

Summary: “Freight Movement: Assessing Where We Are Now And Where We Need To Go.”

Senate Committee on Environment and Public Works Subcommittee on Transportation and Infrastructure

December 20, 2017

Participants:

- Chris Spear, President and CEO, the American Trucking Associations
- Mark Policinski, CEO, Ohio-Kentucky-Indiana Regional Council of Governments, Coalition for America's Gateways and Trade Corridors
- Tim Parker Jr., Chairman, Parker Towing Company, Waterways Council
- David Thomas, Deputy Executive Director of Logistics and Port Operations, Maryland Department of Transportation, Maryland Port Administration

Opening Statements

Chairman Inhofe (R-OK) said the economy has been doing well under President Trump but that growth will only continue if infrastructure is maintained and expanded for the future. In 2016, 18 billion tons of freight worth \$19 trillion moved across the U.S., numbers that are expected to grow significantly in the next 30 years. He said that there currently is a \$2 trillion infrastructure gap in the U.S. Last Congress the EPW Committee successfully passed the Fixing America's Surface Transportation Act (FAST) Act, and appropriated \$300 billion for projects – including \$6.3 billion in freight formula funding and \$4.5 billion in grant programs to improve freight movement. However, Chairman Inhofe noted that current investment is not enough.

Ranking Member Cardin (D-MD) said the U.S. was built on our economic strength and noted that in order to maintain our economic standing globally, Congress must strengthen roads, rail, waterways and airports. Infrastructure investment is needed to meet the growth of freight over the next 30 years. Trucks waste hours annually due to congestion, costing the industry approximately \$28 billion a year. He said Congress must address aging locks and dams in inland waterways and increase dredging and modernize ports. He noted that U.S. businesses depend on transportation and infrastructure investment to move and sell goods and that such investment would not be possible without strong federal partnership.

Full Committee Ranking Member Carper (D-DE) said Congress must find a cost effective way to pay for infrastructure investment and called on EPW to work towards a solution in any new infrastructure package.

Chris Spear, President and CEO of the American Trucking Associations, illustrated highway freight needs by running through a number of statistics aimed at projected growth, wasted hours, and economic consequences (all can be found in his written testimony, [here](#)). Mr. Spear noted that the Highway Trust Fund (HTF) is projected to run short of necessary revenues by Fiscal Year 2021. The U.S. spends less than half of the critical funding necessary. The ATA proposed the Build America Fund, supported with a new

20 cent per gallon fee built into the price of transportation fuels collected at the terminal rack, to be phased in over four years. This would stabilize the HTF. He recognized that the fuel tax is a diminishing return, so new funding sources will need to be studied and developed. Mr. Spear said that ATA unequivocally supports strong federal partnership and criticized federal inaction for allowing states to create a maze of added compliance costs that impede on the trucking industry's ability to grow and support the economy. He said that state preemption is a top priority of trucking companies.

Mark Policinski, CEO of the Ohio-Kentucky-Indiana Regional Council of Governments (OKI) and member of the Coalition for America's Gateways and Trade Corridors (CAGTC), described OKI's role as a metropolitan planning commission for the greater Cincinnati region with final authority over all federal spending on surface transportation. He noted that the OKI region is home to the nationally significant Brent Spence Bridge, a linchpin on the I-75 Corridor, connecting Michigan to Miami and carrying \$1 billion in goods daily. The bridge is overcrowded and approaching structural deficiency and is a prime example of the need for freight investment. He noted that investment in infrastructure cannot be shouldered by states, localities and the private sector alone but requires federal investment. The Constitution's Commerce Clause calls on Congress to make investments to support interstate commerce. He applauded the Committee's prioritization of freight in the FAST Act and called it a down payment on U.S. freight needs. However, more is needed to keep pace with a growing, global economy. He noted that China outspends the U.S. by four times on infrastructure. The FAST Act created a freight formula program and a competitive grant program for large, multimodal programs. He said competitive grants encourage applicants to bring their best ideas forward and incentivize the use of nonfederal dollars. However, he emphasized that just because a project is more "affordable" to the federal government does not mean it is the best investment for the nation. He called for projects to first be evaluated on their ability to meet congressionally defined program criteria. Mr. Policinski then made five recommendations for the subcommittee:

- A national vision and investment strategy should shape and guide the nation's freight infrastructure system, with active coordination among states, regions, and localities. He also called for a focus on multimodal freight to be established within the U.S. Department of Transportation's (USDOT) Office of the Secretary to guide freight policy and programming with a particular focus on projects of national significance that aid in the movement of commerce.
- Provide dedicated, sustainable, and flexible funding for investment in the U.S. freight network. He noted that freight investment has much larger ROI than other transportation spending but that existing grant programs like INFRA and TIGER are vastly oversubscribed. He called for a minimum annual, direct fed investment of \$2 billion over current levels. He also asked Congress to eliminate caps on non-highway spending under the freight formula and INFRA grant programs, noting that freight does not move on highways alone.
- Successful grant applications must meet merit-based criteria that prioritize projects with a demonstrable contribution to national freight efficiency.
- Congress should oversee FAST Act implementation to ensure investment aligns with Congressional intent and that there is sufficient decision-making transparency. Despite Congress' development of strong, merit-based criteria for INFRA, the U.S. Government Accountability Office was unable to determine USDOT's rationale for selecting the first rounds' 18 awarded projects.
- Lastly, establish a partnership with private sector. Funding should leverage private participation and provide the largest possible toolbox of financing options. An advisory council of freight

industry members and system users could assist USDOT to foster partnerships with the private sector.

Tim Parker, Jr., Chairman of Parker Towing Company and representative of the Waterways Council, said the inland waterways transportation system is made up of 12,000 miles of commercially active waterways. Of this total, nearly 11,000 miles comprise the “fuel-taxed portion” of the system, on which commercial operators pay a diesel fuel tax that is deposited into the dedicated Inland Waterway Trust Fund. The tax was raised in 2015 to its current level of 29 cents per gallon. He said it pays for half the cost of new construction and major rehabilitation of the fuel-taxed waterways’ infrastructure, including projects on locks and dams as well as projects involving channel deepening. He applauded the Committee for prioritizing the return of the Water Resources and Development Act (WRDA) schedule to a two year cycle. He noted that WRRDA 2014 included important policy changes, particularly the cost-share policy for Olmsted Locks and Dam.

David Thomas, Deputy Executive Director of Logistics and Port Operations at the Maryland Department of Transportation/Maryland Port Administration, said the Port of Baltimore is one of the busiest and most diverse seaports in the United States, with six public marine terminals and 30 privately-owned marine terminals. The port handled 31.8 million tons of international cargo in 2016, valued at approximately \$49.9 billion, and expects to surpass those totals in 2017. Going forward, he said the Port needs double stack rail clearance into and out of the Port, doubling capacity and increased efficiency. He said the ability to handle double stacked trains is critical to the Port of Baltimore’s long-term future. He lamented that CSX recently revoked their support for an INFRA application to make these improvements and therefore the project has stalled for the moment. With increased clearances, the tunnel would generate \$640 million in benefits to 25 eastern states and create a more efficient logistics network creating more intermodal and supporting additional jobs. Mr. Thomas said that efficient freight movement through ports like Baltimore also depends on adequate authority and funding for U.S. Army Corps of Engineers to complete channel maintenance and dredging.

Question and Answer

Chairman Inhofe said that MAP-21 and the FAST Act were significant because they were the first surface transportation bills to specifically include freight provisions. He asked Mr. Spear about the importance of this and about any positive developments he could attribute to MAP-21 and the FAST Act. **Mr. Spear** said that both bills represent a significant step forward and that it is important to prioritize freight. He said the Administration should do more in terms of prioritization of funds to ensure they have the most impact.

Chairman Inhofe asked Mr. Policinski about the amount requested in grant applications compared to funding available for the INFRA grant program. **Mr. Policinski** answered that \$13 were requested for every \$1 available. **Chairman Inhofe** asked if Mr. Policinski agreed that MAP-21 and the FAST Act had a large impact on freight. **Mr. Policinski** said the bills were monumental and that focusing on freight is essential, and he noted that federal funds should be focused on projects that will have the biggest impact on the economy.

Ranking Member Cardin said the Committee will continue to improve authorization bills and the inclusion of freight but said that finding a revenue source will be essential. He noted the need to devote adequate resources towards all modes, especially as Congress works towards a new infrastructure investment.

Senator Moran (R-KS) asked Mr. Spear about his concerns for rural projects in the INFRA grant program. **Mr. Spear** said prioritization is pivotal and said that everyone is competing for the same amount of funds. He said the framework is in place but putting more money into the programs will show the best results.

Senator Moran said the North American Free Trade Agreement (NAFTA) provides significant value to the U.S. and asked about the potential consequence to freight if the agreement was to be eliminated. He also asked about the importance of investment in freight infrastructure in allowing the U.S. to compete in a global economy. **Mr. Spear** said from a trucking perspective, NAFTA is absolutely essential. He acknowledged that it is not a perfect agreement but noted that nothing is perfect. He cautioned that leaving it would be catastrophic to the U.S. economy and would harm national security.

Senator Whitehouse (D-RI) asked Mr. Spear and Mr. Policinski to confirm support of a gas tax increase to which both confirmed that a gas tax increase, or similar user pay fee, is needed to increase available funding. **Senator Whitehouse** asked Mr. Spear to expand upon comments related to the cost motorists pay annually as a result of federal inaction in infrastructure investment. **Mr. Spear** confirmed that motorists pay thousands annually in maintenance costs for their vehicles due to damage and congestion from deficient roadways. He said a 20 cent per gallon fee built into the price of transportation fuels collected at the terminal rack would provide an additional \$340 billion over ten years to improve roads, which could be invested in roads and bridges.

Senator Shelby (R-AL) said that Congress must invest in U.S. intermodal infrastructure or else risk crippling the U.S. economy. He said this is a ripe opportunity for a bipartisan bill. He asked how important investment is to the U.S. economy and **Mr. Parker** responded by saying it is essential for U.S. competitiveness. **Mr. Spear** agreed and added that the intermodal connectivity is critical for an efficient freight movement network.

Senator Duckworth (D-IL) said the American Society of Civil Engineers' report on U.S. infrastructure found that the U.S. has a \$2 trillion infrastructure investment gap and asked Mr. Policinski if he agreed with that estimate. **Mr. Policinski** agreed with the report and acknowledged its severity, which will require a significant investment response to address the need. He called on Congress to come together to address this important issue that will have a direct impact on jobs and global competitiveness. He said the need is so great that we cannot look the other way. There will be a two billion increase in world population by 2045, which will be competing for our jobs and income. These investments are necessary to secure our future.

Senator Boozman (R-AR) asked Mr. Spear to expand upon other potential pay fors for an infrastructure investment, beyond raising the gas tax. **Mr. Spear** said there could be an increase in registration fees and recognized that the fuel tax will deliver diminishing returns as more drivers move to electric

vehicles. He urged Congress to look beyond a ten year bill and create long term solutions for raising revenue.

Senator Gillibrand (D-NY) asked the panel who would benefit from selling or leasing highway infrastructure to private entities. **Mr. Spear** said that trucking would not benefit from such a method. He said the trucking industry supports a gas tax increase, and other measures to improve infrastructure, but that tolling on existing roads and bridges is a form of extortion against truckers.