and investing to make the freight system more efficient and productive. States are planning, organizing, collaborating, and investing.

Planning—States such as Minnesota, Washington, Ohio, Oregon, California, New Jersey, Vermont, New Jersey, and Virginia have completed or initiated freight transportation to plans as a basis for establishing investment priorities.

Organizing—A number of states have established a unit within their departments of transportation through which to develop and carry out a freight transportation program. They include Louisiana, Maryland, Maine, Pennsylvania, Minnesota, Washington, and Oregon.

Collaborating—Because freight transportation operations and much freight transportation infrastructure lie in the private sector states are initiating freight advisory committees to strengthen the link with government. They are well-established in Oregon, Colorado, and Minnesota and in the early stages in a number of other states.

Investing—Florida, New York, Virginia, Mississippi, Pennsylvania, Oregon, and California have recently created or expanded freight financing programs that either focus on rail or are available for investments in all freight modes.

States are acting to address the challenges of moving freight more efficiently, economically, and reliably, but our efforts do not aggregate into a national strategy and our resources are not sufficient to meet the national need.

AASHTO Policy Recommendations

We need to move forward as a nation, but to do so with confidence we need a better map. The fact that we agree on the problem (i.e., that we have severe, costly, constraints on efficient freight movement) does not automatically yield a well-funded, strategic nationwide freight investment program. AASHTO's Bottom Line work has produced maps that show the most serious chokepoints for highway, rail, and port landside connections and corridors. (maps attached) We need to consolidate this and other analyses into a fully-funded nationwide investment strategy that identifies and stages the investments that will produce the maximum benefit for the national system. This is no small task, but it should be undertaken now. A national strategy, involving federal, state, and local governors and the private sector requires a common national understanding to guide investment.

In closing, I want to outline several of AASHTO's policy recommendations.

Surface transportation investment needs to be increased to the levels required to keep the United States competitive in the global economy and meet America's 21st Century mobility needs. and 2025, it means increasing highway and transit funding toward the "cost-to-improve" goal estimated by the US DOT. Expressed in "year of expenditure dollars" the 2025 goal for highways would be \$242 billion per year and transit would be \$49 billion per year.

The only way those levels of funding can be achieved, is for all levels of government—federal, state, and local—to continue to fund their historical shares of what is needed. Over the past decade the federal government has provided approximately 45 percent of highway and transit capital funding, while 55 percent has been provided by state and local governments. A significant increase in Highway Trust Fund revenues will be required to avert a major cutback in highway and transit funding, restore the program's purchasing power, and enable future improvements.

AASHTO also supports an increase federal transportation funding assistance to states and their local governments through tax credit bonding. This mechanism could be particularly helpful new source of federal revenue to allow states to make investments in rail passenger and freight improvements.

AASHTO supports additional federal government financing for freight-related investments, including freight gateways, connectors, corridors, and border crossings. With state involvement, AASHTO also supports tax incentives for new investment in freight-rail infrastructure by rail companies, with state involvement, and funding to states for participation in public-benefit rail improvements.

As a nation, we must ultimately transition to a diversified portfolio of federal revenue sources. We must examine, analyze, and select alternative funding mechanisms to meet the financial needs of the nation's transportation systems into the foreseeable future. A comprehensive, sustainable, diversified portfolio of federal revenue is needed to address the diverse investment needs of the Nation's surface transportation system, i.e. its highways, transit systems, railroads, and ports.

Because freight moves irrespective of local, state, and national borders the federal government should provide support for a multi-state/regional investment mechanism to fund and finance improvements to regionally and nationally significant freight projects, where costs are in a single state, but benefits accrue to several states.

The federal government should encourage the private sector to invest in operational and capacity improvements that can relieve freight bottlenecks and improve the flow of goods and services. The federal government should also provide support for state efforts to relieve critical freight chokepoints through investment in projects such as truck lanes and intermodal connectors.

AASHTO's Board has also concluded that the states, in collaboration with the freight transportation industry and the federal government, should investigate the feasibility of regional adjustments in truck size and weight in particular corridors that demonstrate important economic benefits and meet safety, pavement/bridge impact and financing criteria.

Given the realities of the current state of the Highway Trust Fund and the necessity to maintain and improve the existing infrastructure through the core programs currently authorized by SAFETEA-LU, revenues for major freight investments such as those identified above will necessarily be derived from sources other than the current fuel tax. We should calculate the value that freight transportation adds to the economy and devise means of tapping that value for the needed capital investment.

Mr. Chairman, Members of the Committee, the importance of the subject you have under discussion today would be hard to exaggerate. It is in the interest of us all to take on the challenge as vigorously and effectively as we can. On behalf of the AASHTO member states, I promise that we will work with you in that effort.

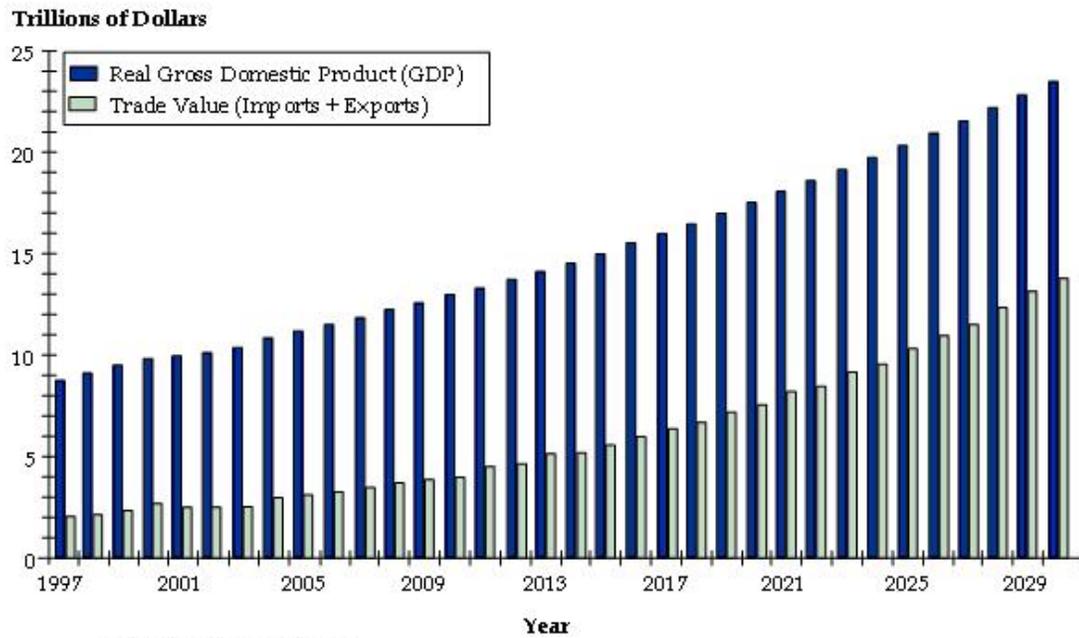
Charts

Freight Demand by Tons and Ton-Miles 2005 to 2035

	2005	2015	2025	2035
Freight Tons				
Air, truck, rail, and water	15.3 Billion	19.0 Billion	23.0 Billion	29.0 Billion
Growth from 2005		23.5%	50.1%	88.9%
Modal Shares of Tonnage				
Air	0.1%	0.1%	0.1%	0.1%
Other (pipeline, multiple modes)	1.3%	1.3%	1.2%	1.1%
Water	7.4%	7.0%	6.5%	6.0%
Rail	14.2%	14.2%	13.5%	12.8%
Truck	77.1%	77.4%	78.7%	80.1%
Total	100.0%	100.0%	100.0%	100.0%
Freight Ton-Miles ^a				
Air, truck, rail, and water	5.84 Trillion	7.12 Trillion	8.70 Trillion	11.23 Trillion
Growth from 2005		22%	49%	92%
Modal Shares of Ton-Miles				
Air	0.3%	0.3%	0.3%	0.3%
Other	2.7%	2.7%	2.4%	2.0%
Water	11.4%	10.6%	9.6%	8.4%
Rail	25.1%	25.7%	25.1%	24.1%
Truck	60.6	60.7%	62.6%	65.2%
Total	100.0%	100.0%	100.0%	100.0%

Source: Global Insight, Inc., TRANSEARCH 2004, with Global Insight economic forecasts.

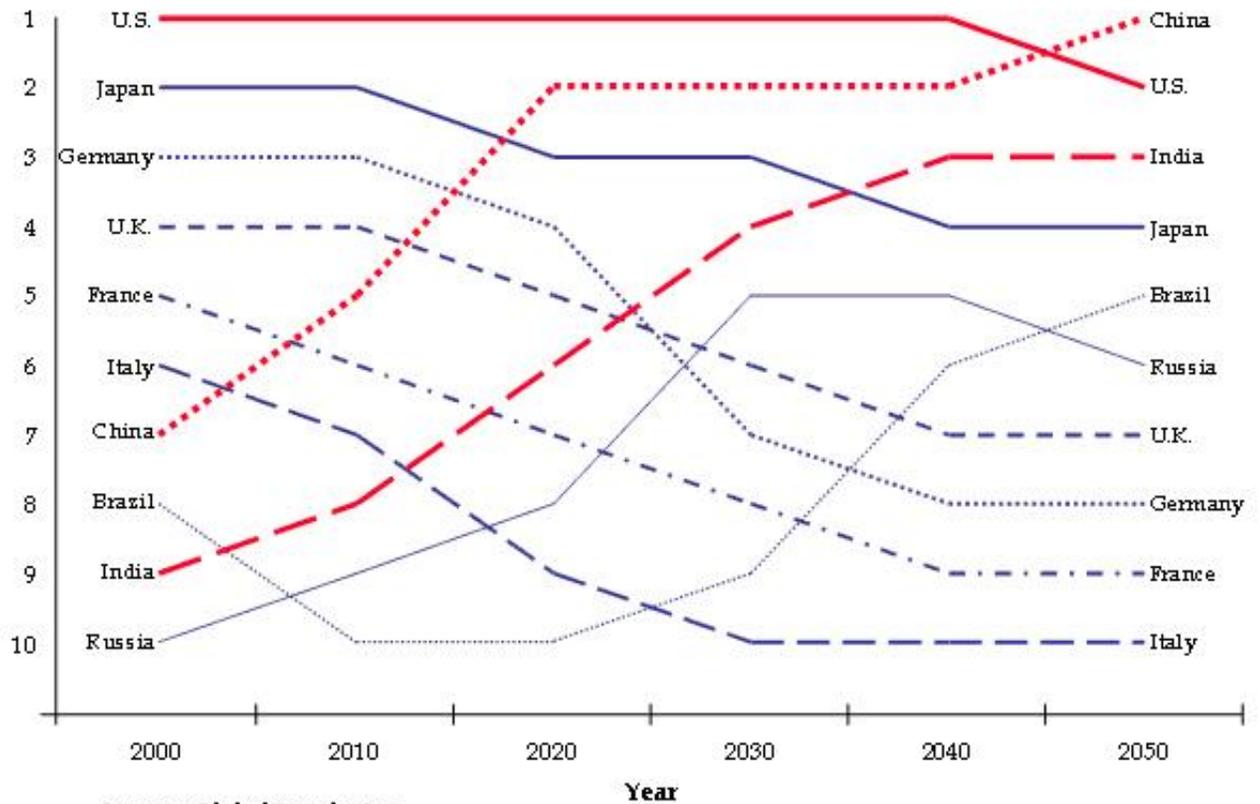
Value of U.S. Global Trade Compared to U.S. GDP



Source: Global Insight, Inc.

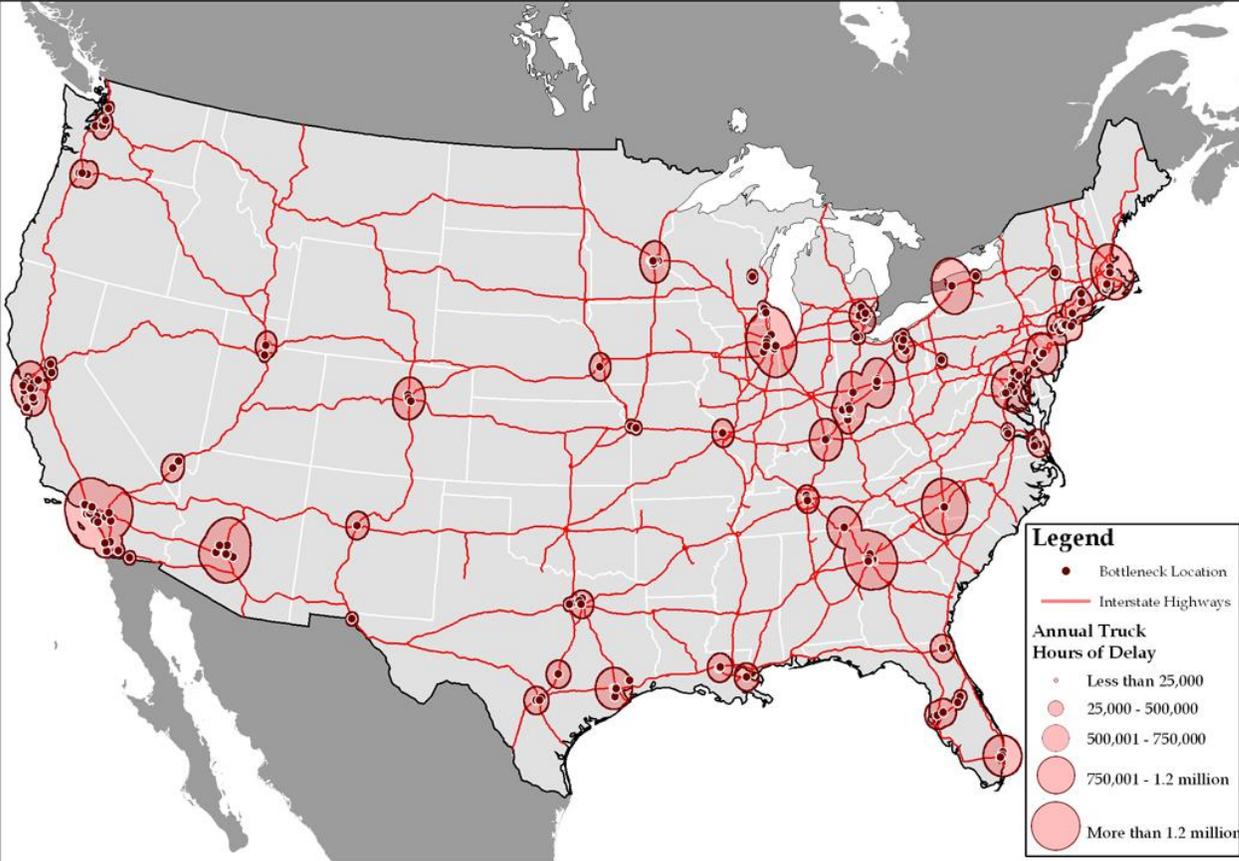
Projected GDP Growth Rates for Top Ten Global Economies

Country GDP Rank Based on Billions of Real (2003) U.S. Dollars

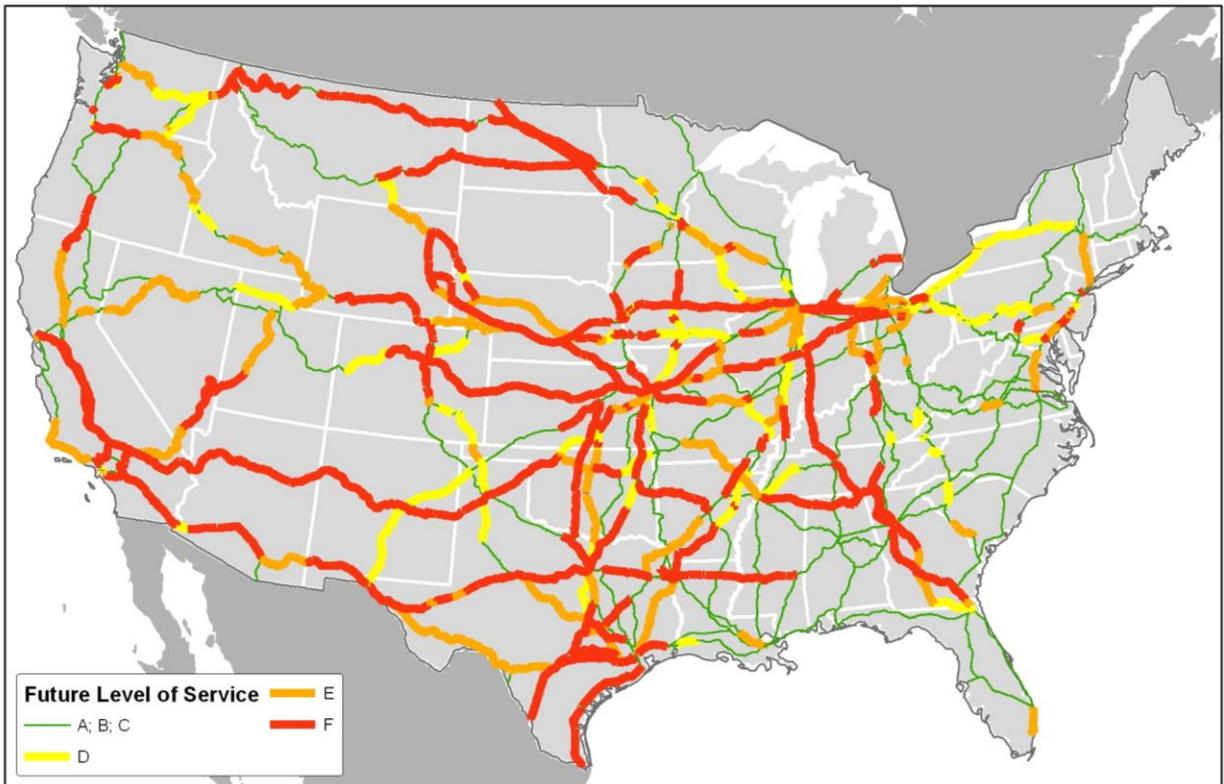


Major Freight-Truck Bottlenecks

2004



9 Future Rail Corridor Volumes Compared to Current Corridor Capacity
2035 *without additional investment*



Freight Transportation Policy

Basic Propositions

- Efficient and reliable freight transportation is critical for global economic competitiveness and essential for domestic economic prosperity and an improving quality of life.
- International trade as a percentage of the nation's GDP has doubled in the last two decades and will increase by at least another 50 percent by 2020, adding to the volume of freight, the distance of freight trips, and significant change and volatility in origins and destinations of freight traffic.
- In recent years a number of "red flag" events have demonstrated that the nation's freight transportation system requires immediate, sustained, and significant action.
- The infrastructure capacity – physical and operational – of all modes of transportation has not expanded with increasing demand and will fall far short of meeting future demands of freight transportation
- Substantial investment and improved operations by both private business and government will be required to avert even more severe capacity constraints.
- State and local transportation officials are confronted with the challenge of providing infrastructure to address large and shifting traffic increases generated by ports, inland terminals and mega-distribution centers
- States are central to the effort to strengthen the national freight transportation system as a result of their ownership and management of the highway system that carries the largest portion of freight and makes the essential connections to the other modes.
- States are increasingly engaged and active in response to the freight transportation challenge and their efforts should be strengthened and expanded.
- SAFETEA-LU contains a number of authorizations important for freight transportation which should be implemented in a coordinated and energetic fashion.

- Investment in the major elements of the freight transportation system—highway, rail, port, waterway, and air—through current programs must be increased, but these programs will not be sufficient to meet the need.
- New sources of revenue and new forms of financing must be developed and deployed.
- The Federal government should be responsible for the “national” benefits share of investment resulting from trade agreements, international ports, border crossings, major national freight transportation gateways, and substantial security requirements mandated for freight facilities.
- New forms of Public-Private and Public-Public Partnerships will be needed to address challenges that do not conform to government jurisdictions, geographic boundaries, or the traditional dividing line between government and business.
- Plans and projects for freight transportation investments must fully incorporate environmental, community-impact, land use and energy considerations.