

## Summary: “Moving America: Stakeholder Perspectives on our Multimodal Transportation System”

### Senate Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety, and Security

#### Witnesses:

- Mr. Matthew K. Rose, Executive Chairman, BNSF Railway
- Dr. Christopher B. Lofgren, Chief Executive Officer, Schneider National
- Mr. Tom Gurd, Vice President of Integrated Supply Chain, Dow Chemical Company
- Mr. Wick Moorman, President and Chief Executive Officer, Amtrak

#### Opening Statements:

**Chairman Fischer (R-NE)** used her opening statement to applaud the 114<sup>th</sup> Congress for passing the Fixing America’s Surface Transportation (FAST) Act but emphasized that work is not done. She told the Subcommittee that the Highway Trust Fund (HTF) is a fair and equitable source of funding for infrastructure projects but that it is projected to have a deficit of over \$100 billion in the five years after the FAST Act expires. To continue ensuring there is funding for infrastructure projects, Chairman Fischer introduced the Build USA Infrastructure Act. It would divert a portion of revenue collected by Customs and Broder Control from freight and passenger fees to help address the funding shortfall. Chairman Fischer applauded the FAST Act’s freight formula program but noted improvements in regulatory requirements are needed.

**Subcommittee Ranking Member Booker (D-NJ)** began his statement by noting that the U.S. is in an infrastructure crisis and lamenting the fact that in one generation U.S. infrastructure went from the best in the world to being given a D plus ranking. He told the Subcommittee that great infrastructure is critical to a great economy and there is an opportunity in investing in it to infuse the U.S. economy with strength, to put Americans back to work, and to boost industry through Buy America. Senator Booker called the Northeast Corridor one of the worst chokepoints in the nation and called for investment in the Gateway program. He also emphasized the importance of safety and security in investing in U.S. infrastructure. Senator Booker concluded his opening statement by praising the trillion dollar plan put forth by Senate Democrats.

**Full Committee Ranking Member Nelson (D-FL)** praised the Subcommittee and noted that there is a lot of interest around infrastructure in Congress and the Administration right now. Like Senator Booker, Senator Nelson also identified the New York/New Jersey tunnel Gateway program as essential to relieving the chokepoint. Senator Nelson also identified bridges and congestion at ports as key issues facing U.S. infrastructure. He concluded his statement by asking that serious consideration be paid to how critical infrastructure investments will be funded going forward.

Prepared by the Coalition for America’s Gateways & Trade Corridors – For Members Only

**Mr. Rose**, of BNSF, began his statement by telling the Subcommittee that the U.S. supply chain is changing, in part due to the shift away from coal and to weak consumer demand. Rail volumes are lagging and, while 2017 is expected to be better, volumes will not reach peak levels. He requested that Congress enact policies to aid the industry, including corporate tax reform, regulatory reform, and growth oriented trade policies. He also asked Congress to address national labor negotiations as work stoppages negatively impact rail volumes. Mr. Rose told the Subcommittee that there needs to be investment in U.S. infrastructure but that there also needs to be a level playing field across competing modes. Mr. Rose called on Congress and the FRA to take a look at the cumulative impact of regulations on the industry and to remove redundancy, suggesting that the Agency move towards a performance based regulatory policy. While he supports investment in highways, Mr. Rose cautioned against general fund transfers into the HTF and suggested instead a user-based funding source such as an increased gas tax or a weight-distance fee.

**Dr. Lofgren**, of Schneider, provided information on trucking's significance: trucks transport 80 percent of freight tonnage, the industry employs seven million workers and moves goods both in and out of ports and to communities across the country. He encouraged Congress to promote policies that encourage safe, innovate investment in infrastructure. Dr. Lofgren added that the trucking industry, like the rail industry, is also highly regulated. While he applauded some regulations, like hours of service and electronic logging devices, he criticized others as too complex and having a negative impact on the overall safety of trucks and drivers. He also criticized state regulations that differ from federal regulations, explaining that lack of consistency in interstate trucking make for a difficult working environment for drivers, particularly those who cross multiple state lines in a single day. He ended his statement by telling the Subcommittee that underinvestment in surface transportation causes inefficiency in goods movement, wastes fuel and increases operating costs. Investing in infrastructure would increase safety and efficiency for the trucking industry.

**Mr. Gurd**, of Dow, told the Subcommittee that he was testifying on behalf of Dow but also as a member of the American Chemistry Council. He said that the chemical industry has an interest in developing policies to keep the U.S. moving and told the Subcommittee Dow moves its products over multiple modes, including rail, road, and marine. He called on Congress and USDOT to deal with regulations that do not improve safety but hurt efficiency and asked that new regulations be supported by cost-benefit analysis and be developed through extensive rulemaking processes.

**Mr. Moorman**, of Amtrak, told the Subcommittee that Amtrak supports investment in infrastructure, including on freight rails, ports, highways and inland waterways. He recommended direct federal funding for investments, streamlining the environmental review process, and removing red tape. He added that public-private partnerships (P3s) could be part of the mix but that direct federal funding should play a large role.

**Question & Answer:**

**Chairman Fischer (R-NE)** asked the witnesses how Congress can build upon the FAST Act, specifically on the multimodal freight program that dedicated funding to critical urban and rural freight corridors, to move and invest strategically in U.S. infrastructure. **Mr. Rose** responded by praising the FAST Act, calling it the most important freight policy structure that has been passed. He advocated for putting more freight on rails to take it off of the highways which would reduce congestion for the traveling public. He also recommended facilitating permit reform and investment reform to help create a more efficient supply chain. **Dr. Lofgren** noted that the trucking industry has changed over the years, and freight that used to travel across the country by truck is now utilizing intermodal transportation and being placed on trains for long distances and trucks then complete the last mile connections. He urged the shipping industry to continue taking advantage of multimodal transportation and asked Congress to invest in the technology and structures where modes interface. He also emphasized the need for investment across the country as rural roads help create a connected network that is essential to America's competitive advantage. **Mr. Gurd** responded that Dow supports the use of multimodal transportation and he also noted that his company is growing quickly on the Gulf Coast and supports investments that improve safety and reliability on the pieces of the network that Dow uses. **Mr. Moorman** answered that Amtrak is only as strong as the freight railroads and many of its trains use freight rail lines so they support investment in the freight network.

**Senator Blumenthal (D-CT)** asked the witnesses about the importance to the industry of the reliability and capacity of ports. **Mr. Rose** called ports national treasures and said that when ports don't have proper funding then it creates more environmental concerns and increases congestion. He also said that if the ports are congested then freight will find another way to enter the U.S., whether that is through Canada or Mexico, which would hurt U.S. competitiveness. Mr. Rose said that he supports the notion of direct funding to seaports, as allowed under the FAST Act.

**Senator Blumenthal (D-CT)** complimented Mr. Rose on BNSF's early adoption of and investment in Positive Train Control (PTC) and asked if he had advice for other railroads implementing the system. **Mr. Rose** responded that BNSF has made great progress in their implementation and finds that, while PTC is not the be-all-end-all for rail safety, it is important for risk mitigation. He said BNSF's early work is helping identify and alleviate problems in the implementation process generally so other railroads should have an easier time implementing. He also asked that Congress provide funding for passenger and commuter rails to install PTC as they don't have the money to implement it currently.

**Senator Inhofe (R-OK)** asked Dr. Lofgren to expand on how state regulations that differ from federal regulations hurt the trucking industry. **Dr. Lofgren** responded that a driver going across multiple states can find himself violating various rules even with the best of intentions. He noted that the ability to freely move around the country to deliver goods is a competitive advantage for the U.S. and that a lack of continuity in laws hurts that ability.

**Senator Inhofe (R-OK)** asked Mr. Rose to expand upon BNFS's use of drones. **Mr. Rose** answered that they are using drones to fly ahead to trains, to look at track conditions, and to inspect bridges, among other uses. He said that the technology will continue to help improve operations, reliability and safety.

**Senator Inhofe (R-OK)** asked the witnesses about the FAST Act's inclusion of a national freight program and whether or not it is helpful and should be expanded upon for a future bill. **Mr. Rose** responded that he is very supportive of that freight provision as freight is vital to the nation's economy. He said the program has good bones to build upon in future authorizations. Mr. Rose noted his work on the SAFETEA-LU revenue commission, explaining that the commission modeled future needs of all types of transportation and, in particular, saw the need to keep up with growing freight volumes across the system. Mr. Rose also called for investment in intermodal connectors, freight collection areas, overpasses, underpasses, grade crossings, rail relocations, and port enhancements.

**Senator Young (R-IN)** asked Dr. Lofgren about the preemption of federal laws by state laws and specifically how that impacts workers. **Dr. Lofgren** gave an example of the challenge of a 15 minute rest break: some states require such a break be taken right away but do not account for the fact that truck drivers need time to move off the highway and park safely, they cannot just pull over to the side of the road. He requested that agencies recognize how the industry works and align requirements with that.

**Senator Gardner (R-CO)** said railroads often foreshadow economic downturns or problems and asked Mr. Rose if he could share any indicators. **Mr. Rose** responded that there is a sense that things are getting better. He noted that low cost and reliable energy is essential and that currently natural gas prices are low. He said they are bullish that with sustained domestic production and the diversification of fuel, consumers will continue to benefit.

**Senator Gardner (R-CO)** asked Mr. Rose to expand upon the need to address at-grade rail crossings. **Mr. Rose** responded that there are many non-signalized, non-barrier grade crossings across the country that need to be addressed. Some areas have quiet zones that prevent trains from using their horns to indicate they are approaching. He suggested various technologies, like directional horns, that could increase safety.

**Senator Gardner (R-CO)** asked the witnesses to discuss how a port slow down on either coast – or worse, one that happens simultaneously on or both coasts – would hurt the economy. **Mr. Rose** responded that such a slowdown would have a huge financial impact and he encouraged Congress to work out best practices when dealing with labor negotiations so that if disputes happen again there will be a process (such as arbitration or mediation) in place to revise them quickly to prevent economic harm. He noted that many ports play an outsized role in the national supply chain and a slow down at these ports is economically devastating.

**Senator Hassan (D-NH)** asked Dr. Lofgren for suggestions for funding infrastructure investment, specifically wondering if investment goals could be met just through tax cuts. **Dr. Lofgren** responded

that the trucking industry recognizes that it must pay its fair share and that a mechanism for that must be created. He suggested some sort of usage fee beyond the gas tax and noted that users will most likely not mind paying more if it increases safety and decreases congestion.

**Senator Hassan (D-NH)** noted that new technologies can allow companies to save money and increase safety and asked the witnesses how Congress can make sure to have a regulatory framework to allow businesses to innovate as new technology emerges. **Mr. Rose** suggested undertaking a full review of the FRA's regulations, as many are dated. As for how to pay for investment in infrastructure, he called a vehicle miles traveled (VMT) tax the perfect solution while acknowledging that there is public sensitivity around that. Mr. Rose argued that with the popularity of smartphones, concerns about privacy are naïve.

**Senator Klobuchar (D-MN)** asked Mr. Rose about long term planning for BNSF and about the need to invest in rail crossings. **Mr. Rose** responded that they spend a lot of money on long term planning and understand markets will most likely change. Mr. Rose advocated for increased work with partners to help assist in identifying future capacity needs, explaining that significant rail projects can take up to five years to build. In regards to rail crossings, he said the industry needs more money, suggesting that they would need \$1 billion a year in investments for separations, overpasses, underpasses, and other technologies to make them safer.

**Senator Udall (D-NM)** asked the witness to speak to the potential negative effects that a trade war with Mexico, including a border tax, would have on their companies. **Mr. Rose** answered that the U.S. does not need trade wars. **Dr. Lofgren** answered that they have significant operations that move freight both in to and out of Mexico and that a trade war would not be helpful. He had no doubt that it would mean a reduction in business. **Senator Udall** added that a reduction in business would mean a reduction in jobs.

**Senator Udall (D-NM)** asked the witnesses if their businesses were worried about the potential cost of a border wall between the U.S. and Mexico. The witnesses declined to respond but Senator Udall noted that cross border trade is huge for economic activity and that his state would be hit hard by such actions.

**Senator Duckworth (D-IL)** asked Mr. Rose to speak about the importance of updates to Chicago's rail freight bottleneck. **Mr. Rose** answered that Chicago CREATE is a project of national significance and agreed that investment there is extremely important. He applauded CREATE for improving the connectivity of the region. **Senator Duckworth** asked how the FASTLANE grant program would help with those projects. **Mr. Rose** responded that the FASTLANE has great bones but that it will need more funding in the future, and he added that the strength of the program justifies additional funding. **Mr. Moorman** also added that Amtrak is supportive of investments in the CREATE projects.

**Ranking Member Booker (D-NJ)** asked Mr. Gurd if direct federal investment in infrastructure, in addition to loan programs, is necessary for projects to be successful. **Mr. Gurd** responded that yes, direct federal investment is important for projects. **Dr. Lofgren** also supported direct federal investment. **Mr. Rose** said that Congress should think of U.S. infrastructure as a weapon of competitiveness and noted that investments would make America more competitive. He said that he supports direct federal investment as long as it does not shift the modal balance, meaning that he does not support general fund transfers to pay for the HTF because, in essence, railroads would be assisting the subsidization of their largest competitor. Instead he encouraged Congress to stick to a user pay system.

**Chairman Fischer (R-NE)** concluded the hearing by asking that Congress look outside the box for funding solutions to the problem of infrastructure investment as the gas tax will most likely not be sustainable.