Before the

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Committee on Transportation and Infrastructure

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Statement of

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On

Freight Movement from Origin to Destination

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National Cooperative Freight Research Program
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National Cooperative Freight Research Program

The National Cooperative Freight Research Program (NCFRP) was authorized in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). The NCFRP is sponsored by the US Department of Transportation's Research and Innovative Technology Administration (RITA) and managed by the National Academies, acting through its Transportation Research Board (TRB), with program governance provided by an Oversight Committee including a representative cross section of freight stakeholders. A contract to begin work on the NCFRP has been executed between RITA and the National Academies and became effective on September 6, 2006.

Need and Purpose

- America's freight transportation system makes critical contributions to the nation's economy, security, and quality of life. Nearly $800 billion (over 6 percent of the US Gross Domestic Product) is spent annually to move domestic freight, and the cost and volume of goods movement are crucial to the productivity of the entire US economy.

  The freight transportation system in the United States is a complex, decentralized, and dynamic network of private and public entities, involving all modes of transportation—trucking, rail, waterways, air, and pipelines. In recent years, the demand for freight transportation service has been increasingly fueled by growth in international trade, and bottlenecks or congestion points in the system are exposing the inadequacies of current infrastructure and operations to meet growing demand. US domestic freight, measured by ton mileage, is expected to grow by some 50 percent in the next 20 years. Strategic operational and investment decisions by governments at all levels will be necessary to maintain freight system performance, and will in turn require sound technical guidance based on research.

  The National Cooperative Freight Research Program (NCFRP) will carry out applied research on problems facing the freight industry that are not being adequately addressed by existing research programs. SAFETEA-LU, in authorizing the NCFRP, called for development of a national research agenda addressing freight transportation and for implementation of a multi-year strategic plan to achieve it. More about the NCFRP and a complete list of current projects can be obtained at (http://www.trb.org/CRP/NCFRP/NCFRP.asp).

Introduction

Chairman DeFazio, Ranking Member Duncan, and distinguished members of the Subcommittee, thank you very much for inviting the Transportation Research Board's National Cooperative Freight Research Program Oversight Committee to testify before you today. I am Randal Mullett, Vice Chair of the National Cooperative Freight Research Program and Vice President, Government Relations and Public Affairs for Conway Inc., located in San Mateo, CA.

Mr. Chairman, you are to be commended for calling this hearing and for focusing attention on one of our Nation's greatest transportation challenges – assuring a freight transportation infrastructure system that can meet the current and future demands of our Nation's economy, both domestically and internationally. When your predecessors were considering America's transportation needs more than a century ago, they were racing to keep up with the industrial revolution and a rapidly growing population. Sixty years ago, they recognized that a safe, efficient system of highways connecting America's cities, towns and rural areas was absolutely necessary to meet our country's economic and military security needs. Their vision produced an Interstate Highway System that has served our country well, and today allows even the most rural American businesses to participate in the global economy. It is time for a new vision for freight.

Every day hundreds of thousands of shipments containing everything from grain to computer parts flow through our ports, across our borders, and on our rail, highway, air and waterway systems as part of a global multimodal transportation logistics system. This system is an increasingly complex array of moving parts that provides millions of good jobs to Americans, broadens the choices of products on store shelves, and creates new and expanding markets for U.S. businesses.

Unfortunately, today's freight transportation system is showing increasing signs of stress across all modes, creating fragility and risk in an ever more complex, interconnected, and interdependent global supply chain. And, though it has served us well in the past, a business as usual approach to the reauthorization process will be inadequate to address the needs of the freight transportation system of the future. Given the serious and profound implications for our economic and social well-being that will result from the success or failure of the freight transportation infrastructure system, a paradigm shift may very well be required to alter the way we approach these problems.

To that end, Mr. Chairman, I believe that incremental solutions will not allow us to meet the Nation's current and future freight transportation needs. The federal surface transportation program in its current form will not suffice. While more resources than are currently available will be necessary to finance the transportation improvements needed to relieve the stress and risk in all modes, we can no longer afford to spend limited federal resources on projects that do not meet our most important national needs. Federal funds must be invested in a manner that support a renewed vision for freight transportation and most effectively support that vision. Additionally, outdated federal laws and regulations that do not support this new vision must be reformed. As you are

very familiar with the current system's capacity constraints and the issues associated with the projected growth of freight levels due to economic growth, my comments will focus on broad themes rather that prescriptive remedies to accommodate current and future freight transportation infrastructure demands.

Focus on Freight

Freight transportation has been described as the economy in motion. This simple illustration strengthens the indisputable truth that ***we cannot separate economic growth from transport growth.*** Said another way, any constraints within the freight transportation system result in economic constraints that slow our economy and keep the Nation from realizing its full potential. Using this axiom as a benchmark can help foster a renewed focus on freight while developing a new Federal vision. The opportunity before us is to not simply keep up with freight transportation demands, but to develop a long-term vision of the freight transportation infrastructure system that results in supply chains that are faster, more efficient, and more predictable than they are today.

With few exceptions, Congress and the states tend to view the authorization process as an opportunity to address parochial interests, without putting these decisions into the context of a broader national vision. What attempts are made to focus on national priorities tend to get lost in the battle for greater state apportionments and earmarks for local projects because these national priorities are not articulated within a shared vision. The ability to create a national vision and to plan, from a national perspective, to meet the transportation challenges of the 21st century, is impossible within this parochial atmosphere.

The key to developing a new national freight transportation system is to ask the right questions. Traditionally we have asked:

- How do we insure a safe, efficient, flexible, transportation system? (The standard answer has been almost exclusively to reduce congestion by increasing construction funding through various means.)

Perhaps it would be better to ask:

- How do we insure a reliable, safe, and efficient freight transportation system that takes advantage of the full range of intermodal and multimodal possibilities to provide a platform for economic vitality and growth?
- What constraints (note I did not say congestion) exist in the freight system?
- What are all the potential solutions?
- How do we bring accountability into the equation?

Freight System Complexity and Stress

There are increasingly complex relationships among freight transportation, inventory levels, access to domestic and international markets, and the effect on our Nation's economy and competitiveness. There also are increasingly complex relationships within and among different modes of freight transportation. Many shipments begin or end their journeys beyond our borders and often travel via more than one mode on their journey. Sophisticated logistics management technology systems and the fluid nature of freight flows have combined to mask the fragility of an increasing stressed system.

In all modes freight takes on hydraulic properties and will flow to the path of least resistance when constrained. Freight shifts easily between modes or modal segments and there are many alternate routes and modes between origin and destination pairs. The ability to manage this complexity has masked the fragility of the freight system as more and more constraints are encountered. Our reliance on Just-in-time inventory models has made the risk to our economy even more profound.

If Just-in-time becomes Just-in-case:

- Supply chains are less reliable
- Inventories must be increased
- The number of potential customers and suppliers is reduced
- We become less competitive in distant markets
- Transportation costs go up to maintain satisfactory levels of service

In Memphis, TN, at a hearing of the NSTPRSC, on November 15, 2006, Doug Duncan, CEO of FedEx Freight, summed up the freight community's acute concerns, "I'm afraid if things don't turn around soon, we'll begin turning the clock back on many of the improvements that these supply chains have made and begin to restrain commerce instead of support commerce."

To insure there is no further degradation within the freight transportation system and improve the free flow of goods, every level of government should work to:

- Improve road connections between ports and intermodal freight facilities and the national highway system;
- Improve connectivity and capacity so that railroads can efficiently and reliably move cargo between ports and inland points;
- Develop a national intermodal transportation network so that cargo can flow at speed among multiple alternative routes;
- Help prioritize infrastructure improvements of long-term network plans and projects of national significance and then reserve funding for such projects; and

- Eliminate bottlenecks on the National Highway System.

Institutional Challenges

Modern supply chains are complex, intermodal, often international systems that are interconnected in ways that stretch the ability of governmental agencies and funding models that were established within traditional modal silos to meet present and future needs of the freight transportation infrastructure system. "Government transportation institutions traditionally focused on mobility and efficiency objectives. Later, as the systems became bigger and more complex, to operate safely became an important goal. Then environmental quality and equity became important societal goals. These objectives subsequently found their way into transportation policy. More recently, national competitiveness, economic development and technological leadership have been added to the national policy agenda in general and thus also to the transportation policy agenda. This broadening of objectives has expanded the range of relevant actors in transport policy and operations. As a consequence, the traditional transportation institutional framework is being forced to accommodate a wider than traditional range of objectives and interests at the same time that there is rapid change in transport technology." (Strough and Rietveld, 1997) The real problem occurs when freight transportation policy is viewed as a means to achieve these other related policy objectives rather than being viewed as the policy objective itself.

In a presentation on February 5th of this year, Robert Puentes, a Fellow at the Brookings Institute raised similar concerns when he questioned whether the U.S. has the right kind of infrastructure to position it to compete in the 21st century. He went on to say, "Current Federal policy, or lack thereof, exacerbate these challenges" and "Federal freight transportation policies are either absent, outdated, or compartmentalized." Other points Puentes made are: "There is no national vision, purpose, or overall goals. No oversight for how funds are spent and no focus on outcomes. The focus is on overly devolved flexibility and minimum funding. The result is a system that has become an unaccountable free-for-all where policies remain modally-siloed and rigidly stovepiped with resulting policies often being at cross purposes." (Puentes, 2008)

The NCFRP is currently funding several research projects focused on institutional relationships and freight policy development that should be completed by the end of the year.

A Case for Change

The surface transportation system (particularly highways) is under attack from users, safety groups, shippers, thought leaders and policy makers at all levels of government. A lack of clarity of purpose and a shared national vision make it difficult to develop public policies that address these concerns in a rational manner guided by established objectives and related performance measurements. Additionally:

- Profound demographic, economic, social, and cultural forces are reshaping the Nation: Demographically, the country is growing, aging, and diversifying. Economically, the nation is being transformed by globalization, deindustrialization, and technological innovation. Culturally, the nation is changing its attitude towards cities and suburban living. Despite these trends, "The U.S. remains the only industrialized country in the world that has not pursued an integrated approach to transportation policy." (Puentes, 2008)
- The growth in international trade is overwhelming U.S. intermodal freight capacity. Over the next 30 years, domestic freight volume is forecast to double and international freight volume entering U.S. ports may quadruple, according to the American Association of State Highway and Transportation Officials (AASHTO).
- Under our current freight transportation authorization programs, even if we had every dollar necessary, we cannot build physical infrastructure fast enough to stay ahead of even moderate growth. Under our current programs, problems in the freight transportation system continue to worsen.

To respond to these trends, a paradigm shift is required. We must consider a systemic, holistic approach to freight transportation policy rather than the current model that focuses on discrete locations and is modal specific**. A patchwork of local solutions does not somehow evolve into a national freight transportation system that supports today's complex intermodal relationships and meets the needs of a growing economy.**

Federal Leadership and National Vision

When the federal highway program was created, it had a clearly defined mission: to finance construction of the Interstate Highway System. When that mission was complete, the money was still coming into the Highway Trust Fund (HTF), but Congress did not identify a new federal role. A new national vision must be adopted.

As Ranking Member John Mica (R-FL-07) aptly articulated in an op-ed in *The Hill* in 2007, "[t]he federal government must take a lead role in developing a national strategic transportation plan for the next 50 years that makes the most efficient use of every transportation mode and incorporates the expertise and resources of both private and public sectors."

The only way to assure a successful freight transportation system is federal leadership and federal investments that are carefully aligned with the national interest. Though every level of government must participate, the federal government bears prime responsibility to insure that:

- A national shared vision is developed within the Federal framework and there is a focus on the "end game;"
- A systemic approach, focused on national level planning rather than local solutions is developed and followed.
- Utilization of existing networks is maximized, balancing investment with regulatory changes to reduce constraints in the system.
- Objective goals and related performance measurements are determined.
- Freight transportation system infrastructure investment is aligned with the needs that arise from the global economy, trade policies, and the flow of interstate commerce.
- Modal specific policies and programs do not inhibit the freight transportation system by unintentionally encouraging unhealthy modal self interest.

The failure by planners at all levels of government to adequately identify and address constraints affecting the movement of freight points to problems in the transportation planning process itself. Freight transportation extends across state and national borders and moves freely among and between modes, but the current planning process does not. The federal government is the only entity in a position to determine the national interest and develop a framework to identify solutions to facilitate the movement of freight.

Discussions Cannot be Decoupled

Any discussion of freight transportation policy would be incomplete without acknowledging the complex relationships that exist with other important issues. My respectful caution to the Subcommittee is, please insure that any national vision formulated to support our freight transportation infrastructure system is focused on freight and its importance to our economy rather than viewing freight policy as a means to achieve other policy objectives. Related issues include:

- Sustainability, climate change, and environmental concerns
- Energy sources, prices, and supplies
- Devolution of Federal transportation authority and responsibility
- Social equity and social change
- Modal protectionism
- Safety
- Security
- Funding

Mr. Chairman, Congress recognizes the importance of these inter-related issues. Their influence, positive or negative, on the freight transportation infrastructure system is real and the system's ability to serve as our Nation's economic arteries, as it was meant to be, must be the central focus of this Sub-committee's work.

Conclusion

The Nation's freight transportation infrastructure system is vital to the U.S. economy. To insure its vitality and successfully address the complex issues surrounding freight transportation, a new paradigm will be required. That paradigm will mean:

- Recognition that a business as usual reauthorization process is no longer able to address the problems or take advantages of the opportunities associated with the freight transportation infrastructure system.
- A strong Federal role in developing and articulating a national vision for our freight transportation system
- A systemic approach with clearly articulated national objectives rather than local solutions
- Strategic investments that maximize system performance with appropriate performance measurements and accountability
- A focus on the full promise of true intermodal and multimodal freight transport to enhance the door to door movement of freight and seamlessly connect the U.S. economy with the rest of the world
- A commitment to critically examine and remove existing regulatory constraints
- A commitment to refocus on the national freight transportation infrastructure system as key to our economic vitality

The National Cooperative Freight Research Program Oversight Committee and the Transportation Research Board stand ready to help in this important effort.

Members of the Committee, thank you very much for the opportunity to be here today. I'll be happy to answer any questions you may have.

References:

Strough, Roger R and Rietveld, Piet, Institutional issues in transport systems, Journal of Transport Geography, Volume 5, Issue 3, September 1997, pp 207-214