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SURFACE TRANSPORTATION AND THE GLOBAL ECONOMY

HEARING

BEFORE THE

SUBCOMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

OF THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

APRIL 16, 2008

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C O N T E N T S

Page

APRIL 16, 2008

OPENING STATEMENTS

Baucus, Hon. Max, U.S. Senator from the State of Montana 1
Craig, Hon. Larry, U.S. Senator from the State of Idaho 4
Inhofe, Hon. James M., U.S. Senator from the State of Maryland 63

WITNESSES

Yam, Siva, President, United States-China Chamber of Commerce 5
Prepared statement 8
Isbell, John, Global Director of Logistics, Nike 19
Prepared statement 21
Responses to additional questions from:
Senator Carper 24
Senator Inhofe 24
Kuntz, Ray, Chief Executive Officer, Watkins and Shepard Trucking, on Behalf of the American Trucking Associations 24
Prepared statement 27
Responses to additional questions from:
Senator Carper 42
Senator Inhofe 42
Wytkind, Edward, President, Transportation Trades Department, AFL–CIO ... 43
Prepared statement 46

SURFACE TRANSPORTATION AND THE GLOBAL ECONOMY

Wednesday, April 16, 2008

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
SUBCOMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
Washington, DC.

The subcommittee met, pursuant to notice, at 10:05 a.m. in room 406, Dirksen Senate Office Building, Hon. Max Baucus (chairman of the subcommittee) presiding.

Present: Senators Baucus and Craig.

OPENING STATEMENT OF HON. MAX BAUCUS, U.S. SENATOR FROM THE STATE OF MONTANA

Senator BAUCUS. The hearing will come to order.

Good morning, everybody. Thank you for being here today. I know some of you have changed your schedules to accommodate the hearing today, and we deeply appreciate that.

Welcome to the first hearing of the Transportation and Infrastructure Subcommittee. A few years ago, I led a group of Montanans to China and to India on a trade mission. China now has capital markets that rival America's and Europe's, and as we discovered on our trip, their infrastructure is not far behind.

We landed at Chongqing, China, the airport there. I was stunned. It is a modern, fancy airport in Chongqing, China, South-Central China. The counsel from Chungdo met us there and he was very upset that none of America's firms had participated in building that fancy airport. The Germans were there. I think the German engineers, maybe a German construction crew, but there were no Americans that helped build that airport.

Then we got in the cars and drove to our hotel. I was stunned again at the fancy highways, the interState highway system at Chongqing. I mean, the American InterState system is not better. I was stunned. And there are miles and miles of ribbons of roads.

Now, the city population I think is about 12 million or 13 million. The province is about 33 million. And for whatever it is worth, at dinner that night I asked the Mayor: How did you pay for all of this? And he admitted that the central government in Beijing just gave him the money and wanted it built as part of the effort just to build out into Western China and get away from the coasts.

So I have to tell you, I was just really stunned at what China is doing, and seeing that airport and seeing those highways made a huge big impression on me.

The New York Times described the city of Chongqing as China's Chicago. I can say first-hand that it is reminiscent of Chicago's rail yards and docks that are carrying Western beef and barley for nearly a century. The Chinese government intends to invest nearly $200 billion in the next decade to develop Chongqing into a transportation hub. That is the equivalent in inflation-adjusted terms to what the U.S. spent to build the InterState Highway System in the 1950's in the whole Country.

China and other countries such as India are planning for the future. Clearly, they have plans. They have seen what we have done in the U.S. They have taken some of what they think are the best features of the U.S., discarded what they think are not the best features of the U.S., and they are going their own way, as they should. I take my hat off to them for doing so.

The question I have, are we Americans making the same commitment? Are we looking to the future as aggressively as are some other countries?

Today's hearing focuses on that question: How do we plan our infrastructure for the more developed and connected and competitive world economy, not just today, but for the future? How do we plan to put a system together that anticipates the demands of the world in conjunction with the U.S.? By investing in U.S. infrastructure, we are investing in our own future. In the next half-century, the population of the U.S. is expected to increase by approximately 150 million people. This will mark an increase of 50 percent over current levels. Just think about that for a second—50 percent over a half-century. That is more people, more cars, more trucks, highway users.

My State of Montana is a participant in the global economy. We are one of the few States in the Union that has a positive trade balance. We export a lot of our wheat, a lot of our barley. We export a lot of other manufactured products. We have a positive trade balance. We depend upon our transportation systems, whether it is surface, ports or shipping or air.

This bill we are talking about, the highway bill, not only funds highways, roads and bridges, but also keeps rural communities connected to each other across vast distances. It keeps those communities connected to the rest of the Country and to the rest of the world.

There are also a lot of minerals in my State of Montana which we export worldwide—the copper, the molybdenum being twos, as well as platinum and palladium for that matter.

But serious tests for our Nation's transportation system are presenting themselves. We witnessed the tragic collapse of the bridge in Minnesota. We know that a lot of our bridges are worn out and need a lot of help. Some of our highways are in pretty rough shape. About one-third of our major roads are in poor or mediocre condition, and clearly we know that shoddy roads result in lots of costs to America. One estimate I saw is about $67 billion in extra vehicle repairs and operating costs due to inadequate highways and bridges. More important, poorly maintained roads contribute to one-third of all highway fatalities.

With all these issues in mind, we have an excellent panel of witnesses. They will discuss infrastructure development in other coun-

tries. Mr. Yam clearly knows a lot about China. We will get to hear the perspectives of shippers and transporters in our global economy. And finally, we will get organized labor's viewpoint of indeed to fully fund infrastructure investment.

I might say, too, and I know I am saying things that others have said before, but I am almost blown away with what China is doing at the Shanghai Harbor. About a couple of years ago, I was talking to the Business Roundtable about potential, if not threats over the horizon, but just concerns. You know, we Americans respond to crises. We do a good job. We are the can-do Country. We are creative. We are entrepreneurial in our spirit more than any other country. We are just a can-do attitude and individuals can do it because there is more mobility in America. There is more opportunity in America than any other country so there is a greater opportunity for individuals and companies to do things in our Country.

We respond to crises. Look at World War II, we responded. Pearl Harbor, we responded. Depression, Sputnik—we respond to crises. I think this is in the nature of a crisis, frankly. The trouble is this: It is a stealth crisis. It is harder to see. It is not like Sputnik. It is not like Pearl Harbor. It is not a physical event that galvanizes. It is not one event. It is just a series of lots of different developments.

I was talking to the Business Roundtable about this, and actually there was one person who is the head of a major railroad, and he said, Senator, I have seen Sputnik; it is Shanghai Harbor.

When you see it, you know it is true, what has developed there now and what China is thinking of developing. They are moving. It is like what I saw in Chongqing. And I know this is true in other countries as well. It is not just China. I think Mexicans are trying to develop the biggest port off the coast on the Pacific Coast to rival L.A. and Long Beach and other ports on the West Coast. They are moving.

The hearings on this bill is to get a better understanding of what is going on, get a better understanding of what we can do as a Country, and to get a better understanding of what this Subcommittee can do. A lot of it has to do with funding, which is a whole other subject which we will address.

I am excited, frankly, and relish taking up the challenge, so we are here doing and serving our people in our Country the way we should.

Senator BAUCUS. Our first witness today is Mr. Siva Yam. He is President of the United States of America-China Chamber of Commerce. Mr. Yam has kindly postponed a trip to China in order to join us today. We deeply thank you for that, Mr. Yam. I am also very eager to hear your testimony about what China is and is not doing and why.

Next, we will go through a little global management supply chain. We will first hear from Mr. John Isbell, the Global Director of Delivery Logistics for Nike, the shoe, apparel and sports equipment giant. He will share with us what Nike sees on the global stage, and he will give us his perspective for future business models that depend on the global economy.

Then, we will hear from Ray Kuntz, the CEO of Watkins-Shepard. Ray has two very important distinctions. For one thing,

he is the Chairman of the American Trucking Associations. That is the trucking industry's leading association. But of greater importance to me personally, Ray is from Montana, a close friend, and I personally value Ray's friendship and contribution to our country.

And finally to round out the panel, we will hear from Ed Wytkind of the Transportation Trades Department. Ed will discuss the labor community's role, both in constructing and using roads and highways and bridges.

I will just finish where I started. We are a can-do people. We like challenges as Americans. We have done a lot for our Country. I am excited about in this year leading up to what we do, not only this year, but next year with the transportation bill to address these challenges.

Senator CRAIG. Mr. Chairman.

Senator BAUCUS. Yes, Senator Craig.

Senator CRAIG. Before we turn to our panelists, let me add a couple of comments.

Senator BAUCUS. Sorry, I neglected to——

Senator CRAIG. No, that is fine.

OPENING STATEMENT OF HON. LARRY CRAIG, U.S. SENATOR FROM THE STATE OF IDAHO

Senator CRAIG. I certainly in no way disagree with anything you have just said. As we move toward the reauthorization of our Surface Transportation Act, SAFETEA-LU, there is no question that we have to look at the future and look at the funding. That is going to be critical.

I will ask unanimous consent that my full statement become a part of the record, but I think it is important to recognize that in the world of global competitiveness, a report that was done by the World Economic Forum listed infrastructure as one of the nine elements critical to a country's sustained productivity and competitiveness. However, the World Economic Forum also noted that the U.S. has slid from first to sixth in global competitiveness behind Switzerland, Finland, Sweden, Denmark and Singapore.

Now, I know you were focused on China, and I have been there and I agree with you. As it relates to impact in the world economy and growth, there is no equal at this moment. At the same time, clearly what is happening in the European Community today and the growth that is occurring there, although in a different way, is critically important. We cannot continue to neglect our infrastructure as other nations with whom we compete in business and global marketplaces are making the kind of investments they are making. Some would argue they are simply catching up. No, I don't think that is the case. I think you mentioned it with the Singapore Harbor. That isn't catching up. That is going well beyond the capacity of a variety of our ports and it is phenomenally significant.

The road structures of China, 53,000 miles of national expressway system are under construction in China now. India has its own national system that is being looked at and reviewed.

So it is appropriate for this Committee under your leadership, Mr. Chairman, to get out in front of this with the best possible knowledge we can muster and challenge this Congress to do what we do well, as you have mentioned, but more importantly, the ap-

propriate funding and the funding mechanisms that will help drive modernization and the restructuring of some of our older structures as we move into the 21st century.

So thank you for the hearing. I look forward to the witnesses, and thank you for being with us today.

[The prepared statement of Senator Craig follows:]

STATEMENT OF HON. LARRY CRAIG, U.S. SENATOR
FROM THE STATE OF IDAHO

I'll be brief so that we may get to the panel, but I welcome our witnesses to the Subcommittee, and look forward to working with you Mr. Chairman, and the full Committee as we begin the process toward reauthorizing our surface transportation programs and the SAFETEA-LU bill in 2009.

This hearing, Mr. Chairman, is a good opportunity for us to hear first hand the comparisons between the investment the United States is making in its infrastructure, and the investments being made by the rest of the world. These witnesses can provide first hand information on the advances they have seen around the world, and give us their views on how those advances compare to the investment we are making here in the United States.

Trading partners like China, India, and others around the globe are realizing that one of the keys to economic prosperity and growth is a strong surface transportation and port infrastructure. These are the necessary arteries for the free flow of people, goods and information; three things necessary in a manufacturing and export economy.

In fact, the U.S. Chamber of Commerce has noted that the five major economic sectors of manufacturing, services, retail, agriculture and natural resources account for 84 percent of the overall U.S. economy and each is heavily depending on our transportation infrastructure.

In its 2006–2007 Global Competitiveness Report, the World Economic Forum listed infrastructure as one of nine elements crucial to a country's sustained productivity and competitiveness. However, the World Economic Forum also noted that the U.S. has slid from first to sixth in global competitiveness behind Switzerland, Finland, Sweden, Denmark and Singapore. Similarly, in its recent Logistic Performance Index, the World Bank ranked U.S. infrastructure as only seventh in the world, behind that of the Netherlands, Singapore, Germany, Switzerland, Sweden and Japan. We cannot continue to neglect our infrastructure as other nations with whom we compete for business in the global marketplace make significant investments in their infrastructure.

China and India are prime examples of nations who have recognized the importance of making these investments. China has dramatically increased its investment in transportation and is generating between 8 and 10 percent in economic growth each year over the past several years. China has begun construction on a 53,000 mile National Expressway System to connect all large and medium-sized cities. When completed, this system will be larger then our own interState system. The impact of these investments are already being felt on the West Coast, where Chinese shipping containers are already filling ports.

If our nation cannot provide quality infrastructure to facilitate the free flow of goods, manufacturers and other businesses will move their operations to nations that can. This body and this Committee have a responsibility to the American people to continue the significant investments we have made in our infrastructure in the past. Failure to do so will be catastrophic to our economy.

Thank you Mr. Chairman, I yield back.

Senator BAUCUS. Thank you, Senator, very much. I appreciate that.

Mr. Yam, proceed. Your statements will automatically be included in the record, as will yours, Senator, and we encourage you to stick within 5 minutes when you are giving your testimony. Thank you very much.

STATEMENT OF SIVA YAM, PRESIDENT, UNITED STATES-CHINA CHAMBER OF COMMERCE

Mr. YAM. Thank you very much, Mr. Chairman, Senator Craig.

On behalf of the U.S.-China Chamber of Commerce in Chicago, I would like to thank you for the opportunity to be here with you today to share a few observations that we have.

Over the last 15 years, we have worked with hundreds of U.S. companies to help them to stay competitive with a focus on China. So we have learned something and would like to share with the Committee.

In the last 15 years, we have seen there was a major change in the global economy. We believe that this was due to three major events: the collapse of the Soviet Union, the opening of the door of China, and also Internet, computer, and information technology that suddenly empowered the consumers. Now the consumers have multiple channels that they can go to compare prices, and they are looking for the lowest possible price on the products they purchase.

So we have seen a shift in the production from developed countries to developing countries for basic manufacturing. And China has become the winner in this transformation.

Many people will argue that the success of China was due to its labor, with 1.3 billion population, who make $1,000 U.S. dollars a year. However, if we just look at labor, and you can go to some other countries like Bangladesh, certain some African countries that have lower labor costs. So labor alone would not make China such a force in the global economy.

It is the will, the planning of the government, the determination for export, the Chinese culture, and the wealth and knowledge of the millions of overseas Chinese that help to build the country. But most importantly, it is the Chinese government's investment in infrastructure and transportation systems that makes a difference.

Since the year 2003, China has been consistently investing enormous amounts of money in infrastructure. The growth of investment has been over 25 percent. That happened year after year. It is one of the few countries in history that have done that. In the year 1988, China had zero miles of expressway. In 1989, they had 168 miles. By the year 2005, they had 25,000 miles of expressway. They are planning to link all cities with a population of over 200,000 by the year 2020.

What China is able to do no other country can do. I say that because of the will of the government and the planning. One big difference is in China, there is no private landownership. The government owns all the land, so the government can move millions of people around, build an industrial park, build a highway, so forth and so on.

Infrastructure for transportation is critical to the global economy, particularly for developing countries, because they have to rely on exports. They have to manufacture the goods at a competitive price, and also they need to be able to ship the goods from the factories to the ports. China has been able to do just that.

If you look at the statistics, in the last couple of years China has substantially completed the construction of the highways. And even though China has been losing jobs in the manufacturing sector, they have become more efficient. Their exports have grown substantially, and they have the largest surplus in the history of China.

Now, as China is moving from a developing country to a developed country, it is critical that they are able to integrate all parts of China, because costs in the coastal region have gotten very expensive. So they need to build highways to go to other areas. That is what they are planning to do that by the year 2020. By doing that, China will become more competitive We always compare China with India. In 1981, the GDPs of both countries were essentially the same. Both of them were under $250 billion. Today, China's GDP is three times as big as India's, and the length of highways in China is nine times as much as that of India.

The the transportation system is critical to the global economy. For a developing country, they need that so that they can export to build a domestic economy. When they move one step further, they need to integrate to even-out the distribution of wealth.

Thank you very much. I appreciate the opportunity.

[The prepared statement of Mr. Yam follows:]

Statement of

Siva Yam, CPA, CFA
President
United States of America-China Chamber of Commerce

On

Surface Transportation and the Global Economy

Before the

United States Senate
Subcommittee on Transportation and Infrastructure
April 16, 2008

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SURFACE TRANSPORTATION AND THE GLOBAL ECONOMY

On behalf of the U.S.-China Chamber of Commerce, I thank you for the opportunity to be with you today. As a non-profit organization that is dedicated to promoting trade and understanding between the two countries, we have worked with many U.S. corporations in their cross-border activities and have traveled to China extensively. Hence, we appreciate this occasion to share a few observations with you in regard to the rapid development of China's economy and its relationship with surface transportation.

INTRODUCTION

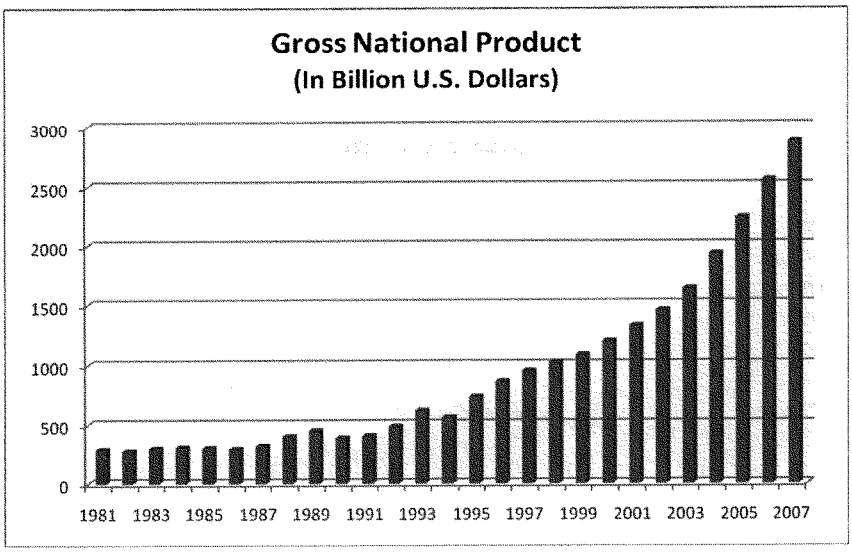
What has changed in the world economy?

In 2005, for the first time, the emerging nations surpassed the developed nations in their contribution to the global economy. In aggregate, they accounted for 80% of the world's population; 50% of the world's GDP (based on Purchasing Power Parity); 70% of the world's foreign reserve; and 50% of the world's energy consumption (Source: The Economist). The rise of the emerging economies was primarily due to certain major events that occurred in the late 80s and early 90s. The fall of the Berlin Wall together with the opening up of China has reduced the barriers for international trade. With the advent of inexpensive microchip, Internet, and telecommunication technology, the rate of globalization has accelerated.

The Internet has made multiple channels of marketing feasible, and the change in geopolitics has allowed freer flow of goods and capital. Hence, a massive reallocation of resources has occurred whereby production of goods with high labor content and ease of shipment continues to shift to the emerging countries. Among all the countries, China has emerged as the world's manufacturing center. The result is not just due to the overall change in technology, economic and political environment, but also to the unique and inherent cultural and political characteristics of the country.

Economic Development of China: A Historical Perspective

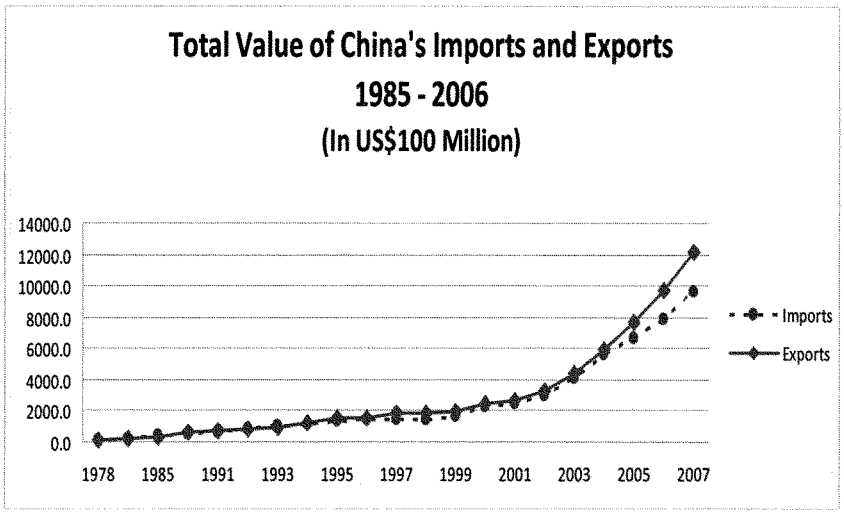
While China reported a GNP of under U.S. $250 billion in 1982, its GDP reached U.S. $483 billion in 1992. In 2007 its GNP was U.S. $2,871 billion, which was about 10 times of 1982. It now has a large foreign reserve of U.S. $1,528 billion and has the largest trade surplus in the world.



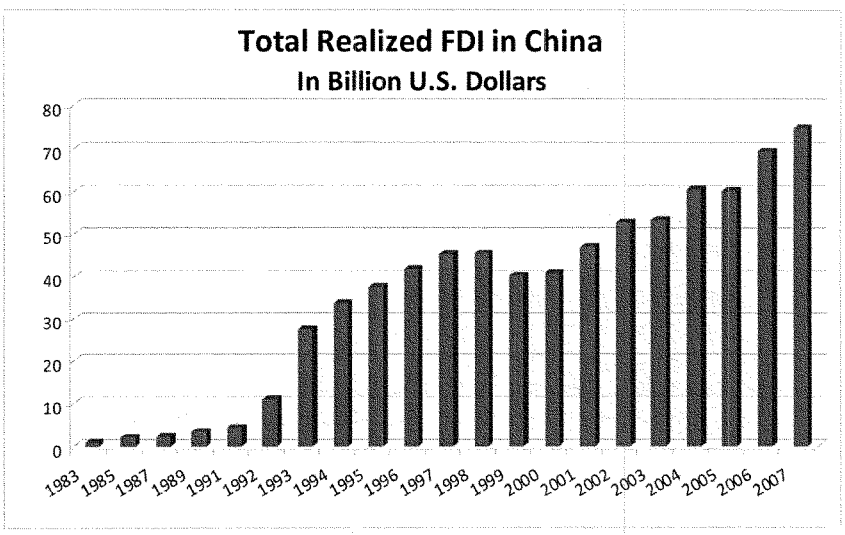
Source: IMF; 2007 Estimated

Prior to 1978, China was primarily a self sufficient, semi-closed door economy. Being inspired by the four little tigers—Taiwan, Hong Kong, Korea, and Singapore—China began pursuing an export economy. Trade is essential to the integration of the global economy, and export is critical to the developing countries. For most developing countries, a domestic economy hardly exists. With a population primarily consisting of relatively less educated, unskilled, or semi-skilled labor, those countries mainly rely on the export of its natural resources or low value added, labor intensive goods.

The Chinese strategy is to exploit the comparative advantage of its labor force, to earn foreign exchange, to learn modern technology, to access foreign markets, and to create jobs for its 1.3 billion people. China was able to achieve those goals in a short span of 30 years because of its size, both geographically and population-wise, its long coastal line, its unique culture, having the will to do so, and perhaps most importantly, overseas Chinese. It was the overseas Chinese in Hong Kong, Taiwan, Southeast Asia who helped start China's economy by pouring in investments, relocating their factories, bringing in management and production know-how, and providing access to overseas markets. Naturally, the beneficiaries were cities in Southern region and the coastal region of China.

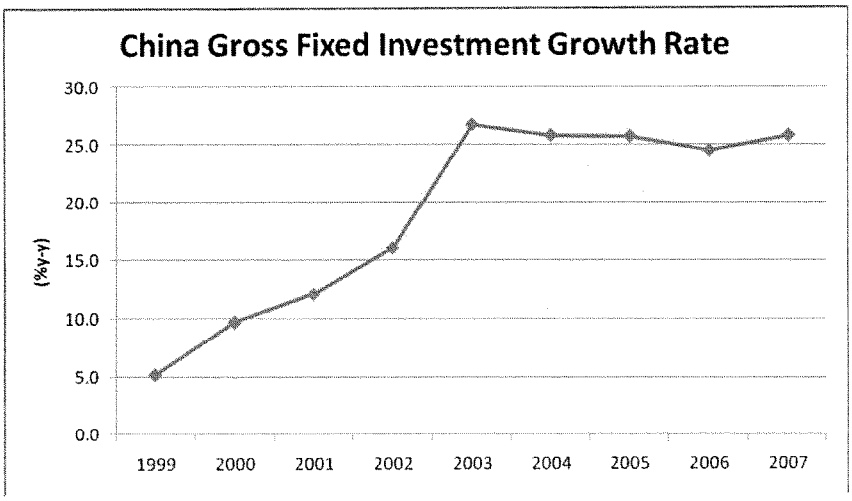


Source: National Bureau of Statistics of the People's Republic of China



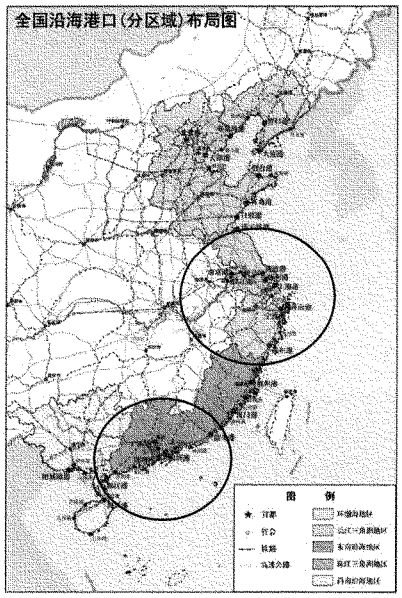
Sources: Ministry of Commerce; and National Bureau of Statistics of the People's Republic of China

China's economy is built on exports, investments, and reinvestments (though uncontrolled) in infrastructure and capital goods; foreign direct investment; and rapid development of its domestic market.



Source: World Bank

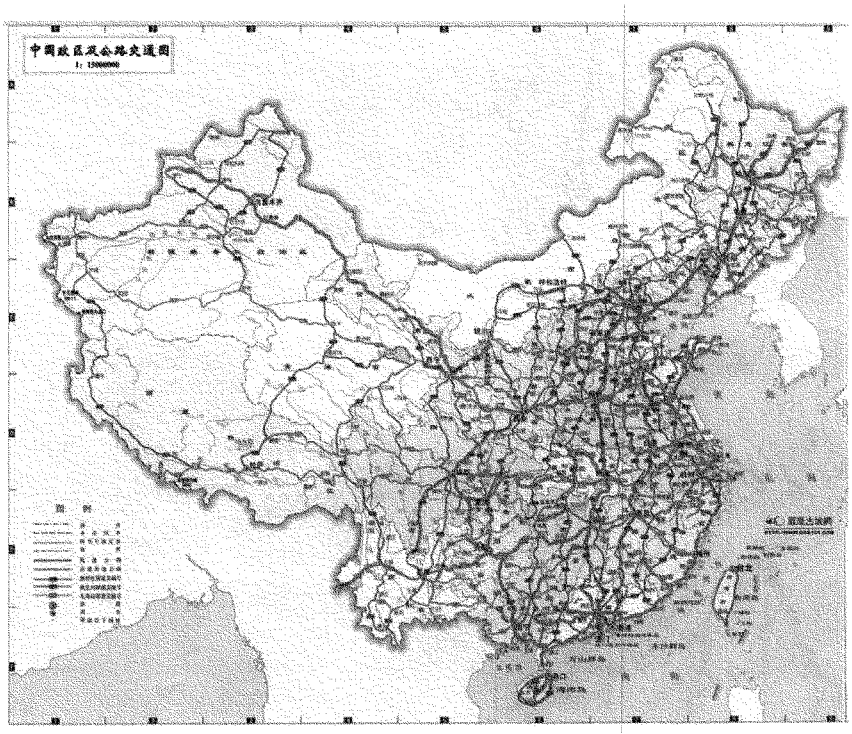
Map of Ports in China – Centers for Exports

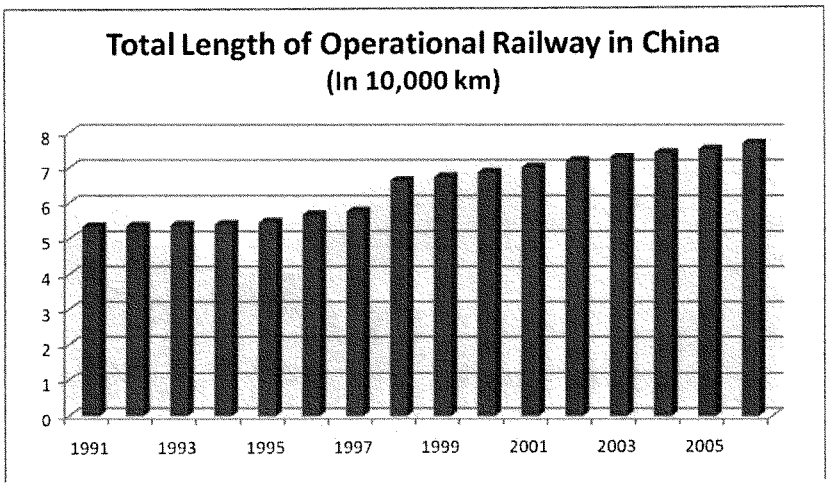


SURFACE TRANSPORATION; THE GLOBAL ECONOMY; DOMESTIC ECONOMY; AND CHINA

For a developing economy that depends on exports, it is essential that goods can be shipped from the factories to the port, energy source can be redirected to the power stations that supply to the factories, raw materials and parts can be transported to the assembly lines, and overseas buyers and engineers are able to get to the factories without extended delay. Initially, when China's surface transportation was in its infancy (0 miles of expressway prior to 1988), the economic development of China was concentrated in the coastal region and southern part of China because goods could easily be shipped to foreign countries. With a concerted effort, China began an aggressive plan of building a national network of surface transportation. In 1992 they established a plan that designated 45 key centers for the highway system, and in December 2004, the announced the "7918 Highway Network." With literally zero mile of expressway prior to 1988, China had 168 miles in 1989, 10,000 miles in 2001, and 25,480 miles in 2005. It is expected that in 2020, all cities with a population of over 200,000 will be connected.

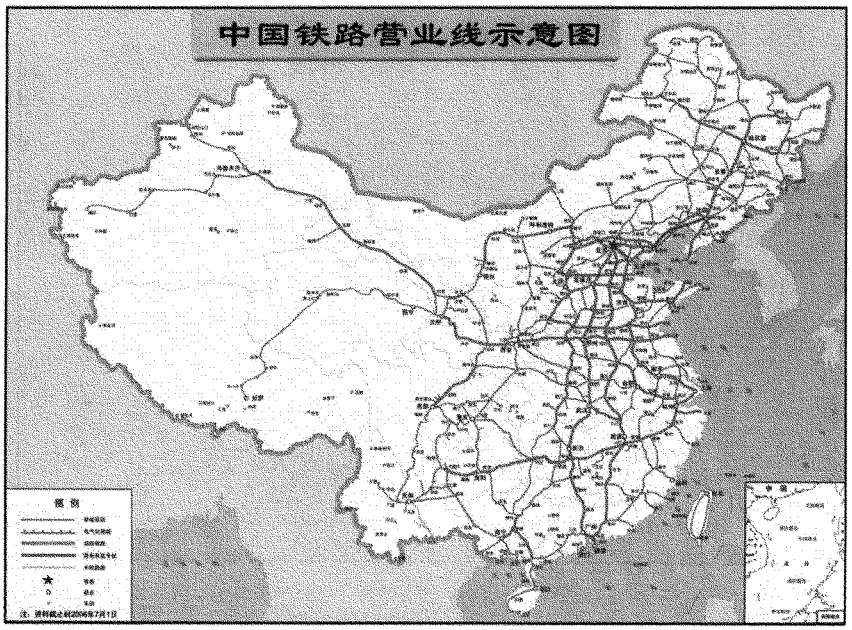
China's Rail, Highway and Expressway

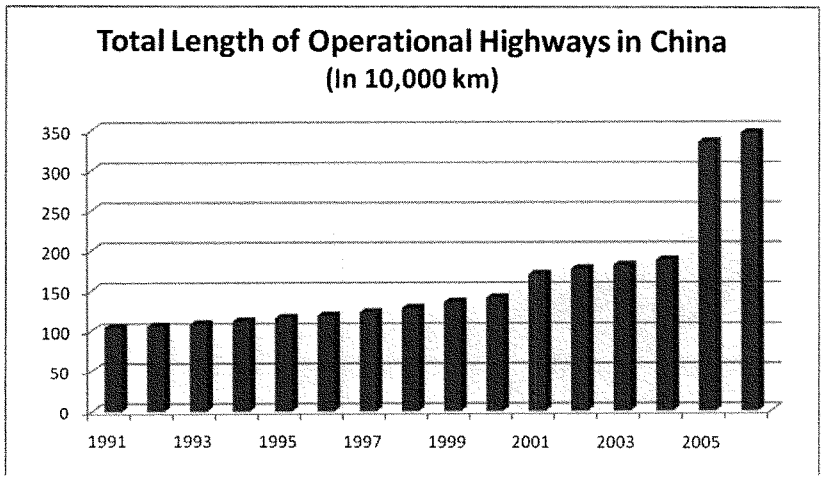




Source: National Bureau of Statistics of the People's Republic of China

China's Railway System





Source: National Bureau of Statistics of the People's Republic of China

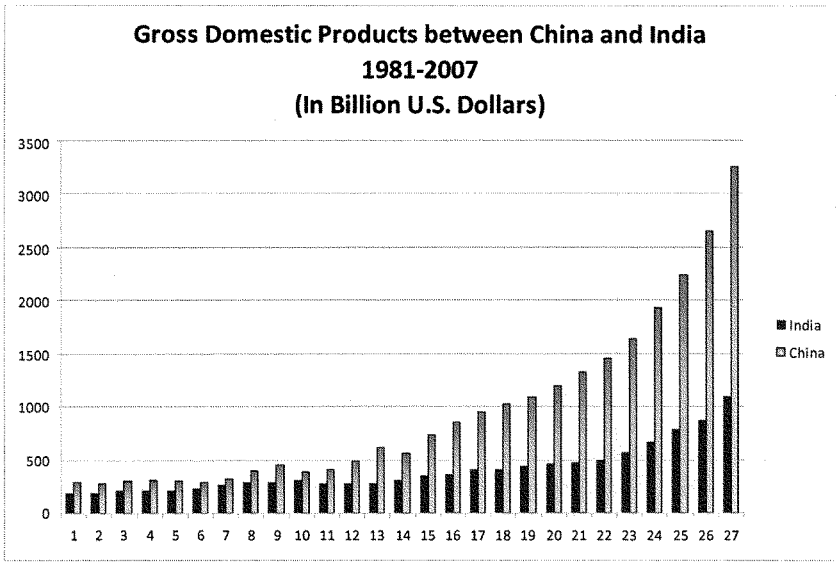
China's Highway and Expressway

The continuing effort toward building its transportation system is essential to the sustainability of its economy and social order. Labor and land costs in the coastal region are progressively more expensive. Wealth disparity between the coastal area and inland area has reached an alarming level that will disenfranchise certain sectors of the population. Regionalism has become more intensive. As the world economy is increasingly globalized, China's domestic economy needs to be more integrated. A more efficient surface transportation system will also allow specialization of industries in certain regions that have a comparative advantage so as to achieve a higher degree of efficiency. Without a well developed surface transportation system, this will not be achieved.

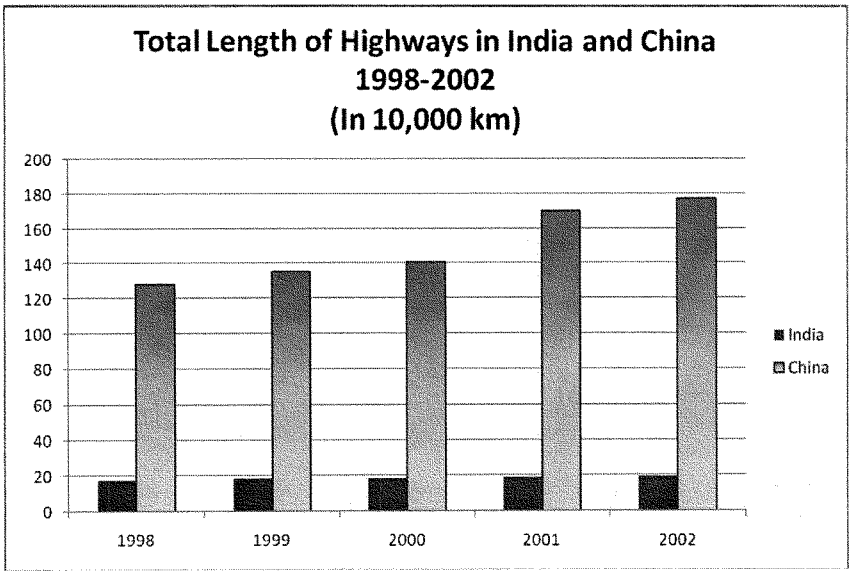
The construction of China's surface transportation system is arguably the first time in the history of mankind that a society of such a large scale involving hundreds of millions of people has moved so swiftly to build an entirely new network in such a short period of time. China has built and continues to build its network in such a grand scale, not only because of export needs, but also because of the unique characteristics of the country. With a population of 1.3 billion, China has no choice but to invest heavily in infrastructure to create jobs. In a country where symbolism prevails, a modern transportation network also signifies the modernization of the country. In a country where "Private Land Ownership" does not exist, China can relocate millions of people to build new towns, new roads, and new industrial parks. This alone has made China unmatchable by other nations.

CHINA VERSUS INDIA

While China has emerged as the manufacturing center in the world, India has lagged behind except in IT outsourcing. Export of manufactured goods requires surface transportation to get the goods to the ports; export of IT only requires phone lines and internet access. Although China and India share many things in common, such as uniquely large populations and a richness of culture, their economic and political systems fundamentally differ. As the economy of an emerging nation tends to depend on exports of low value added goods, India's economic growth lags behind China. While there are many reasons accounting for such a disparity, the lack of a good surface transportation has made export difficult.



Source: IMF



Sources: National Bureau of Statistics of the People's Republic of China;

CONCERNS

Every success has its perils. As China the economy of China continues to grow, it faces many potential problems that are related to their surface transportation system. Their network of highways will potentially suffer from bottlenecking. Traffic congestion resulting from poor design of certain highways, a sudden large increase in the number of vehicles on the road, and lax enforcement of traffic regulations, will create inefficiency and increase cost of manufacturing. Pollution and global warming are become more predominant and threatening the health and environment. As good surface transportation is critical to the global economy, controlled investments, coordinated efforts, and good planning are critical to the sustainability of the economic growth.

Senator BAUCUS. Thank you, Mr. Yam, very much.
Mr. Isbell.

STATEMENT OF JOHN ISBELL, GLOBAL DIRECTOR OF LOGISTICS, NIKE

Mr. ISBELL. Chairman Baucus and Senator Craig, thank you for the opportunity to testify on the freight infrastructure problems facing our Nation.

My name is John Isbell. I am responsible for overseeing the global flow of Nike cargo from sourcing origins to arrival at destination distribution facilities. My brief testimony will cover the need for a national freight transportation plan and freight transportation metrics, as well as insights on public-private partnerships.

Nike's U.S. footprint includes major distribution facilities in Tennessee, Oregon, California and New Hampshire. On an annual basis, Nike imports over 30,000 40-foot equivalent units of containers, making Nike the 23d largest container importer. Over 85 percent of our containers are imported through the West Coast ports, and nearly 85 percent of those containers move on rail to reach their final interior destination points.

Our concerns about the State of the U.S. freight transportation infrastructure began in 2004 when the perfect storm hit Southern California and the Nation. The combination of record imports entering through the ports of Los Angeles and Long Beach, combined with the shortage of waterfront labor, and equipment and labor shortages experienced by our two western class I railroads, resulted in cargo delays from one to 3 weeks for most intermodal shippers.

Responsive actions by all parties and the slower growth of the U.S. economy has averted a reoccurrence of the problem. However, the U.S. infrastructure continues to operate at near capacity in many sectors, so there is certainty that future supply chain delays will impact American business and ultimately U.S. consumers, especially given the fact that container import volumes will double by 2020.

The problems will be particularly acute in Southern California, where the two ports account for 43.2 percent and 24.4 percent of the Nation's container imports and exports respectively.

Why should we be concerned about supply chain delays? Delays mean that just-in-time supply chains such as Nike's time-sensitive product launches, would need to produce products earlier in order to meet key delivery dates. This increases inventory carrying costs. For Nike, the cost to finance an additional week of inventory is a one-time cost of approximately $4 million.

The absence of a national freight transportation plan leaves American business with no assurances that our international trade will be able to continue to flow at the speed of commerce. Some critics might say you only have to look at the current highway bill, SAFETEA-LU, to know that without a plan, needed freight infrastructure projects of national significance were shortchanged because the current system permits an earmarking process that diverts money to many less essential transportation projects.

We believe by working in partnership with the Administration and this Congress we can develop a consensus blueprint for freight

transportation that will provide mandatory funding for freight infrastructure projects of national significance. An important component of a national freight transportation plan is the development of freight metrics that can monitor transportation flow in key sectors in order to identify bottlenecks and capacity constraints. These metrics would include the measurement of marine terminal capacity, the average speed of container trains, and transit times in key truck freight corridors.

Secretary of Transportation Mary Peters in her testimony in February before the full Committee said, "Future transportation improvements should be paid for by a combination of tolls, vehicle mile taxes, and public-private investment." Nike and other shippers recognize we need to partner with the Federal Government to support the funding of freight infrastructure projects. Therefore, we are willing to work with Congress and the next Administration to develop a framework for public-private partnerships that meets the needs of all stakeholders. Private-public partnerships can take many forms, but we strongly believe the following underlying principles should apply to all partnerships.

No. 1, projects should be of national significance as determined by a public-private stakeholder group. No. 2, the fees or contributions must be firewalled and used exclusively for the project. Funds cannot be reallocated for general revenue appropriations. Three, fees and contributions must be collected from the actual users of the infrastructure. Four, fees must be assessed on the physical unit of movement, and not on the dollar value of the cargo. And five, there must be accountability and transparency in the use of project funding.

I conclude by using a quote in the recent U.S. Chamber of Commerce Transportation Report, "If the United States continues to under-invest in its transportation system, and fails to meet the transportation needs of its key industry sectors, the U.S. economy will become less productive and less globally competitive."

We thank you for the Committee's leadership on this issue and the shipping community looks forward to working with you to build a better tomorrow.

Thank you.

[The prepared statement of Mr. Isbell follows:]

April 16, 2008
Testimony of John Isbell, Director Corporate Delivery Logistics
Nike, Inc.
Beaverton, Oregon

Before the U.S. Senate Transportation and Infrastructure sub-committee of the Environmental and Public Works Committee

Chairman Baucus, Senator Isakson and other Members of the Committee; thank you for the opportunity to testify on the freight infrastructure problems facing our nation.
My name is John Isbell and I am responsible for overseeing the global flow of Nike, Inc. cargo from sourcing origins to arrival at destination distribution facilities. My testimony today will specifically address the freight transportation challenges facing the U.S. I will cover the following three topics:

1. National Freight Transportation Plan
2. Freight transportation metrics
3. Public-private partnerships

Nike, Inc.
Nike Inc.'s U.S. footprint includes major distribution centers in Memphis, Tennessee; Wilsonville, Oregon; Ontario, California; Foothill Ranch, California; and Greenland, New Hampshire. Nike, Inc. U.S. employees are approximately 18,200. On an annual basis, Nike, Inc., imports over 30,000 forty-foot equivalent units of containers making Nike, Inc. the 23rd largest container importer. Over 85% of Nike's containers are imported through the West Coast ports with Los Angeles and Long Beach being the primary gateways and nearly 85% of our containers use rail to reach their final interior destinations.

National Freight Transportation Plan
Our concerns about the state of the U.S. freight infrastructure began in 2004 when the perfect storm hit Southern California and the Nation. The combination of record imports entering through the ports of Los Angeles and Long Beach combined with a shortage of waterfront labor and equipment and labor shortages experienced by the two Western Class One railroads resulted in cargo delays from one to three weeks for most intermodal shippers. Responsive actions by all parties and the slower growth in the U.S. economy has adverted a re-occurrence of this problem. However, the U.S. infrastructure continues to operate at near capacity in many sectors so there is certainty that future supply chain delays will impact American business and ultimately U.S. consumers.

Why should we be concerned about supply chain delays? Delays mean that just-in-time supply chains, such as Nike's time-sensitive product launches, would need to produce products earlier in order to meet key delivery dates. This increases inventory carrying cost. For Nike, the financial cost to finance an additional week of inventory is a one-time cost of approximately $4.0 million.

The underlying problems of inadequate highway and railroad infrastructure that contributed to the 2004 perfect storm continue to be a major concern for the shipping community. These concerns arise from the knowledge that U.S. container import volumes are expected to double by 2020. The problems are particularly acute in Southern California where the two ports account for 43.2% and 24.4% of the Nation's container imports and exports.

The absence of a National Freight Transportation Plan leaves the American people with no assurances that our international trade will be able to continue to flow at the speed of commerce. Some critics might say you only have to look at the current highway bill, SAFETEA-LU, to know that without a plan, needed freight infrastructure projects of national significance were short changed because the current system permits an earmarking process that diverts money to many less essential transportation projects. I believe by working in partnership with the administration and congress, we can develop a consensus blueprint for freight transportation in terms of a National Freight Transportation Plan. An important outcome of this plan will be to identify and provide mandatory funding for freight infrastructure projects of national significance.

Freight Transportation Metrics

An important component of a National Freight Transportation Plan is the development of freight metrics that can monitor transportation flow in key sectors in order to identify bottlenecks and capacity constraints. These metrics would include the measurement of marine terminal capacity, average speed of container trains, and transit times in key truck-freight corridors.

Public-Private Partnerships

Secretary of Transportation, Mary Peters, in her testimony in February before the Senate Environment and Public Works Committee, said "future transportation improvements should be paid for by a combination of tolls, vehicle-mile taxes and public-private investment."

Nike and other shippers recognize we need to partner with the Federal Government to support the funding of freight infrastructure projects. Therefore, we are willing to work with Congress and the next Administration to develop a framework for public-private partnerships that meets the needs of all stakeholders. Public-private partnerships can take many forms but we strongly believe the following underlying principles should apply to all partnerships:

1. Projects should be of National freight significance as determined by a public-private stakeholder group.

2. The fees or contributions must be "fire-walled" and used exclusively for the project. Funds cannot be reallocated for general revenue appropriations.
3. Fees and contributions must be collected from the actual users of the infrastructure.
4. Fees must be assessed on the physical unit of movement and not on the dollar value of the cargo.
5. There must be accountability and transparency in the use of project financing.

Conclusion

I conclude by using a quote in the recent U.S. Chamber of Commerce transportation report, "If the United States continues to under invest in its transportation system and fails to meet the transportation needs of its key industry sectors, the U.S. economy will become less productive and less globally competitive."

We thank you for the Committee's leadership on this issue and the shipping community looks forward to working with you to build a better tomorrow.

RESPONSES BY JOHN ISBELL TO ADDITIONAL QUESTIONS FROM SENATOR CARPER

Question 1. Unfortunately, we do not have unlimited resources and there is a large demand on those resources. Much of our current surface transportation infrastructure is crumbling. But new communities are being built and need additional transportation capacity. Both have important implications for our competitiveness. In terms of competitiveness, is it more important to maintain our current transportation and bring it up to a State of good repair or to build new capacity?

Response. With the projected doubling of container imports by the year 2020, the U.S. unfortunately has to do both the repair and build new capacity. Otherwise, congestion is going to get worse. This means adding more time to people's commute, increasing fuel consumption and causing American businesses to operate in a less than time environment. The latter could drive up the cost of products and services for Americans and make American companies globally less competitively.

Question 2. We are currently spending about $30 billion a year on transportation and not coming close to meeting our needs with regard to maintenance and new capacity needs. Would that $30 billion go further if transportation decisions were made in conjunction with economic development and housing decisions?

Response. In order to get a better return on transportation spending, the U.S. needs a National Freight Transportation Plan so money from the highway bills are spent wisely on projects of national significance. These projects need to be financed by mandatory funding in order to maintain America's economic global leadership.

RESPONSES BY JOHN ISBELL TO ADDITIONAL QUESTIONS FROM SENATOR INHOFE

Question 1. Much of the criticism of our nation's current transportation policy revolves around our lack of focus on National priorities such as large regional projects and freight movement corridors. As we prepare for reauthorization, what suggestions would you have for this Committee on how to structure a truly national freight (only change was to add "freight") program?

Response. We would encourage Congress and the Secretary of Transportation to work with industry stakeholders to develop a National Freight Transportation Plan. This plan will produce a consensus blueprint for freight transportation that will provide mandatory funding for freight infrastructure projects of national significance.

Question 2. Many voices are calling for a new freight program funded outside of the current gas and diesel taxes. Do you think an increase in the diesel tax is the best way to pay for truly national freight transportation projects? If we do not increase motor fuel tax rates, how would you assess a new user fee to fund a new freight program?

Response. The majority of industry leaders do not think increasing the diesel tax is the best way to fund national freight transportation projects. All users of the infrastructure need to pay its fair share of the project costs and environmental cleanup. Nike has taken an extra step in this effort and is a founding member of the Coalition for Responsible trucking, which was created for private sector companies to address environmental issues, to implement innovative solutions to alleviate diesel-related emissions, and to promote better business practices in communities surrounding our nation's blue-water ports.

Senator BAUCUS. Thank you, Mr. Isbell.

Mr. Kuntz.

STATEMENT OF RAY KUNTZ, CHIEF EXECUTIVE OFFICER, WATKINS AND SHEPARD TRUCKING, ON BEHALF OF THE AMERICAN TRUCKING ASSOCIATIONS

Mr. KUNTZ. Chairman Baucus, thank you for this opportunity to testify on a very important subject today. I am Ray Kuntz, Chairman of the Board of the American Trucking Associations, and Chairman and CEO of Watkins and Shepard Trucking in Montana.

Our highway system connects all modes of transportation, all modes of mining, agriculture, manufacturing and warehousing. It plays a real key role in our global economy, and it is what allows a company like our own in Montana, which travels about only 13

percent of its miles in Montana, but employs a majority of Montanans to work in a global economy.

The rest of the world also understands the importance infrastructure plays in the ability to compete in the global economy. The European Union has launched a coordinated long-term initiative to address freight and other transportation needs. I also visited China last year and was able to visit the Shanghai Port, and what I saw is that China was building railroads, highways, and ports at an unbelievable pace. The alarming thing is that the port that they built in Shanghai that you mentioned, Mr. Chairman, that project took 3 years from start to finish. And we all know in America that we could never get something like that licensed in 3 years or 20 years. So we have other problems that we have to compete with in infrastructure.

Today, that system is aging and overloaded. To maintain our position as the envy of the world, which we were with infrastructure, we have to get serious about investing in repair and expansion. The cost of infrastructure has grown dramatically in recent years, and we have not increased our main funding source, fuel taxes, since 1993. That puts us where we are today with the costs going up, and holding down flat we have this gap in what we need to spend and what we have.

As a result, many of our States are facing large highway funding shortfalls and looking at alternative solutions, primarily tolling and privatization. The move toward privatization will create long-term costs that greatly exceed the short-term economic benefits. I use as an example in 2006, the State of Indiana agreed to a 75-year lease with Macquarie-Cintra in exchange for $3.85 billion. How does that affect trucking? Prior to privatization, the toll rate for a five-axle truck traveling that toll road was $14.55. Today, just 2 years later, that same rate is $27.25. By 2010, we estimate it will be as high as $39.24. As this rate progresses, by 2016, it will be equivalent to a $2 per gallon fuel tax. By 2031, our estimates, based on their formulas, would put it at $4.42 per gallon.

So to argue that privatization is an alternate funding that doesn't raise taxes is pretty simplistic thinking. That is why we take our position against privatization. We are also very concerned that it would hurt rural America, especially States like Montana, North Dakota, and Wyoming where we don't expect that private partnerships would have any interest.

ATA believes that leasing highways to private interests is inconsistent with efficient and cost-effective movement of freight, not in the public interest, and represents a vision for our Nation's system that is short-sighted and ill-conceived and will hurt rural America.

The other big problem that we are facing in this Country is congestion. A recent report of the Texas Transportation Institute shows that in 2005 drivers in metropolitan areas wasted 4.2 billion hours in traffic, burning 2.9 billion extra gallons of fuel, and adding annual congestion costs in urban America of $78 billion. A preliminary study of Federal highways shows that bottlenecks are costing trucking more than 243 million hours a year, with a direct cost of $7.8 billion a year, growing a 8 percent a year. It is taking our guys longer to get from point A to point B every single year since

2002, so we are becoming less and less efficient as a trucking industry.

ATA estimates of congestion in these areas were added over a 10-year period and over 32 billion gallons of fuel would be saved, and we would reduce our carbon emissions by 314 million tons. We believe, along with other groups, that a segregated program is needed to deal with congestion and funding should be walled-off from the highway trust fund.

Currently, Senator, our Country is in a recession. We are facing an energy crisis, and many believe we are facing an environmental crisis. A long-term plan to rebuild our highway infrastructure and reduce congestion would stimulate our economy, reduce our fuel consumption, and reduce our carbon footprint, and ensure our ability to compete in global economics. The correct path, though not easy, seems pretty clear to me.

Mr. Chairman, I appreciate this opportunity to come before you, and I hope that as we move forward that you have the political courage and will to get us an adequate infrastructure for the future.

Thank you.

[The prepared statement of Mr. Kuntz follows:]

Before the

Subcommittee on Transportation and Infrastructure

Committee on Environment and Public Works

United States Senate

Statement of

Ray Kuntz
Chairman of the Board
American Trucking Associations

On

Surface Transportation and the Global Economy

April 16, 2008

Driving Trucking's Success

950 North Glebe Road
Suite 210
Arlington, VA 22203

INTRODUCTION

Chairman Baucus, Senator Isakson, and members of the Subcommittee, thank you very much for inviting the American Trucking Associations[1] to testify before you today. I am Ray Kuntz, Chairman of ATA and Chairman of the Board and Chief Executive Officer of Watkins and Shepard Trucking, located in Helena, Montana.

Mr. Chairman, you are to be commended for calling this hearing and for focusing attention on one of our Nation's greatest challenges – building a transportation infrastructure system that can meet current and future demands of the global economy. When your predecessors were considering America's transportation needs 60 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 a Montana-based trucking company to participate in a supply chain that stretches around the globe.

Every day thousands of trailers and containers, carrying everything from grain to machine 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. It is a 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. Highways are the key to this system. Trucks move 69 percent of our Nation's freight tonnage, and draw 84 percent of freight revenue, and the trucking industry is expected to move an even greater share of freight in the future.[2] In addition, trucks transport 69% of the value of freight moved between the U.S. and our Canadian and Mexican trading partners.[3]

However, trucks are also crucial to freight moved on rail, in the air and on the water. The highway system connects all of these modes to manufacturing and assembly plants, retail outlets, homes and warehouses. An efficient highway system is the key to a fluid global supply chain, which in turn is a fundamental element of a growing and prosperous economy.

Unfortunately, Mr. Chairman, the highway system no longer meets our needs. While the condition of our highways and bridges has steadily improved in recent years, the bridge collapse in Minneapolis and the recent closure of Interstate 95 in Philadelphia remind us that our infrastructure is aging and large sections will have to be repaired or replaced in the coming years, at an enormous cost.

More troubling is the seemingly endless congestion on highways in urban areas. According to the most recent report on congestion from the Texas Transportation Institute, in 2005 drivers in metropolitan areas wasted 4.2 billion hours sitting in traffic, burning 2.9 billion gallons of fuel.[4]

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[1] The American Trucking Associations is the largest national trade association for the trucking industry. Through a federation of other trucking groups, the industry-related conferences and its 50 affiliated state trucking associations, ATA represents more than 37,000 members covering every type of motor carrier in the United States.
[2] Global Insight, *U.S. Freight Transportation Forecast to...2018*, 2007.
[3] U.S. Department of Transportation, Bureau of Transportation Statistics *Transborder Freight Data*, 2007.
[4] Texas Transportation Institute, *2007 Urban Mobility Report*.

ATA estimates that if congestion in these areas was ended, 32.2 million tons of carbon would be eliminated and, over a 10-year period, nearly 32 billion gallons of fuel would be saved, reducing carbon emissions by 314 million tons.

While the TTI study estimated that the national congestion cost due to congestion in urban areas was $78 billion in 2005[5], this figure likely underestimates the real cost of an inadequate highway system to the U.S. economy. Since deregulation and completion of the Interstate Highway System over the previous quarter century, the trucking industry has made continuous improvements that have allowed its customers to significantly reduce inventories and create manufacturing and supply chain efficiencies that have saved the U.S. economy billions of dollars, increased salaries, slowed consumer price increases and created countless jobs. Disruptions to the movement of freight on our nation's highway system due to congestion jeopardizes these gains. Congestion slows delivery times, creates unpredictability in supply chains and ultimately makes U.S. businesses less competitive and consumer products more expensive. Indeed, in its 2007 *State of Logistics Report*, the Council of Supply Chain Management Professionals described a logistics system whose costs are rising at triple the pace of general inflation.[6] The report found that business logistics costs rose over 11% in 2006 to $1.3 trillion, an increase of $130 billion over 2005. Trucking costs alone increased by $52 billion. Mr. Chairman, if we fail to address congestion, these costs will continue to rise, and will translate into higher consumer prices and slower job growth, and will weaken the United States' ability to compete in the global economy.

Indeed, America's competitors have recognized the value of a good transportation system and are investing heavily in their infrastructure. Over the past five years China built nearly 120,000 new highway miles, including more than 17,000 expressway miles.[7] China currently has an Interstate-quality expressway system that is 33,000 miles long, and the country continues to invest approximately $22 billion annually in highway construction.[8] Over the same 5-year period, the country built 568 new port berths to handle mega container ships.[9] Many of these vessels will be calling at U.S. ports with inadequate landside infrastructure to handle the crush of containers. In addition, the European Union has launched a coordinated long-term initiative to address freight and other transportation needs.[10]

The United States has been living off the transportation infrastructure built by past generations, and our failure to keep up with the demands imposed on these systems by population and economic growth have weakened the Nation's competitive position relative to other countries. According to a World Bank analysis, the United States' logistics system ranks 14th in the world based on key measures such as the quality of transportation infrastructure, competence of logistics providers and terminal handling efficiency.[11] The U.S. lags behind many of our global competitors, including Germany, Japan, China, the United Kingdom and Canada. Eliminating

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[5] *Ibid*
[6] Council of Supply Chain Management Professionals, 18th Annual *State of Logistics Report*, June 6, 2007.
[7] Wen Jiaboa, Premier of the State Council. *Report on the Work of Government (2008)*, March 5, 2008.
[8] Government of China, Nov. 16, 2007.
[9] *Ibid.*
[10] European Union Directorate-General for Energy and Transport. *European Freight Transport,* March 2006.
[11] World Bank *Logistics Performance Index 2007.*

bottlenecks on our highways and at our ports and border crossings will greatly enhance America's competitive position.

Mr. Chairman, incremental solutions will not allow us to meet the Nation's current and future 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 get our country out of traffic gridlock and to make driving less hazardous, we can no longer afford to spend limited federal resources on projects that do not meet our most important national needs. Therefore, federal funds must be invested in a manner that will most effectively address these requirements. Furthermore, outdated federal laws and regulations that are detrimental to motorists and to society at large must be reformed. My comments will focus on what changes must be made to the federal highway program in order to accommodate current and future highway freight transportation demands.

A NEW FEDERAL VISION: FOCUS ON MOVING FREIGHT

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. With few exceptions, Congress and the states tend to view the HTF and the highway authorization process as simply 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. In the meantime, critical projects whose failings have national or broad regional implications go unfunded. The ability to plan, from a national perspective, for the transportation challenges of the 21st century, is impossible within this parochial atmosphere.

This is not to suggest that the current federal program is devoid of benefit. Local transportation challenges are necessarily dealt with by state and local governments, and the continued flow of federal resources to address these needs is important. However, because the full benefits of moving freight extend beyond metropolitan and state boundaries, projects which might otherwise receive a higher priority go unfunded, in part because many are extremely expensive and would, by themselves, eat up state budgets.

The failure by planners at all levels of government to identify and fund projects that are important to the movement of freight points to problems in the transportation planning process itself. While federal law requires states and Metropolitan Planning Organizations to identify transportation needs within their own boundaries, vehicle travel is not bounded by lines on a map. Transportation extends across state and local government borders, but currently the planning process does not. While some states have made great strides toward regional planning, the ability to fund projects outside of their states, even when they are likely to benefit greatly by such decisions, is tempered by political reality. The federal government is the only entity in a position to determine the national and regional benefits of highway projects that facilitate the movement of freight, and is singularly equipped to provide sufficient resources and strong leadership to ensure that these projects are completed.

ATA believes that the federal government must adopt a new mission: to provide the leadership and resources necessary to facilitate the safe and efficient movement of goods on the nation's highway system. We agree with other groups – such as the American Road and Transportation Builders Association and the Coalition for America's Gateways and Trade Corridors – that such a program should be segregated from the existing federal surface transportation program, and that its source of funding should be walled off within the Highway Trust Fund.

While trucks serve 100 percent of American communities and utilize nearly the entire four million mile road system, freight tends to be concentrated along a few major corridors. Many of these corridors are also among the most heavily congested in the nation. This presents both a challenge and an opportunity. The challenge is in finding the will and the resources to make what are often extremely expensive improvements to these corridors in order to ensure that freight does not bog down, thus disrupting supply chains throughout the nation, and causing ripple effects around the world. The great opportunity before us is to not simply keep up with freight transportation demands, but to develop a long-term vision of the transportation system that results in supply chains that are swifter and more predictable than they are today. ATA is presenting to the subcommittee for its consideration proposals that address the immediate and longer-term deficiencies plaguing important highway freight corridors.

Freight Corridors Initiative

A preliminary study for the Federal Highway Administration (FHWA)[12] identified the highway bottlenecks that cause the greatest amount of delay for trucks. The study estimated that the more than 200 identified bottlenecks cost the trucking industry more than 243 million hours annually, with a direct financial cost of approximately $7.8 billion. The study estimates that highway bottlenecks account for 40 percent of congestion, with the remainder caused by accidents, bad weather, construction, special events and poor signal timing.

This table,[13] which updated the report referenced above, shows, for illustrative purposes only, the worst highway bottlenecks for truck congestion.

RANK	CHOKEPOINT LOCATION	CITY	ANNUAL HOURS OF TRUCK DELAY
1	I-405 at I-605	Long Beach, CA	2,662,600
2	SR-60 at I-605	Los Angeles	2,400,200
3	I-75 at I-285	Atlanta	2,253,000
4	I-55 at Pulaski Rd	Chicago	1,888,600
5	I-80 at I-580/I880	Oakland, CA	1,838,700
6	I-285 at I-85	Atlanta	1,815,100
7	I-90/94 at I-290	Chicago	1,600,300

[12] Cambridge Systematics and Battelle Memorial Institute for the Federal Highway Administration, *An Initial Assessment of Freight Bottlenecks on Highways*, Oct. 2005.
[13] U.S. DOT, FHWA, Technical White Paper, *Application of Detailed Interchange Analysis to Top Freight Bottlenecks: Methods, Results, and Road Map for Future Research,* March 19,2007, Table 3.1 Annual Delay at Major Truck Bottlenecks.

RANK	CHOKEPOINT LOCATION	CITY	ANNUAL HOURS OF TRUCK DELAY
8	I-80 at I-94 Split	Chicago	1,365,300
9	I-15 at I-10	Ontario, CA	1,308,300
10	I-880 at SR-238	Oakland, CA	1,200,300
11	I-90 at I-290	Buffalo, NY	816,300
12	I-93 at I-95	Boston	726,500
13	I-77 at I-277	Charlotte	660,300
14	I-90 at I-94 split	Chicago	584,500
15	I-17 at I-10	Phoenix	493,200
16	I-710 at I-105	Long Beach, CA	425,200
17	SR-315 at I-70	Columbus, OH	367,500
18	I-75 at I-74	Cincinnati	305,800
19	I-20 at I-285	Atlanta	285,100
20	I-75 at I-85	Atlanta	272,600
21	SR-134 at SR-2	Los Angeles	267,600
22	I-290 at I-355	Chicago	263,600
23	I-93 at I-90	Boston	175,800

ATA is in the process of developing a new concept – the Freight Corridors Initiative – that is designed to fund highway projects which hold the greatest potential for improving the movement of freight. Most of the money would finance those projects identified as providing congestion relief at bottlenecks on corridors which have the most significant impacts on trucking mobility and on the U.S. economy. In order to ensure that the money is spent where it is needed most, it would be distributed in a manner that takes into account the relative importance of the corridor and the degree of impediment to the flow of truck traffic. Distribution of money to the states would therefore be based on various factors such as, for example, the number of bottlenecks in the state, annual hours of delay, the number of critical corridor miles in the state, and the amount of truck traffic on these corridors.

A smaller percentage of Freight Corridors Initiative money would be distributed to states that do not receive money for bottleneck relief. This revenue would be available for improvements to the states' Interstate Highway System. Distribution would be based on factors such as the number of Interstate Highway lane-miles and the amount of truck traffic in the state. While much of the Nation's attention has focused primarily on congestion in urban areas, many rural highways have inadequate capacity as well. According to the Federal Highway Administration, by 2020 nearly nine percent of rural highways serving the heaviest freight traffic will experience traffic gridlock for at least part of the day.

The amount of money states would be required to contribute as a matching share will be determined based upon the type of project according to existing law. Generally, the state match is 10 percent or 20 percent of the total project cost. The Freight Corridors Initiative and its source of revenue should sunset after a period of years to be determined in order to evaluate the effectiveness of the program.

We are confident that this approach will address immediate and long-term needs on major highway freight corridors. However, ATA is currently discussing this proposal with other stakeholders and we are willing to consider different options, provided they achieve the same goals.

Sources of Funding

The Freight Corridors Initiative will require a significant infusion of revenue. We believe that trucking companies would be willing to bear a significant share of this expense if they perceive value from the expenditures. The source of revenue from the industry should:

- be easy and inexpensive to pay and collect;
- have a low evasion rate;
- be tied to highway use; and
- not create impediments to interstate commerce.

Fuel Tax

ATA believes that fuel taxes meet all of these criteria. Currently, the federal tax on diesel generates approximately $400 million per year for each penny collected. ATA believes that a reasonable increase in this tax could finance a significant share of the programs described above, assuming the revenues are not diverted to other uses. We recognize that over the long term, due to changes in vehicle technologies, the tax on diesel and gasoline may not be a viable source of revenue. We are willing to consider alternatives that meet the criteria described above.

Tolls

Because of important measures adopted by Congress and by state and federal taxation agencies, fuel tax evasion is relatively low. Tolls, on the other hand, are often easily evaded, usually by motorists using alternative, less safe routes that were not built to handle the level and type of traffic experienced due to toll evasion.

There are significant capital and operating costs associated with collecting tolls, while fuel taxes are relatively inexpensive to administer. While state fuel tax collection costs are one to two percent of revenue, on major toll roads collection expenses constitute one-quarter to one-third of revenue.[14] Furthermore, as the number of toll facilities grows, so too do the number of points of collection, creating an administrative nightmare for trucking companies who operate throughout the country and are often required to establish accounts with multiple tolling authorities. A lack of transponder uniformity will also force carriers to purchase and install multiple transponders.

Congestion Pricing

An element of tolling is congestion pricing – the theory that if users pay their full marginal social costs of driving some would make different choices. Generally, the choices are to travel at a time of day when traffic congestion is less severe or to choose an alternate travel mode. For the

[14] American Transportation Research Institute, "Highway Funding Analysis: Defining the Legacy for Users," 2007.

trucking industry, no alternate mode exists. In addition, the trucking company's customers generally decide pick-up and delivery times. Because of the competitive nature of the industry, many trucking companies find it extremely difficult to allocate toll costs to individual deliveries, thus giving the shipper no incentive to change schedules. Therefore, congestion pricing is not an appropriate mechanism for regulating travel time choices of trucking companies. A more effective approach would be to give direct incentives to shippers who make choices that are likely to reduce traffic congestion.

Privatization of Toll Facilities

We strongly believe that while private financing of highway infrastructure may play a limited role in addressing future transportation needs, certain practices may generate unintended consequences whose costs will vastly exceed their short-term economic benefits. In particular, we are very concerned about attempts by some states to carve up the most important segments of the highway system for long-term lease to the highest bidder. We believe that leasing existing highways to private interests is inconsistent with the efficient and cost-effective movement of freight, is not in the public's best interest, and represents a vision for the Nation's transportation system that is short-sighted and ill-conceived. We therefore oppose these schemes.

While privatization discussions tend to center on financing concepts and the great public benefits from concession fee revenue, what often gets lost or ignored is the impact of these deals on the users of the toll facilities and on the general public. Chief among the concerns is the impact of toll road privatization on toll rates. Demand elasticity, the art and science of determining how high rates can increase before a significant number of users will abandon the toll road, is the private operator's chief method for deciding appropriate toll rates. Private toll road operators need not be concerned about the social impacts of toll rates on low-income workers, or on the costs to businesses that depend on the highway for transporting employees, customers, goods or services. Nor do private operators care about the extent of traffic diversion to lower quality, less safe, roads. Their main concern is to maximize the toll road's profitability within the confines of the lease agreement and the law.

Supporters of privatization point out that toll rates are unlikely to increase substantially because customers will choose to simply migrate to toll-free roads. In some cases, this may be true – a reasonable toll-free alternative may be available. On most major toll roads, however the only alternative may be a two-lane road with traffic lights and a significant amount of local traffic or, in the case of a toll bridge or tunnel, no alternative at all. Complicating the situation is a standard practice of including non-compete clauses in lease agreements, which prohibit or severely restrict improvements to competing roads.

Privatization boosters also point to caps on toll rate increases that have been a standard part of privatization agreements. However, two major lease agreements that have been completed in the United States – the Indiana Toll Road and Chicago Skyway – have been accompanied by very large initial rate increases combined with caps on future increases that by some estimates could exceed six percent annually. Close examination of these deals reveals the extent of the problem and should serve as warnings about future privatization efforts

Indiana Toll Road

In 2006, the state of Indiana agreed to lease the Indiana Toll Road to the Macquarie-Cintra private sector consortium. In exchange for a $3.85 billion concession fee, the firms can collect the toll revenue and agree to operate, maintain and improve the highway. Under the agreement, toll rates for a 5-axle truck increase incrementally from $14.55 to $32.00 in 2010 (all figures assume the truck traverses the entire length of the highway). On June 30, 2010 the lessee can increase toll rates by 8.2 percent, the rate of inflation (CPI) or the annual rate of change in national GDP per capita, compounded over the previous 4 years. Since 1960, the annual average rate of change in GDP/capita was 6.2 percent. From 2004 to 2005, the increase was 5.4 percent. Assuming a 5.5 percent annual average increase, the toll rate for a 5-axle truck may therefore rise by up to 23.9 percent, or to a rate of $39.64 in 2010. Therefore, toll rates for a 5-axle truck may increase by about 172 percent over five years if the lessees decide to maximize toll rate increases.

Less than two years after financial close, toll rates for a 5-axle truck have increased by more than 87%, from $14.55 to $27.25. Toll rates on cars paying cash went up by 72%. However, the State of Indiana has been paying Macquarie-Cintra to delay toll rate increases on passenger vehicles with electronic toll tags. Therefore, the financial impact on taxpayers has been understated. The impact of Turnpike privatization on users of the highway has been significant. Over a 2-year period between September 2005 (prior to privatization) and September 2007 (14 months after privatization) revenue increased by more than 62% despite a four percent reduction in traffic.[15]

Toll rate increases of these magnitudes will inevitably result in diversion of traffic. The experience from toll rate increases on the Ohio Turnpike during the 1990s is instructive. When the Ohio Turnpike increased its truck toll rate to 17.6 cents/mile for 5-axle trucks, the result was massive diversion to alternate routes. The Ohio Department of Transportation found that a decade after the increase, growth in truck traffic on the turnpike was static, while truck traffic on parallel roads tripled. ODOT determined that these parallel routes had much higher accident rates. For example, U.S. 20, which saw a 267 percent increase in truck traffic, had a fatal accident rate that was 17 times higher than the Turnpike's rate. By 2010, the truck toll rate on the Indiana Toll Road is likely to be approximately 25 cents per mile, 42 percent higher than the Ohio Turnpike's toll rate at its peak. The two highways are essentially the same route, and have similar alternatives. Therefore, it is reasonable to expect a level of diversion on the Indiana Toll Road that is at least as great as was experienced in Ohio.

There is a significant difference between the states that allows one to address these challenges effectively and forces the other to suffer the consequences. Because the Ohio Turnpike Commission is a public authority, the Governor and Secretary of Transportation were able to make changes – including lowering truck toll rates and increasing speed limits – which attracted a substantial amount of truck traffic back to the turnpike. Since control of the Indiana Toll Road has shifted from public to private hands, addressing these types of issues will not be quite as easy, and the lessees will base all changes in their operations on the potential impacts on their profitability, and not on the impacts on the public welfare.

[15] Macquarie Infrastructure Group. Press Releases October 8, 2006; October 8, 2007.

As bad as the situation may be under the 2010 toll rates, it may even get worse. Beginning on June 30, 2011, the lessees may use the same criteria identified for annual toll increases. Assuming an average annual 5.5 percent increase in GDP/capita, the maximum potential toll rates for a 5-axle truck are:

- 5 years: $51.81
- 10 years: $67.71
- 20 years: $115.56

This rate of increase will produce a toll rate that by 2016 will be equivalent to a fuel tax of approximately $2.00 per gallon, and by 2031 will equal $4.42 per gallon.

It has been suggested that these massive toll rate escalations are unrealistic because, as has been demonstrated on other facilities, including the Ohio Turnpike, raising the toll rate too high forces significant traffic off the highway. However, the lessee will set a toll rate to a level that maximizes profitability, not traffic. In fact, when the Ohio Turnpike lowered its toll rates, the highway experienced an income loss, despite significant traffic increases. Private sector operators have little or no interest in and no responsibility for what happens off the toll road. In fact, if Indiana wants to upgrade alternative routes to Interstate Highway quality standards to address traffic problems caused by diverted toll road traffic, the state will have to compensate the toll road operators for loss of revenue. This creates a perfect scenario for the lessee: a portion of the revenue lost due to diversion of traffic as a result of high tolls will simply come back as compensation from the state, and the lessee profits additionally by avoiding maintenance and expansion costs that it would otherwise have borne had that traffic not diverted. The combination of construction costs and compensation to the lessee could, over the course of a 75 year lease, easily exceed the state's concession fee plus earned interest.

Finally, the projected toll rates far exceed what is necessary to raise sufficient money for the operation, maintenance and improvement of the Indiana Toll Road. This means that toll road users will be forced to subsidize other state functions and enrich toll road investors, with little benefit to themselves.

Chicago Skyway

Effective 2005, the City of Chicago agreed to a concession agreement in which Macquarie-Cintra would take control of the Chicago Skyway for 99 years in exchange for $1.8 billion. Concession revenue is to be used primarily to pay off city debt.

Macquarie-Cintra used similar toll escalation caps for both the Indiana Toll Road and Skyway deals. However, the availability of free alternatives may hold rates down. On the other hand, because the Chicago area is already very congested, an acceptable loss of traffic to the owners of the Skyway due to toll rate increases may have a negative impact on the mobility of the alternative routes. Again, however, profit, not regional mobility or the larger public interest, is the lessee's main concern. Therefore, by giving up control of this asset, the city has also given up the ability to incorporate it into a broader transportation strategy.

Toll rates will increase by 150 percent over the first 12 years of the lease and then are capped at about 6 percent (based on historical GDP/capita). Most Skyway users are Indiana residents, so there is little political impact from these increases and little recourse for users of the toll road other than to vote with their wallets and use an alternative route if possible. The toll increases are essentially a commuter tax, with the lessees and the city, not the payers of the tax, enjoying the benefits of the revenue.

Beyond the concerns over toll rates, there are also questions about whether private toll road operators will act in the public's best interest. It is impossible to to predict changing circumstances over the life of a lease, which tend to be long-term – up to 99 years in duration. Many of the facilities under consideration for private takeover are among the most critical links in our freight and military logistics chains. They are also important commuter and tourist arteries. Will the private operators act in the public interest, even if it cuts into their bottom line? Given that their responsibility is to their shareholders, this is unlikely. When other corporations act in a manner that is not perceived to be in the public's best interest, the free market tends to correct their behavior. In a situation where the corporation essentially has a monopoly, these market forces do not exist. When the free market fails, government must often step in to protect the public. ATA believes that when it comes to the long-term lease of critical highway infrastructure, it is necessary and appropriate for the federal government to take action to protect the public interest and to establish interstate commerce protections, as required of the federal government by the Constitution.

We also believe that if too much reliance is placed on the private sector for financing highways, the criteria for project selection will shift from larger public benefits such as congestion mitigation, safety and reduction of emissions, to an evaluation of the project's ability to pay for itself and to subsidize unrelated government functions.

Tolls on Existing Interstate Highways

ATA is strongly opposed to tolls on existing Interstate highways. While federal law generally prohibits this practice, Congress has, over the years, created a number of exceptions. Imposing tolls on existing lanes of the Interstate System would have a devastating effect on the trucking industry. Virginia, for example, recently considered a truck-only toll on I-81 of $0.37 per mile. The trucking industry is highly competitive and taxes of this magnitude simply cannot be passed along to shippers.

In this connection, it must be pointed out that tolls represent double taxation. Truckers pay an average of nearly 50 cents per gallon in federal and state taxes on the diesel fuel they consume, and they pay addition federal excise taxes on the equipment they purchase, on the tires they use, and for the privilege of using their trucks. The states levy truck registration fees that average more than $1,500 a year per truck, and some states impose other highway user taxes as well. These federal and state taxes apply whenever a motor carrier uses a road – whether that road is tolled or not. Therefore, although the motor carrier industry strongly supports a system of taxation based on highway use, we believe that charging tolls on top of existing highway fees is inefficient, inequitable, and unfair.

Additional Revenue Sources

We encourage the Committee to consider potential additional revenue sources identified in a study by the American Transportation Research Institute.[16] Government fleets represent a very large hidden subsidy vis-à-vis their exemption from, or tax reimbursement of, fuel taxes. These fleets are large – easily exceeding more than 5 million vehicles, although this may not include local government fleets. Of these, nearly 2 million are trucks. The simplistic argument is that government ought not to charge itself taxes. Unfortunately, the more pressing, and unstated, issue is user-payment equity and unfair subsidies. It is well understood that publicly owned vehicles such as transit buses, snow-plows and road construction trucks transmit considerable axle-weight pressures. ATRI research shows that a significant percentage of these government vehicles do not pay state and/or federal fuel taxes. The effect is that pavement damage, infrastructure maintenance costs, and related revenue shortfalls caused by government fleet exemptions are borne by, and blamed on, the private-sector users. This creates an ironic hypocrisy to government-generated arguments that vehicles are not paying fully allocated costs of using the transportation system.

All IRS federal fuel tax exemptions must be eliminated in order to identify, attribute and collect the desired federal user fees. The impact of exempting government fleets from state fuel taxes is also significant and important, but more politically challenging. The value to just the Federal HTF exceeds $500 million per year.

Existing transit operational subsidies are typically $1 - $2 per regular route passenger, and can exceed $20 per rider for suburban and paratransit systems. While it may not be politically palatable to eliminate the $6 billion HTF transfer per year made to transit, it is not well known that the hundreds of thousands of transit vehicles are also not paying the majority of state and federal fuel taxes. To fully understand the true costs and impacts of transit, transit exemptions should be disclosed.

Finally, Mr. Chairman, in nearly every instance that a state "leaking underground storage tank" remediation fund has been challenged in court as not being an appropriate use of HTF revenues, the court has required the removal of the LUST fund from the HTF. Furthermore, the Federal LUST fund receives more than $72 million each year from gas and diesel fuel tax. This money should instead be dedicated to transportation projects.

IMPROVE TRUCKING PRODUCTIVITY

The United States has the most restrictive truck size and weight regulations of any developed country: the lowest axle weight limits, most limiting bridge formula, and the lowest gross weight limit. At the same time, America's freight transportation demands are greater than any other nation, and we have the world's most well-developed highway system. Therefore, the potential productivity benefits of changes to size and weight regulations are very significant.

More important, however, are the possible safety benefits of size and weight reform. Research demonstrates that more productive trucks can be as safe as or safer than existing configurations.

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[16] *Ibid.*

Furthermore, because fewer truck trips will be needed to haul a set amount of freight, accident exposure – and therefore the number of accidents – will be reduced.[17] More productive trucks will reduce congestion and will decrease the amount of fuel needed to carry the same amount of freight, thus reducing emissions. A recent study found that use of these vehicles could reduce fuel usage by up to 39%, with similar reductions in criteria and greenhouse gas emissions.[18]

ATA recommends six limited reforms to federal truck size and weight regulations:

1. Allow western states to harmonize longer combination vehicle laws and regulations.
In April 2004, the Federal Highway Administration released its "Western Uniformity Scenario Analysis." The report looked at the impacts of allowing uniform western state longer combination vehicle (LCV) use, including the impacts if LCV use was expanded to the entire western region's Interstate Highway System (excluding California, Arizona, New Mexico and Texas).

The report found a 25.5% reduction in total truck vehicle miles, and little impact on rail market share or profitability. The study found a slight reduction in pavement maintenance costs, but due to higher bridge costs, the study estimated that infrastructure costs would rise by between $43 million and $133 million per year in the study region. These costs, however, pale in comparison to the benefits. The reduced VMT would result in 12% lower energy consumption, 10% less noise, and 12% lower emissions. Shipper savings would total just over $2 billion per year, about a 4% cost reduction. The report concluded that this regulatory change would reduce fuel consumption by 6.1 billion gallons over 10 years, and ATA estimates that release of 67.4 million tons of carbon dioxide would be prevented as a result.

2. Allow states to authorize 6-axle, 97,000 pound tractor semi-trailers.
ATA recommends the authorization of single-trailer trucks with a GVW of 97,000 lbs, provided the truck has six axles, including a tridem axle on the rear of the trailer. Maximum weight on the tridem axle is limited to 51,000 lbs. While current single and tandem axle weight limits would continue, this vehicle would exceed the GVW allowed under the current bridge formula.

Operation of this vehicle is expected to produce positive safety, energy, environmental, congestion, economic and infrastructure preservation benefits. The U.S. Department of Transportation estimated that nationwide operation of this vehicle, along with the double trailer configuration described in #6 below, would reduce overall truck vehicle miles traveled by 11%.[19] This would produce measurable reductions in the number of truck-involved accidents and levels of congestion. In addition, the vehicle's higher payload, despite a slight fuel economy penalty,

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[17] See for example: Campbell, K.L., *et al.*, "Analysis of Accident Rates of Heavy-Duty Vehicles," University of Michigan Transportation Research Institute (UMTRI), Report No. UMTRI-88-17, Ann Arbor, MI, 1988.; Transportation Research Board, National Research Council, "Truck Weight Limits," Special Report 225, Washington, D.C., 1990; Cornell University School of Civil and Environmental Engineering, "Economic and Safety Consequences of Increased Truck Weights," Dec. 1987; Scientex, "Accident Rates For Longer Combination Vehicles," 1996; Woodrooffe and Assoc., "Longer Combination Vehicle Safety Performance in Alberta 1995 to 1998," March 2001.

[18] American Transportation Research Institute, *Energy and Emissions Impacts of Operating Higher Productivity Vehicles, March* 2008.

[19] U.S. Department of Transportation, "Comprehensive Truck Size and Weight Study," Volume 3, August 2000.

would produce a 19% decrease in fuel consumption and emissions versus an 80,000 lbs GVW truck, when measured on a ton-mile basis. ATA estimates that over a 10-year period, operation of these vehicles would save more than 20.5 billion gallons of diesel fuel and prevent the release of 227.3 million tons of carbon dioxide.

There is also substantial evidence to suggest that adoption of this vehicle, on either a nationwide or regional basis, will lower shipping costs, thus reducing costs to U.S. manufacturers, farmers, retailers and, ultimately, to consumers. Finally, the additional axle would offset the extra weight of this truck, eliminating negative pavement impacts, and in fact producing cost savings as a result of the reduction in the number of trips expected due to the vehicle's greater payload. While there are potential negative cost impacts for bridges, allowing states to regulate routes of operation should allow them to minimize these costs, and may actually produce cost savings if heavier vehicles shift from secondary roads to Interstate Highways that have stronger bridges.

3. Uncap Bridge Formula B for 5-axle combination vehicles.
Maintain current federal axle weight and bridge formula limits, but lift the 80,000 lbs GVW cap. This will have two benefits. First, for those trailers with tandem axles that slide independently, spreading the axles 96 inches or more allows the axles to be weighed independently as single axles, thus allowing up to 20,000 lbs on each axle, for a maximum GVW of 86,000 lbs. Another benefit is that the absence of a GVW cap will help to compensate for the increased weight of tractors due to federal emissions regulations and state and local idling restrictions.

4. Allow limited expansion of LCVs beyond western scenario states.
Longer Combination Vehicles operate on a limited basis in states beyond those in the western uniformity scenario. LCV doubles and triples are currently allowed on the Ohio Turnpike and Indiana Toll Road. LCV doubles are also allowed on the Florida Turnpike, New York Thruway and Massachusetts Turnpike. In addition, LCV doubles and triples operate on a short section of I-15 in Arizona and in Alaska. Limited expansion in states that are interested in allowing these configurations can help relieve congestion, improve air quality, reduce crashes, and reduce fuel usage.

5. Standardize 53 foot trailer length.
Current federal law establishes 48' as the minimum trailer length on the National Network (NN). There is no federal limit on trailer length, and all states impose length restrictions. Trailer length on the Interstate System is limited to 53' except in the following states, which allow trailers longer than 53': Alabama, Arizona, Arkansas, California, Colorado, Florida, Kansas, Louisiana, Mississippi, Montana, Nevada, New Mexico, Oklahoma, Texas, Washington, and Wyoming. In addition, 53' trailers are not allowed on I-95 in New York City or on I-295 in Washington, DC. Some jurisdictions restrict the movement of trailers longer than 48' on National Network highways that are not part of the Interstate System.

While national trailer uniformity is federally protected for 48' trailers, 53' trailers have become the industry standard. Federal law should be brought up to modern standards to ensure the continued protection of the flow of interstate commerce by changing minimum trailer length limits to 53'. In addition, ATA supports capping trailer length at 53' except in states where longer trailers are currently allowed.

6. Allow states to authorize double 33-foot trailers.
Transportation Research Board Special Report 267 recommended nationwide operation of double 33' trailers, with no gross weight cap and weight limited by the current federal bridge formula and axle weight limits. According to the TRB report, the bridge formula would allow for a maximum weight of 111,000 lbs on 9 axles. The double 33' trailer combination is appropriate for operation on most highways because its operational characteristics are similar to a 45' tractor-semitrailer combination.

CONCLUSIONS

ATA would like to thank the Committee for the opportunity to testify. We look forward to working with you to develop a new and greatly improved highway bill that meets current and future transportation needs.

RESPONSES BY RAY KUNTZ TO ADDITIONAL QUESTIONS FROM SENATOR CARPER

Question 1. Unfortunately, we do not have unlimited resources and there is a large demand on those resources. Much of our current surface transportation infrastructure is crumbling. But new communities are being built and need additional transportation capacity. Both have important implications for our competitiveness. In terms of competitiveness, is it more important to maintain our current transportation and bring it up to a State of good repair or to build new capacity?

Response. Both infrastructure maintenance and capacity expansion are crucial, and investment decisions should be made on the basis of a cost-benefit analysis that allows agencies to determine which improvements would produce the best safety and economic benefits. Smooth pavement surfaces significantly reduce truck operating costs due to better fuel economy, less tire wear and fewer accidents. In addition, bridges that fail or are load-posted force trucks to take more circuitous alternate routes. However, as my testimony points out, congestion imposes an enormous cost on the trucking industry and the economy. Resources must be available to meet these needs. Recognizing the fact that resources are limited, it is imperative that future transportation authorization bills ensure that these resources arc invested in the most cost-beneficial projects.

Question 2. We are currently spending about $30 billion a year on transportation and not coming close to meeting our needs with regard to maintenance and new capacity needs. Would that $30 billion go further if transportation decisions are made in conjunction with economic development and housing decisions?

Response. Unfortunately, planning for new development and planning for transportation facilities to serve new development do not always go hand-in-hand. It is imperative that when traffic-generating facilities an: being planned, opportunities to minimize traffic congestion arc considered through land-us? planning. Furthermore, transportation capacity expansion should occur in conjunction with development so that transportation agencies are not constantly playing catch-up..

RESPONSES BY RAY KUNTZ TO ADDITIONAL QUESTIONS FROM SENATOR INHOFE

Question 1. Much of the criticism of our nation's current transportation policy revolves around our lack of focus on National priorities such as large regional projects and freight movement corridors. As we prepare for reauthorization, what suggestions would you have for this Committee on how to structure a truly national freight (only change was to add "freight") program?

Response. The next highway authorization bill must produce a more logical system for making investments in infrastructure that are in the national interest. SAFETEA-LU's "Projects of National and Regional Significance Program" was a positive step in that direction. Unfortunately, all of the money for this program was earmarked, eliminating the logical project selection process that Congress had created.

Congress should empower the U.S. Department of Transportation with the authority and responsibility to develop a model which allows the department to determine where and how freight is moving today, and how freight movement is likely to evolve in future decades, and to then determine the most significant obstacles to moving freight efficiently. USDOT has effectively started this process through development of the Freight Analysis Framework and nationwide identification of freight bottlenecks on the highway system. These initial research tasks can and should be more fully developed. Based on this evaluation, resources should be focused on those projects that are likely to produce the greatest national or regional benefits according to criteria created by Congress. Funding for these projects should be merit-based. and a dedicated, fire walled revenue stream should be created to fund the projects.

Question 2. Many voices are calling for a new freight program funded outside of the current gas and diesel taxes. Do you think an increase in the diesel tax is the best way to pay for truly national freight transportation projects? If we do not increase motor fuel tax rates, how would you assess a new user fee to fund a new freight program?

Response. ATA supports increases in diesel taxes if the revenue is dedicated to addressing the most pressing obstacles to moving freight on the highway system. We would be very much opposed to a multimodal freight program that is funded solely or primarily by diesel taxes on trucks. This would run counter to the decades-old user pays principal that has been the hallmark of the Federal highway program, and which is a key factor in motorists' willingness to pay a fuel tax.

Furthermore, we urge Congress to consider new freight-related fees (e.g. container tax, bill of lading tax), with revenues dedicated to freight improvements. However, we are concerned about the significant legal and administrative obstacles to imposing these fees. In addition, we would oppose any new fees that placed the burden of payment or collection, or verification of payment, on motor carriers.

Senator BAUCUS. Thank you, Mr. Kuntz.

Mr. Wytkind.

STATEMENT OF EDWARD WYTKIND, PRESIDENT, TRANSPORTATION TRADES DEPARTMENT, AFL–CIO

Mr. WYTKIND. Thank you, Senator, and thank you to the Committee for providing transportation labor an opportunity to appear before you on such an important subject.

The labor movement has always been a very vocal proponent for aggressive Federal investment in the physical infrastructure of our Nation. The fact is that America's strength as an economic power has always been linked to its ability to transport goods and people safely and efficiently. Our transportation system and the employees of this great industry make this Country great, make its people and its businesses prosperous and form the backbone of our national economy.

But absent a bipartisan commitment to developing and implementing a long-term strategy to rebuild our transportation infrastructure, we fear the Nation's economy and its workers will be at risk. Last year's collapse of a bridge in Minnesota reminded all Americans of the horrible State of our aging infrastructure. That horrific event also confronted the Nation with what we see as a very clear challenge. Will this be the generation that rebuilds America and the infrastructure beneath it? Or will we permit our infrastructure to deteriorate and crumble?

I believe that is the question facing our leaders in Congress, and also serves, I believe, as a backdrop for today's hearing. Investing in transportation creates and sustains millions of good jobs in this Country, and at the same time provides a critical ingredient for our Nation's economic growth. Building and maintaining transit systems, roads, bridges, rail lines and ports puts millions of our members to work every day, and if you include the multiplier-effect, even more workers throughout the economy who all rely on the transportation system for their jobs.

For every billion dollars we spend on transportation, 34,000 to 41,000 good jobs are created in this Country. Thanks to strong collective bargaining rights and prevailing wage laws, these are good jobs with strong benefits. They are the type of quality jobs that are evading too many Americans, perhaps millions, in this national economy that is wracked by recession.

Transportation investments are also a proven way to stimulate the economy immediately, and thus must be a part of what we hope will be a second stimulus package when Congress considers such legislation. There are billions of dollars in projects ready to go that are identified by departments of transportation, by transit and commuter rail systems and authorities, and by AMTRAK that could be implemented in short order. These are not initiatives that will take years to launch. They are ready-to-go projects that have the potential to deal with some of the very serious transportation

and logistics problems facing the economy, but also to provide a much-needed boost to State and local economies that are suffering.

It is time to put to rest the myth that transportation infrastructure investments have no immediate impact that would stimulate our economy. Our competitors abroad understand that global competitiveness depends on a comprehensive investment strategy. As my testimony points out, and as you have heard from the other witnesses, the European Union, China, India and countries across the globe are literally spending billions on their transportation system. I find the statistic to be starting that between 2006 and 2010, it is estimated that China will spend $200 billion on its railways. We spend about $1 billion or $1.5 billion a year on our railways. We are not keeping up with the needs of the Nation across all the modes of transport.

In contrast, the U.S. commitment overall to infrastructure improvements has been lacking if you look at what is happening globally. Since 1980, our transportation spending as a percentage of GDP is actually down 33 percent in the last 27 or 28 years. This is all occurring at a time when all estimates show that we need about $1.6 trillion in infrastructure spending over the next 5 years just to bring our current system into good condition.

These problems are exacerbated by the significant shift in the burden of spending away from the Federal Government onto States that quite frankly are not in a position, especially in this economy, to take on this financial burden. The needs of the old system are quite significant.

Mass transit has reached a 50-year high in ridership, but we are spending one-third of what is projected to be needed to deal with the transit investment needs of the Country. Vehicle miles traveled are reaching a staggering 1.8 trillion by 2035, yet we are spending a fraction of the $142 billion a year needed to repair deficient highways and decaying bridges.

Freight rail traffic will soar 50 percent by 2020, but the amount of investment in our freight rail system is insignificant compared to what the needs are. As a result, freight delays are choking inter-State commerce, and as a result it is costing people jobs and is creating congestion that is off the charts if you measure it against past situations.

Similarly, AMTRAK is chronically underfunded, and will need no less than $60 billion over the next 20 years just to give our rail transportation infrastructure the opportunity to succeed and to give the employees of AMTRAK the right to not only have good jobs that are stable jobs, but good jobs with fair wages.

While our 361 seaports see container volume grow by 7 percent, we need to double terminal acreage. We must invest significant resources to widen and deepen navigation channels. And the spending we are doing pales in comparison to what our port infrastructure needs in this Country are.

I would last end by just saying that election-year gimmicks like tax holidays are not going to help advance this debate. That would cost the highway trust fund and the transit account $9 billion, potentially risk 310,000 jobs, and would set back our ability to follow leaders like you, Chairman Baucus, to try to build a national dialog

about the need to reinvest and expand our Nation's infrastructure. We hope that that proposal will not see the light of day.

I will conclude with that, and look forward to any questions you may have.

Thank you.

[The prepared statement of Mr. Wytkind follows:]

STATEMENT OF
EDWARD WYTKIND, PRESIDENT
TRANSPORTATION TRADES DEPARTMENT, AFL-CIO

BEFORE THE
SENATE SUBCOMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

ON
SURFACE TRANSPORTATION AND THE GLOBAL ECONOMY

April 16, 2008

On behalf of the Transportation Trades Department, AFL-CIO (TTD) I want to thank you for inviting me to testify this morning on surface transportation in the global economy. Our affiliated unions and their members across all modes of transport understand first-hand the severity of America's underinvestment in our transportation system and infrastructure. We also understand that if the United States fails to achieve and maintain a first-class transportation network, our ability to compete in the global marketplace will suffer, and the millions of businesses and workers dependant on a safe and efficient transportation network will be put at a competitive disadvantage. We simply cannot allow this to happen.

Investing in transportation creates and sustains millions of good jobs in this country and at the same time provides a critical ingredient for our nation's economic growth. We know, for example, that building and maintaining roads, bridges, rail lines, transit systems and ports puts millions of our members to work every day. Thanks to strong collective bargaining rights and prevailing wage laws, these are good-paying jobs, with strong benefits – the type of quality jobs that evade millions of Americans.

In a time when our national economy is in recession and millions of Americans are threatened by job loss, it is significant that transportation investments are a proven way to create jobs and stimulate the economy immediately. There are billions of dollars in projects already identified by state departments of transportation, transit and commuter rail systems, and Amtrak that can be implemented in short order. Earlier this year, the American Association of State Highway and Transportation Officials (AASHTO) documented more then 3,000 highway projects, worth $18 billion, that could be started in 90 days.[1] The American Public Transportation Association (APTA) compiled a similar project list totaling over $3.6 billion in ready to go transit needs.[2]

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[1] Press release, "States Identify $18 Billion in Projects "Ready to Go" to Aid in Economic Stimulus," American Association of State Highway and Transportation Officials, January 30, 2008, at http://news.transportation.org/press_release.aspx?Action=ViewNews&NewsID=161 (April 4, 2008).
[2] Legislative update, American Public Transportation Association, February 15, 2008, at www.apta.com/government_affairs/washrep/2008feb15.cfm (April 7, 2008).

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Amtrak now owes its employees $114 million in back pay, which should also be included in the next stimulus package. The myth that transportation spending has no immediate effect must finally be put to rest and I urge members of this Committee to insist on a robust infrastructure investment as part of any stimulus package considered by Congress.

The benefits of transportation investment extend well beyond the direct jobs created for workers throughout our economy. Bus and truck drivers depend on safe and efficient highways. Additional investment in transit and passenger rail will increase employment opportunities and provide mobility options to millions of Americans. Addressing congestion problems at ports will speed the delivery of goods to every corner of the country. If we want our domestic auto manufacturers to compete globally and if we want to create an environment in which U.S. manufactures can succeed, then a modern, efficient transportation system is essential. It is unrealistic to believe that America can remain the world's economic power if our transportation system continues to deteriorate and fall behind the transportation networks of our major competitors.

Good transportation policy and fair labor policy are compatible and essential partners in our laws and regulations. This marriage of federal transportation and labor policy dates back to the early 20th century. Whether the federal government is investing in mass transit and infrastructure, procuring contractor services or building a facility, the jobs and rights of workers involved in or affected by these activities have been protected by law. Every $1 billion spent on transportation creates at least 30,000 jobs.[3] To ensure that infrastructure investment produces good jobs that support working families, federal worker protections and labor standards must apply to all existing and new programs as well as innovative financing proposals. Specifically, Davis-Bacon provides job and wage stability for construction workers and Section 13(c) is essential to protect the collective bargaining rights of transit employees. These federal safeguards give workers a measure of security while permitting important government functions and services to be carried out consistent with the public interest and the nation's economic interests.

American global competitiveness depends on a comprehensive infrastructure investment strategy. Many of our international economic competitors are employing massive plans to improve and modernize their transportation systems. The U.S. must itself invest or suffer serious economic consequences. As we all know, the road to a modern China is paved with infrastructure improvements. China will invest $200 billion in its railways between 2006 and 2010.[4] Since 1990, it has built 33,000 miles of highways. By 2020, China plans almost 100 new airports and 190,000 miles of roads.[5] These investments will lay the groundwork for long term economic growth for China. U.S. investment pales in comparison.

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[3] The U.S. Department of Transportation (DOT) estimates that every $1 billion of federal highway investment supports 30,076 jobs, including the accompanying state match. Previously, DOT estimates placed the job creation number at about 47,500. "This Week in Washington," American Society of Civil Engineers. March 28, 2008, at http://www.asce.org/pressroom/news/grwk/event_release.cfm?uid=5051 (April 4, 2008). The dramatic decrease in this figure is the result of a significant uptick in input prices, including a 56 percent increase in asphalt costs and a 24 percent increase in the cost of diesel fuel, and the resulting loss in purchasing power of federal highway funds.
[4] Rohatyn, Felix G. "Condition of our Nation's Infrastructure and Proposals for Needed Improvements," testimony, March 11, 2008, before the U.S. Senate, Committee on Banking Housing and Urban Affairs. Accessed April 8, 2008.
[5] Ibid.

China is not alone in its willingness to make investments that advance its future global competitiveness. Smaller countries are equally committed to investing in the future success of their economies. Consider, for example, South Korea and Spain, which have gross domestic product (GDP) similar to that of New York State.[6] South Korea has begun a massive investment in airports, rail, roads and transit as well as a plan to build a new $50 billion city to serve as the nation's capital.[7] Since 2000, Spain has budgeted $120 billion for extensive infrastructure and public works development and has an additional $200 billion earmarked through 2020.[8] Those nations will be able to produce goods and services more efficiently and transport them to market more easily. They will also improve modern and efficient commuter transport networks that will far exceed America's. In this global economy America can ill afford to see their transportation system fail to meet the nation's economic needs.

In contrast to our competitors' investments, U.S. commitment to infrastructure improvements has been lacking for the last several decades. From 1950 to 1970, the U.S. devoted 3 percent of GDP to infrastructure spending. Since 1980, infrastructure spending has been reduced to 2 percent of GDP.[9] The American Society of Civil Engineers conservatively estimates that we will need to invest an additional $1.6 trillion in infrastructure over the next five years, or $320 billion annually just to bring our current system into good condition.[10]

These problems are exacerbated by the significant shift in the burden of infrastructure spending away from the federal government onto states that, quite frankly, are not in a position to take on this financial burden. Given the current recessionary environment, the financial crises faced by states are well known and will make it even more difficult to identify state funding sources for vitally important transportation needs. From 1956 to 1977, the federal share of infrastructure spending increased from 17 percent to 40 percent. Since the late 1980s, the federal share fell to 25 percent. This shift in responsibility to the states is in part responsible for the shortfalls in maintenance and investment in all transportation modes. It is a primary reason why so many transportation infrastructure investments of national significance are not occurring.

Let me give another example of how this is happening today. In June, the Mexican government is expected to put out a request for bids to build and develop a $4 billion seaport at Punta Colonet, which today is a Pacific coast farming community. The project, which may be completed as soon as 2014, is designed to compete directly with West Coast U.S. ports, particular LA-Long Beach. The plan is that once cargo is unloaded at the Mexican port, it will be shipped via rail into the United States.[11] Not to be outdone, Canada will spend $3 billion in

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[6] In 2006, according to the World Bank, South Korea's GDP was $888 billion while Spain's was $1.2 trillion (see http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP.pdf). During the same year, New York's GDP was $1 trillion, according to the Commerce Department (see the Bureau of Economic Analysis' "Gross Domestic Product by State" database at http://www.bea.gov/regional/gsp/).

[7] Urban Land Institute and Ernst & Young, *Infrastructure 2007: A Global Perspective.* Washington, D.C., 2007.

[8] Ibid.

[9] Sherle R. Schwenninger, *A Capital Budget for Public Investment.* In Ten Big Ideas for a New America. New America Foundation. Washington, D.C., February 2007.

[10] American Society of Civil Engineers, *2005 Report Card for America's Infrastructure.* Washington, D.C., March 2005.

[11] Dickerson, Marla and White, Ronald D. "Mexico Planning a Big Splash with New Baja Port," *Los Angeles Times,*

port and rail improvements to speed shipments into the U.S and to take advantage of its close sailing distance to Asia. Transportation labor has long warned that so-called "cargo diversion" to foreign ports is a very real concern. We need to maintain the competitive viability of U.S. West Coast ports. If not, we will lose jobs at both the ports and the companies that depend on seaport activity and America's national economy will suffer.

Mass Transit

The demand for mass transit is greater than this country has seen in generations. In 2007, Americans rode public transportation over 10 billion times, the highest level in 50 years[12] and a 31 percent increase over 1995.[13] From 1993 to 2002, mass transit ridership increased 21 percent, a trend that is expected to increase 3.5 percent every year until 2028.[14] Voter support for transit is growing as well. Since 2001, mass transit funding measures have passed about 70 percent of the time.[15]

But as the use in mass transit has soared, systems are starving for funds to cover maintenance and investment needs. Many have been forced to raise fares, cut service and borrow to cover maintenance needs. To maintain the current condition and service level, mass transit systems will need at least $20 to $35 billion annually through 2025.[16] Current expenditures do not come close to addressing these needs. In 2004, mass transit capital infrastructure investment totaled $13 billion. Service improvements will require an annual increase of approximately 130 to 240 percent, or $30 to $45 billion.[17] For every $1 billion spent on mass transit, over 41,000 jobs are created.[18]

March 25, 2008, at http://www.latimes.com/business/la-fi-mexport25mar25,0,5935211,full.story. (March 25, 2008). In addition, at Port Lazaro Cardenas, located in southern Mexico on the Pacific coast, terminal investors are investing $200 million into expanding container ship capacity. Currently the port handles goods for the Mexican market. However, it could assume a greater share of the American bound cargo in the near future. The Mexican government has developed plans to upgrade the facilities with a new bridge and expand its docking facilities and customs stations. This port has existing rail links to the United States and can move containers to Houston in the same amount of time it takes to move items from the ports of Long Beach and Los Angeles. Weisert, Will, "Mexico, Top Private Investors Look to Revamp Pacific Ports South of Border," *The North County Times*. April 4, 2006 at http://www.nctimes.com/articles/2006/03/27/business/news/32606201319.txt (April 9, 2008).

[12] Federal Highway Administration *2006 Status of the Nation's Highways, Bridges, and Transit: Conditions and Performance Report*. Washington, D.C., January 2007.

[13] News release, "10.3 Billion Trips Taken on Public Transportation Ridership in 2007—The Highest Level in 50 Years; Ridership Increased as Gas Prices Remained High," American Public Transportation Association, March 10, 2008 at http://www.apta.com/media/releases/080310_ridership.cfm (April 8, 2008).

[14] Robert L. Reid, "The Infrastructure Crisis," *Civil Engineering*, January 2008 at http://pubs.asce.org/magazines/CEMag/2008/Issue_01-08/article1.htm (April 3, 2008).

[15] Ibid.

[16] Robert L. Reid. The Infrastructure Crisis.

[17] The projections of "costs to maintain" and "costs to improve" in 2006 Status of the Nation's Highways, Bridges, and Transit: Conditions and Performance are somewhat lower: $15.8 billion annually (in 2004 dollars) to maintain, based on projected ridership growth of 1.57 percent per year, and $21.8 billion annually to improve, see Federal Highway Administration, 2006 Status of the Nation's Highways, Bridges and Transit: Conditions and Performance. Washington, D.C., January 2007.

[18] Extrapolation of figures from the Surface Transportation Policy Project: *Setting the Record Straight.*, at http://www.transact.org/library/decoder/jobs_decoder.pdf. Washington, D.C,. Jan. 2004, which based its figures on $1.25 billion in spending.

America lags far behind foreign nations in mass transit investment. The Beijing subway will be expanded from 70 to 335 miles in just over a decade, with 10 new subway lines. Shanghai plans to quadruple the size of its subway.[19] The Paris Metro subway system is expanding as well. By investing in mass transit, these nations ease road congestion and offer environmentally sound transportation alternatives which increase their economic efficiency and global competitiveness.

Highways and Bridges

Every year, 700 billion vehicle miles are traveled on our highway network.[20] Current predictions are that by 2035, this number will increase to 1.8 trillion vehicle miles traveled on interstates and five trillion on all roads.[21] Problems with road conditions cost U.S. motorists $54 billion or $275 per motorist annually.[22] The average American spends 51.5 hours a year stuck in congested traffic.[23] Estimates vary for the annual cost of traffic congestion to the economy from $63 billion[24] to $78 billion.[25] The cost of fixing these problems will only grow if we continue to avoid responsibility. According to the Federal Highway Administration, annual expenditures of $131.7 billion are needed to repair deficient roads, while $9.4 billion is needed for bridges.[26]

The economic benefits of highway construction are clear. For every $1 billion spent on new roads and repair over 34,000 jobs are created.[27] New highway construction has a significant impact on an array of industries. The total number of jobs supported by highway investment – including construction-related jobs, jobs in supplier industries and jobs supported indirectly throughout the economy – rose about 12.5 percent, from 1.65 million jobs in 1997 to 1.85 million jobs in 2007 as a result of increased highway investment from all levels of government.[28]

In contrast to American roadway and policy gridlock, many nations recognize that highway investment is necessary to enjoy long term economic competitiveness. The Chinese government is rushing to complete its new highway network, which will encompass 25,000 miles of road.[29] India has nearly completed a $12 billion road venture to connect major urban areas. These projects will dramatically increase the efficiency of product delivery in China and India. Goods will arrive to their destination faster, using less fuel, when they are delivered using state of the art transportation systems. If the U.S. fails to address our own highway congestion and condition problems our economic standing will suffer serious harm.

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[19] The Urban Land Institute and Ernst & Young, "*Infrastructure 2007.*"
[20] Robert L. Reid. The Infrastructure Crisis.
[21] Ibid.
[22] American Society of Civil Engineers "America's Crumbling Infrastructure Eroding Quality of Life," at http://www.asce.org/reportcard/2005/page.cfm?id=108. Washington, D.C. March 2005.
[23] David Schrank and Tim Lomax, *The 2007 Urban Mobility Report*. Texas Transportation Institute, College Station, Texas, 2007.
[24] American Society of Civil Engineer, *2005 Infrastructure Report Card.*
[25] David Lewis, "America's Traffic Congestion Problem," The Hamilton Project, The Brookings Institution, April 2008, page 8.
[26] "A New New Deal," *The Nation*, August 8, 2008, at http://www.thenation.com/blogs/edcut?pid=221239. (March 20, 2008).
[27] Extrapolation of figures from Surface Transportation Policy Project: *Setting the Record Straight*, which based its figures on $1.25 billion in spending.
[28] "This Week in Washington," American Society of Civil Engineers.
[29] The Urban Land Institute and Ernst & Young, "*Infrastructure 2007.*"

Rail

Rail capacity limits are creating significant delays. By 2020, freight rail traffic is estimated to increase 50 percent.[30] Freight railroads will need to invest $175 to $195 million annually, freight rail congestion costs $200 billion – almost 1.6 percent of GDP.[31] Most Amtrak trains use tracks owned by private companies, which means that freight bottlenecks also result in passenger rail delays.

Intercity passenger rail service investment needs total $60 billion over 20 years. Amtrak has a backlog of $4 billion in investment necessary just to avoid delays – freight delays alone cost Amtrak $137 million in fiscal 2006.[32] To be competitive in the future, the U.S. will need to invest in improving our national passenger rail system. There are 21 potential geographic corridors for expanding intercity passenger rail service in the United States.[33] Providing intercity rail service for each corridor will require an investment of at least $3 billion a year over a 20-year period. Amtrak needs a long-term authorization bill to support fully funding taxpayers' investment in our national rail system. In addition, bonding mechanisms that provide a steady stream of funding for Amtrak must also be included in any reauthorization legislation. It is time to provide Amtrak with the multi-year and predictable federal investment necessary to ensure the passenger rail carrier's long-term viability.

Our foreign competitors are pouring money into rail. France spends 20 times more per capita on rail than the U.S. and boasts the best high-speed rail network in the western hemisphere. The TGV bullet train can travel at over 350 miles per hour to connect Paris to cities throughout France, Belgium, Britain and the Netherlands.[34] Japan has 1,243 miles of high-speed rail and plans to construct approximately 186 miles more by 2020. China has plans to construct more than 1,554 miles of track by 2020. Spain has plans for a high speed rail network linking all provincial capitals to Madrid. The United States lags far behind foreign competitors in high-speed rail service. We have about 190 miles of high speed track.[35] Here in America, we force Amtrak to scrape by on crumbs despite the fact that it provides a key solution to the mounting transportation needs of the nation.

Maritime Infrastructure

The state of port infrastructure provides a useful lens through which to view the multimodal nature of these problems. When ships offload containers at one of America's 361 seaports, the goods are distributed throughout the nation by truck and rail and, to a lesser extent, air and water.

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[30] "America's Crumbling Infrastructure Eroding Quality of Life," American Society of Civil Engineers.
[31] "A New New Deal,"*The Nation.*
[32] Colby Itkowitz "Freight Lines Cause Significant Trouble for Amtrak, Report Says" *CQ Today*, April 1, 2008 Washington, D.C.
[33] American Association of State Highway and Transportation Officials. *Vision for the Future of Transportation: New Dynamics Require New Strategies*. Washington, D.C., July 2007.
[34] "Infrastructure 2007." The Urban Land Institute and Ernst Young.
[35] Ibid.

95 percent of overseas trade is conducted at the nation's seaports. As such, these ports, and the rails and highways that link to them, play a key role in our national economy and our strategic approach to infrastructure.

Port capacity is suffering. Although container volume has grown at an annual rate of 7 percent, port expansion has not kept pace. The physical space for growth is limited by the amount of developable waterfront land. The use of larger containers is becoming more common to address the increase in shipping demand. As a result, there is an increasing call for the size of terminals to increase.

One way to address this problem would be to foster a domestic short sea shipping industry. Short sea shipping provides an environmental and worker friendly tool to address congestion problems. The utilization of commercial vessels for cargo carriage along our coasts can provide a cost-effective supplement to the rail and truck traffic that is pushed to capacity on many transportation corridors. The development of this transportation network would offer shippers an alternative means to transport the increasing volume of imported cargo. Furthermore, the domestic short sea shipping industry would be staffed by American mariners, and as, such the development of this industry would contribute to job creation.

Conclusion

This nation has always depended on political leaders on both sides of the aisle that understood the inescapable link between the state of our transportation system and the health of our national economy. Our history is abundant with evidence of the necessity of federal investment in national infrastructure to foster economic prosperity and job growth in the face of new economic challenge and changes in the nation's transportation system and infrastructure needs.

In 1817, the New York state legislature authorized the construction of the Erie Canal to span the 360 miles from Albany to Buffalo. It opened less than 10 years later, easing the way for commerce and migration to the nation's western frontier. Investment in the canal provided access to new land, markets, jobs, products and resources.

In 1862, President Lincoln signed the Pacific Railroad Bill to cover the bulk of the cost of constructing the transcontinental railroad. The project was completed in 1869 when a golden spike was laid, marking the ceremonial completion of the nation's first transcontinental railroad. This project created a national rail transportation network, dramatically altering America's economy and inspiring new economic growth and prosperity.

In 1956, President Eisenhower signed the Federal Aid Highway Act to create our national roadway system, which was modeled after the German autobahn. In speaking about the network, President Eisenhower said "Together, the uniting forces of our communication and transportation systems are dynamic elements in the very name we bear – United States. Without them we would be a mere allegiance of separate parts."[36] This decision more than 50 years ago opened the door to mobility and economic development never before seen in America.

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[36] Eisenhower, Dwight D. "Text of the President's Message Outlining His Roads Program," *The New York Times*. February 23, 1955.

In 1962, President Kennedy proposed the creation of a capital assistance program for mass transportation as private transit providers were on the brink of financial collapse. After President Kennedy's death, in 1964, President Johnson signed the Urban Mass Transportation Act into law. This was the first major federal public transportation program and led to major new investment in publicly owned transit systems around the country. This landmark decision to create a federal transit program has for four decades stood the test of time as today more than 10 billion American passengers ride public transit annually supporting about 350,000 good jobs.

Each of these federal investments paved the way to future economic growth. Together each of our modes of transport forms the backbone of the American economy. Our federal investment programs contribute to the nation's economic strength and America's standing in the world. And each required vision and foresight from our government and Congress.

Congress and the federal government have an opportunity to define this as the generation that rebuilt America. Transportation labor stands ready to do its part in making the case for improving, repairing, modernizing and expanding America's multimodal transportation system and infrastructure.

Thank you for providing us the opportunity to share our views with the Committee.

Senator BAUCUS. Thank you all very much, because you are accepting the challenge of coming up with analysis of where we are and what we need to do. That is something that was not done to any significant degree in previous transportation bills in the run-ups to them.

Mr. Yam, if you could again just tell us what is happening, and I know this is a restatement, generally in other countries' infrastructure planning and spending? And what effect will that have on the U.S. if we pursue in the United States the same general kind of policies in the last transportation bill, but don't go much farther?

Mr. YAM. Well, let me focus just on China. China has built an enormous infrastructure that no other country has done for the last several hundred years. They do that because they focus on the exports, and most of the wealth has been concentrated on the coastal region, so some of the people became disenfranchised. China had to expand the transportation network to the western inner areas. By doing that, China will stay competitive relative to some other countries.

Because they understand that they need to get the raw material parts to the factories so that they can process efficiently, and they have to transport the finished goods or partsto the ports for export. And also now China is developing specialized industries in certain cities, just like if you look at the furniture industry, they are in the southern part of China and also in the Shanghai area. By doing that, they have created a more efficient economy. They also are trying to phaseout some of those industries that are not efficient.

So as we see, China is going to link all the cities with a population of 200,000 by the year 2020. By doing that, China will continue to sustain the growth of the economy, will continue to dominate the manufacturing sector, even though labor costs are rising. They have become more efficient.

If America does not improve the transportation system, I think that this would increase the cost of manufacturing. As the cost of manufacturing increases, we cannot compete with the model that China has created by learning from some other nations. They designate certain areas for specific industries, create the economy of scale, and improve efficiency.

So I think it is very important that our Country, since I am a U.S. citizen, so when I talked about our Country, I refer to the U.S. to keep up the investment in infrastructure. By investing in the transportation, we create basically a few things: to make it more efficient, and make it more environmentally friendly. These are some of the challenges China is facing now. They built a highway system that was initially poorly designed, and now they have a lot of traffic jams. People don't follow the rules in China. So in China, they are trying to fix that.

I think if America does will not make investments in infrastructure, this will hurt our economy in the future. We cannot compete efficiently on a global basis in the manufacturing sector.

Senator BAUCUS. I would like to ask all of you. Assuming we had the money available to make very significant infrastructure investments, make that assumption, and whatever amount that is, let's assume it is quite significant and makes a big difference. My ques-

tion is, how would you spend it? Let me ask each of the four. Let somebody get ready, and whoever wants to go first goes first. I am going to ask each of the four of you that question.

Mr. Isbell?

Mr. ISBELL. I think the key is having a national freight plan. The current Administration has developed an outline of a national freight transportation plan. but it has not filled in the details. Without a plan, we won't know what projects are really significant so we won't have the priority right when it comes to spending money on freight infrastructure projects.

Senator BAUCUS. And this is primarily rail?

Mr. ISBELL. No, rail is one component but highways and bridges are currently inadequate to handle the volume of freight expected in the years ahead.

Senator BAUCUS. Surface?

Ms. ISBELL. Surface transportation, yes. If you look at the situation, you have rail, and if rail capacity is not adequate, if the train speeds are not adequate, and shippers like Nike are having unpredictable delays in moving their cargo, then they are going to shift it to road. That shift is just going to add to the problems of our highway network.

So we need to work in conjunction with all modes of transportation. But rail is traditionally privately funded by the railroads. But the acceleration of developing rail capacity can be enhanced by the government providing investment tax credits to the railroads to encourage them to build that infrastructure faster then they normally would with their normal return on investment.

To put the right focus on developing freight infrastructure, we need a stakeholder group of public and private individuals that are involved in the process to develop a list of projects of national significance. And then we need to make sure that in the next Highway bill, those projects have mandatory funding requirements so that the money isn't siphoned off to projects that are important to other areas of the country, but are less important when it comes to keeping the United States economically competitive.

Senator BAUCUS. So it would be tax incentives to the rails, and then also make sure money is designated for highways of national significance.

Mr. ISBELL. Mandatory spending requirements in the next highway bill.

Senator BAUCUS. OK. Who wants to go next? Mr. Kuntz.

Mr. KUNTZ. Yes.

Senator BAUCUS. Where do we spend the money, assuming we have a significant amount?

Mr. KUNTZ. Yes, Senator, to begin with, coming from a rural State, it is very important that we maintain the ability of rural States to compete with highway funding. So a significant amount of money needs to be lying out in the same way we do today in such a way that rural America can compete.

Montana, as you know, without the help that we get from the Federal Government, would not have much of a highway system at all. So we have to maintain that.

Senator BAUCUS. That is right. Iowa would stop at the border.

Mr. KUNTZ. Right. However, as I said before, our company does a significant amount of business with Montana employees on other highways. The biggest problem that we are facing now is congestion, and the time it takes to get from A to B is getting longer and longer every year. We are burning more fuel. We are throwing our drivers out in a situation where the accident risk is a lot higher, and we have to deal with congestion. And so, as I said before, we believe we need a separate fund that focuses on congestion and fixing our bottlenecks. A lot of those bottlenecks are in places that aren't rural, but we need a two-pronged approach, one that fixes bottlenecks, takes care of freight corridors, and the other one that makes sure that the rural States like Montana are adequately funded to maintain their highway system.

I agree that the railroads also need to be part of the key. I don't know that I would agree that giving them a tax credit is the way to go, because if you look at how we are asking trucking to fund the highways, it is through some kind of an increased tax, privatization, or whatever. In the railroads, the difference is they own their infrastructure and they get a return on whatever they invest.

Senator BAUCUS. So you say spend money essentially on congestion.

Mr. KUNTZ. A significant chunk of the money has to be spent on congestion to get us out of the mess we are in, and allow us to compete in the global economy. However, we can't forget about rural America because there are some congested areas in rural America also, but not near what we face. If you look at the written testimony I submitted, if we just focused on the top 25 congested areas, we would dramatically reduce our congestion tomorrow. As I said before, we have an energy crisis and we are burning so much extra fuel in stop-and-go traffic. The amount of fuel it takes to speed up a truck that is heavily loaded, step on the brakes for traffic, and constantly do that is an incredible waste. And cars are doing the same issue.

So congestion has to be fixed. The amount of carbon that we are throwing in the atmosphere is incredible, and we are all concerned about carbon footprint, and there is legislation looking at cap-and-trade and several other types of ways to deal with the carbon. This is a way we can deal with carbon that doesn't cost a whole new regulatory system to be implemented to deal with it.

Senator BAUCUS. OK. Who wants to go next?

Mr. WYTKIND. I am happy to try. I am obviously not a planner and can't speak directly to every specific project. What I do know is——

Senator BAUCUS. That is not obvious.

[Laughter.]

Mr. WYTKIND. It is obvious to me. I view this a little differently. We have a job deficit in this Country. That deficit is one that is focused on the lack of good jobs. The transportation industry historically has provided some of the best jobs in the U.S. economy across all the modes of transport. I represent a fair amount of those workers.

I think if you look at the national picture, I keep hearing that there are major freight bottlenecks. I keep hearing that our ports are under-invested. I keep hearing that public transit is breaking

its ridership numbers each year, but they don't have the resources to buy the buses, to buy the subway cars, to hire the people and train them to operate the system that its people want in those particular cities that they operate in.

I know from 17 years of advocating for a strong AMTRAK system that it is the most chronically underfunded transportation operator in the Country. It has had to live on about half of the funding that it needs to run a viable railroad, and yet when there are delays in trains, when there are not enough frequencies of trains, when there is a shortage of specifically skilled crafts in those trains, you wonder why AMTRAK can't hire the people they need or operate the trains it wants to.

And so I come at it a little differently. I think America needs to have a debate like the one you are trying to spur through your Committee about what the priorities are of our Nation and what the priorities are of our economy, and until we have our national leaders, including those running for the highest office in the land, making transportation infrastructure a priority and making it a national issue that speaks to the national economic needs of this Country for the next 50 years or more, then it will continue to be a stepchild in Administration in both parties that doesn't get the focus that it needs to deal with all the problems you are hearing across this table, that you are hearing across the whole economy about a transportation system and infrastructure that is failing the Nation. As a result, workers in our economy suffer as well.

Senator BAUCUS. You sound like a pretty good planner to me.

[Laughter.]

Senator BAUCUS. That is a plan.

Mr. Yam.

Mr. YAM. Mr. Chairman, I may not be able to answer your question directly, but I would like to share a couple of observations. The amazing thing about China is that even though they have spent an enormous amount of money in building the infrastructure, they still have a lot of foreign reserves. They still have a lot of money in the bank.

Actually, the government does not really spend a lot of money. They use the private funding, like the BOT

[phonetically] build, operate and transfer. Almost every highway in China is toll road. People have to pay the toll. And a lot of those toll roads are owned by companies set up by the government or by private individuals; for example, the world's longest bridge linking Shanghai and Ningbo—you will be driving on the bridge for 45 minutes to 1 hour. They even have gas stations on the bridge.

Senator BAUCUS. What is beef?

[Laughter.]

Mr. YAM. Yes.

Senator BAUCUS.

[Remark off microphone.]

Mr. YAM. Yes, that is right.

Senator BAUCUS. No, I am asking. That is a joke. I am sorry.

[Laughter.]

Mr. YAM. And I am sorry.

Senator BAUCUS. No, go ahead.

Mr. YAM. So you see that in the Chinese model it is a little bit of difference. Like the bridge, it was built by a private company, not by the government. But what the government does is they give them the rights and they give them the land basically free of charge or minimum cost.

Senator BAUCUS. Interesting.

One of the problems in our Country that you mentioned, Mr. Kuntz, is the time it takes to get permits and so forth to get something done. How big of a problem is that in America? Either you, Ray, answer that, or Mr. Isbell or Mr. Yam or anybody. How big of a problem is that?

Mr. KUNTZ. I think it is a huge problem, Max. The time it takes and the money it takes to get a project license and ready to go, during that phase the cost of building that project sometimes is as much as doubled. And so somehow we have to look at why it takes so long to get these things licensed and see if we can maybe trim back some of these issues to speed up.

As it sits right now, if we wanted to build some new lanes or add some lanes and stimulate our economy, the economy would be long down the road before any construction started unless we did what he suggested and pick on those projects that are ready to go, which is a good idea. But as far as any new lanes, new capacity, new bridges, new ports, it would take forever to get them licensed.

And then if you look at it, when was the last time we built a new port? When was the last time we actually added a brand-new highway of any significance? It is not happening now, and I think that is part of the reason why.

Senator BAUCUS. Mr. Isbell?

Mr. ISBELL. First, I want to say to Ray's point about making sure rural highways are taken care of. I think that is a good point, particularly in Montana. I am a great fly fisherman and I appreciate good highway systems in your State.

But speaking to the point about the environment, I will give you an incident. Down in Los Angeles, TraPac, one of the terminals, is trying to increase the size of their terminal, but environmental regulations have continually held up in that process. I think they have been trying to build this terminal for 3 or 4 years but they continue to run into one environmental hurdle after another. They finally have reached a point where they believe they can complete that terminal, but in the meantime they have completed a brand-new terminal in Jacksonville, FL while they were waiting. In other words, the environmental impact issues need to be addressed but they also need to be reasonable in order to prevent delaying construction of much needed infrastructure.

Long Beach, Mayor Foster has said that until we deal with the diesel emission issue there will be no further infrastructure projects built. So that has prompted companies like Nike to form the Coalition for Responsible Transportation. This group is taking a private sector view on dealing with environmental issues and to develop innovative solutions to address and reduce the diesel emissions in Southern California.

Nike has taken a leadership role in this area. We were one of the first companies to investigate the use of LNG trucks for the drayage business. We have committed 55 percent of our local

drayage off the terminals using LNG trucks to distribution facilities in Southern California.

So it is very important from the shipper's community that we really address the environmental issues because until we do so, there is not going to be any investment in infrastructure.

Senator BAUCUS. Is it true that one of the L.A. problems is all that diesel burning is on ships waiting to unload, and those are foreign-flag carriers and we don't have jurisdiction over them. I am told that at one point that was about 20 percent or 30 percent of the problem down there.

Mr. ISBELL. Well, the ports have adopted a clean air action plan. In that plan are provisions to clean up the ships. The plan requests that ships burn non-bunker fuel when they are within 20 nautical miles offshore.

There is also the issue of diesel emissions and their carbon footprint, that is being imposed on the drayage trucks that access the terminals, as well as on the other vehicles that work on the terminal.

Senator BAUCUS. OK. Thank you very much. I have taken more than my time.

Senator Craig.

Senator CRAIG. And I apologize for cutting out a couple of times. I had some constituents I needed to meet with.

As we walk our way through what is necessary and look at new funding mechanisms, some of you might want to reflect on this. While it is not a big item in this Country yet, Mr. Yam's comment about the bridge reminded me of an experience I had in Madrid not long ago. We were being hosted by our Ambassador at a meeting and in walked a gentleman who said, we just took over the operations of a highway in your Country, a private company from Spain, a 70-plus-year lease or something like that. It was a Chicago-Indiana connector of some kind, where they took over the management of it, and in that management plan was maintenance and refurbishing and expansion. They are working with the State. It was a State-Federal highway.

Are there impediments to this kind of an investment relationship? And if there are, is this something we ought to be looking at, along with looking at obviously other funding mechanisms including expansion of the current trust funds and all of that type of thing. Has that been part of your purview? Are we restricting a potential private investor or investors from new types of transportation or investments in transportation that otherwise might come?

Ray.

Mr. KUNTZ. Senator Craig, if I could answer that. I last summer spoke at a safety conference in Brazil and met with the Brazilian Trucking Association. Brazil has a lot of public-private partnership highways. What they told us is it was a huge mistake.

Senator CRAIG. OK.

Mr. KUNTZ. At the time that they decided to build public-private highways, it was a highway or no highway. But today, those highways cost almost a $1 a mile to drive a truck over. The trucks are all crowded on the secondary highway system. The fatality rate in Brazil is 10 times-per-mile what it is in the United States. As I like to say when I speak, in this Country we have a choice. It is not

a highway or no highway. We have adequately funded our highways for years, and as I spoke earlier, the Indiana toll road, which was privatized, in 2 years the cost of driving a truck over that has almost doubled.

So a lot of questions need to be answered before we head down this path. If you look at the cost of collecting tolls, in the United States today it costs somewhere between 20 percent and 35 percent to collect tolls, and it costs 1 percent or less to collect the Federal fuels tax and around 2 percent for a State fuel tax.

So if you just look at the math, if you are going to replace a system that cost 3 percent to collect with one that costs 30 percent to collect, and then build in a profit contingency for the private partnership, and even for the sales. The Indiana toll road, I have read numbers, I don't know exactly, is that the commission for that deal was $120 million. How many times do you have stop at a buck-a-crack to come up with $120 million? There are a whole lot of questions that have not been answered.

Senator CRAIG. That is why I ask it, because obviously what is happening in Brazil would be a natural reaction. If there is another way to get there that is going to cost you less, you go to the least cost, potentially—time may be of value in that situation—but if you have toll roads and non-toll roads in this instance, I would guess you would gravitate toward the non-toll road. I think my Scotch blood would cause me to do something like that.

OK. Thank you.

Mr. WYTKIND. Senator, if I could add something?

Senator CRAIG. Yes?

Mr. WYTKIND. I have been really disheartened by the public comments made by the Secretary of Transportation on this because those comments have been suggesting that this is a choice between public-private partnerships and the status quo, and that there somehow isn't anything in between. The truth is that the private sector has always had a significant role in our transportation industry in this Country. But if I look at the privatization models across all the modes of transport over many years, I have seen one disaster after another that gives me pause about what these public-private partnerships actually mean.

If you look at the British Rail experience. They handed the whole thing over to private interests. It is to this day one of the greatest political debacles in Great Britain in their transportation industry, and they literally undid the whole thing at a significant cost to the taxpayer in Great Britain. If you look at some of the mass transit privatizations, there have been many, many horror stories of over-promising and under-delivering once they get the service.

So when you pivot to large infrastructure projects like highways and you see these massive projects like in Indiana and Chicago and the New Jersey Turnpike and elsewhere, we haven't taken a formal position against all of them. What we have said, though, is that there is a lot of very, very complicated public policy questions about what you do with the people's assets before you let private interests come in, write their check, take over something for 99 years, and then extract all the profit revenues out of it with very little accountability.

So I think there has to be a pause here about what all this means. I am not speaking against all private sector involvement, nor am I speaking against innovative finance. In the last two highway transit authorization bills, the labor movement actually worked with the Republicans and Democrats on innovative finance and have been on record supporting a number of those initiatives.

So it is not about whether the private sector belongs in the debate. It is whether we should be shoving this large public asset out there and giving it over to the private sector. I think that should give us some pause.

Senator CRAIG. Yes, Mr. Yam.

Mr. YAM. Senator Craig, I would like to share with you my opinions on how it may work in China. China is an exceptional situation because of the following. No. 1, is the Chinese culture. A lot of the toll roads started from the overseas Chinese who went back to China and built a toll road. Because of the Chinese culture, they always go back to their home country to build.

Then the second thing is that Chinese are very speculative. They like to speculate and make money. Certainly toll roads are one of the ways for them to do that.

Then the third thing is the characteristic of China. All land is owned by the government, so the government can get the land and give it to the investment company for zero dollars or at a minimum price. So day one, investors already make the money on the book. And then, because of that, they can go to the bank to get the financing.

So this private-public and public-private partnership will work very well in China. Also the government always got involved, so if anything goes wrong, the government will immediately jump in and they don't have to go through a lot of legal procedures like other countries.

So this system works very well in China particularly. In other countries, certainly the system may work, but would not work as well as the model in China.

Senator CRAIG. Point well made. Thank you.

Thank you, Mr. Chairman.

Senator BAUCUS. I think we all agree we need significant additional investment in infrastructure. I don't think there is much doubt about that. You hear it here in the Congress talking to Senators on both sides of the aisle, people know that.

The question is, how much to spend, how to raise the revenue, how to decide where to spend the money knowing it must be done, and how to get American public opinion—that is not fair, strike that—how to get this momentum going so that we can start to tackle this thing and start to not just talk about it, but do something about it in a positive way.

Any thoughts on that? How are we going to get a little momentum here? I mentioned in my opening comments about a crisis. America responds to a crisis. We just do. We do a good job responding. We move quickly. We don't worry about the permits. When there is a crisis, we move.

So the question is, how do you portray the crisis, in your judgments, what do you do, what do we say, how do we galvanize forces, momentum here to solve this thing?

Mr. WYTKIND. If I might, I have a couple of observations. First, I think public opinion is on the side of where you are coming from on this issue. Every poll I see, even when the poll asks would you pay a little more to help deal with our transportation gridlock problems in the Country, they are always overwhelmingly yes. Seventy percent of public transportation State initiatives in the last few years have passed. I think that is partly because of the absence——

Senator CRAIG. Seven or seventy?

Mr. WYTKIND. Seventy.

Senator CRAIG. Seventy. Thank you.

Mr. WYTKIND. I believe that is somewhat a product of the absence of action in Washington, not necessarily by Congress, but by the government more widely, Congress and the government. I would argue that public opinion is there. We just need to figure out a way to break through the noise. I keep saying that. I have been saying this now all year leading up to a Presidential election, is that transportation doesn't seem to find a way to break through the noise of all the other national issues that are being debated, whether it be health care, Iraq, whatever it is that the politicians are debating and trying to run for President. They are not debating who has a better plan to rebuild America and make our economy more competitive and deal with the global challenges.

Senator BAUCUS. I agree with that. I agree.

Mr. WYTKIND. That is an important question.

Senator BAUCUS. I agree with that.

Senator CRAIG. Good point.

Senator BAUCUS. Does anybody have an idea on that?

You know, one thought I have, and this is a bad metaphor, but there is kind of a train wreck coming down the road here. It is not just an infrastructure train wreck. There are a couple, three train wrecks. The other ones are tax code. The 2001 tax cut expires in 2010. The 2003 tax cut expires in 2010. The Federal eState tax is zero in 2010. The alternative minimum tax, the big 1,000-pound gorilla in the tax code, is going to be a 100,000-pound gorilla in 2010. It is just growing.

Those all have to be addressed by whoever our next President is. Whoever is elected, he or she is going to have to make a major proposal to the Country in 2009 dealing with the tax code. These pressures are developing. This train wreck is developing. But everything is an opportunity. In 2009 is when we are going to take up this bill, the transportation bill next year.

So I am just wondering out loud, it just occurred to me, if there is some way for the next Administration and for all of us who really care about all these things to be talking, whoever the nominees are, whoever the Democratic nominee is and Senator McCain, and whoever is elected President, to figure how to put two and two together here. The tax train wreck, the infrastructure train wreck, and there is also a health care train wreck coming down the road, too.

There might be an opportunity to start putting a couple of things together here to solve some of this and prevent the train wrecks.

Mr. ISBELL. Senator, at Nike when we have a problem, we bring in the relevant stakeholders who are affected by the problem, and then we develop a plan. We get consensus on that plan, and then

we work the plan. And we measure our results against our expected results and make corrections.

Senator BAUCUS. As all good businesses do.

Mr. ISBELL. I think that is what is missing right now is an effective dialog with stakeholders who know what the issues are and who have ideas to solve those problems. Private industry, Congress and the Administration need to come together to engaged in a meaningful dialog that will develop this national freight transportation plan and make sure that adequate funding is made not only for freight corridors, but also for the safe movement of people because they are all competing with the same highway space, i.e., trucks, vehicles, and commuters.

As a result, what we are dealing with are minority points of view instead of the consensus point of view from having the right stakeholders sitting at the table. I think getting the right stakeholders at the table to develop a national freight transportation plan, should be one of the key pillars of the next Administration.

Then to your point, Senator, not everybody knows that the Sputnik is circling the globe. If you are not involved in the movement of goods, you do not understand what the problems are. If you are driving along side of a truck trying to get to work on a rainy morning, you are experiencing a problem you really don't want to have. You don't want that truck next to you. So we have to find ways to develop corridors by which we can move freight at the speed at which commerce needs to move and provide a safer experience for all drivers.

Senator BAUCUS. This has all been very helpful. I am going to have to wrap up here. This is a very good kick-off hearing. We are going to have many more. Thank you to all of you for rearranging your schedules to be here today. We will be in touch. Thanks a lot.

The hearing is adjourned.

[Whereupon at 11:15 a.m., the subcommittee was adjourned.]

STATEMENT OF HON. JAMES M. INHOFE, U.S. SENATOR FROM THE STATE OF OKLAHOMA

Thank you, Mr. Chairman. I appreciate the opportunity to examine our nation's infrastructure investment and its contributions to our future competitive trade advantage with other nations. There is no denying that the level of commitment to our nation's infrastructure is directly linked to the United States continued place as a world economic leader. Thus, I am pleased, Mr. Chairman, that you have convened this hearing to get us thinking about how decisions we make with regard to transportation will eventually affect our place in the world market place.

Nations like China and India now pose a serious threat to the United States as emerging world economic powers. To put this in perspective, China will be investing $200 billion in its railways over the next 3 years which will lay the groundwork for a sophisticated freight system that far exceeds our own freight movement capabilities. Additionally, China is planning almost 100 new airports and 190,000 miles of new roads, which doesn't include the 33,000 miles in highways built since 1990. I believe that these growing countries are experiencing an economic renaissance not unlike what our nation went through when President Eisenhower first conceived the National InterState System over 50 years ago. Our vision of a Federal network of highways, once coveted by the world for its innovative planning and connectivity, is now struggling to accommodate the exponential growth in people and goods movement.

As I have said many times before, current funding of our highway program is barely enough to maintain the system, let alone provide for much needed new comprehensive investment in future infrastructure needs. We cannot afford to ignore the consequences of merely "maintaining" our transportation networks while the

rest of the world continues to spend heavily on bigger and better ways of competing with our once superior highway system.

As the rest of the world continues to finance new ports, highways, and sophisticated rail networks to attract new commerce, I am concerned about the impact this will have on our own industries. If we fail to provide a free-flowing transportation system to accommodate our "just in time" economy, our manufacturing industries will be forced to export much their operations abroad. Canada and Mexico are committing billions to the construction of new high capacity ports and rail systems of their own in an effort to divert foreign cargo trade away from our heavily congested ports in the Northeast and Southern California . The United States economy cannot afford to be outpaced in infrastructure spending by other rapidly growing countries, eager to attract new commerce to their economies.

As we gear up for re-authorization of the Highway Bill, it is critical that we consider the above mentioned facts. Mr. Chairman, you are in a unique position in that you are not only the Chair of the authorizing subcommittee but also Chairman of the Finance Committee that will find the money to pay for what I hope will be an increased investment in transportation infrastructure. I look forward to working with you to write the authorization language and want to offer my support as you struggle with how we pay for transportation moving forward. As I understand it, the Commission established by SAFETEA designed to solely look at the financing of transportation has yet to issue their recommendations. My hope is they will be able to provide us with some useful and workable ideas.

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