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EXPANDING THE PANAMA CANAL: WHAT DOES IT MEAN FOR AMERICAN FREIGHT AND INFRASTRUCTURE?

HEARING

BEFORE THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

APRIL 10, 2013

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SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

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EXPANDING THE PANAMA CANAL: WHAT DOES IT MEAN FOR AMERICAN FREIGHT AND INFRASTRUCTURE?

WEDNESDAY, APRIL 10, 2013

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Committee met, pursuant to notice, at 2:38 p.m. in room SR–253, Russell Senate Office Building, Hon. John D. Rockefeller IV, Chairman of the Committee, presiding.

OPENING STATEMENT OF HON. JOHN D. ROCKEFELLER IV, U.S. SENATOR FROM WEST VIRGINIA

The CHAIRMAN. Greetings, all.

I will give my opening statement. Ranking Member Thune, who is a wonderful person to work with, is going after that. And Senator Warner will be coming to introduce the Virginia witness.

Before the Panama Canal was completed in 1914, it took 13,000 miles and several months for a ship to travel from New York to San Francisco. It was an inefficient, dangerous, and costly way to do business, but for traders that relied on East Coast ports for exports and imports, it was the only option to do business.

American business leaders needed a way to bypass South America. They saw what the Suez Canal had done in Egypt, what it did for trade between Europe and Asia, and thought about what connecting the Pacific and the Atlantic Oceans would do for North American commerce.

Once completed, the Panama Canal was an engineering marvel, and remains such. I have never been there, and I am very embarrassed to say that. It was a marvel, one that rivals many great American achievements to this very day.

The Canal dramatically improved trade routes and reduced transit times for goods moving between the Atlantic and Pacific Oceans. It transformed commerce throughout the Western Hemisphere for the next century, heavily affecting South Dakota and West Virginia.

There you go. Right?

Senator THUNE. Yes.

[Laughter.]

The CHAIRMAN. By any definition, the Panama Canal was a success. And today roughly 15,000 vessels, which is actually less than I would have figured—I am not good at math, but that doesn't sound like a lot. But I guess they go through slowly. But the witnesses are going to explain that. Roughly 15,000 vessels travel through the Canal annually, carrying over 300 million tons of goods.

But as with everything, cargo ships are becoming larger and larger and are outgrowing current infrastructure. The Canal is being expanded to accommodate ships carrying two and a half times the freight of those it currently transports. These ships are enormous, and they can carry an awful lot of goods. The Panama Canal is poised to once again dramatically affect the movement of goods in and throughout the Western Hemisphere.

However, it is unclear how the expanded Canal will affect trade patterns. Once larger ships can travel through a newly widened Canal, will we see a dramatic diversion in the amount of goods entering and leaving the country from the West Coast ports to the East Coast and Gulf Coast ports? Alternatively, will the West Coast ports retain their stature as the busiest ports in the country? I don't know the answer to that. Will the Canal expansion result in little additional traffic to ports on the other side of the country? I can't speak to that, but you can.

Regardless, we need to be prepared for it now and what the expanded Canal will do to impact our economy. In 2011, the maritime sector handled nearly half of U.S. exports and imports. Estimates put exports increasing by 6 to 8 percent annually as our economy gets stronger.

One thing we know is that ports on the East Coast are working diligently to handle these larger ships. Now, are they dredging or are they preparing for larger docks or the rest of it? That we need to talk about. There is a big difference.

However, there is a world beyond the ports, that businesses need to move their goods throughout the country. We have grown accustomed to an ad hoc approach to maintaining our surface transportation network with which many seem content, but I am not content with that. This lack of planning and shortsighted thinking does not reflect what our country truly needs: a strategic, long-term vision for rebuilding our transportation system.

The rest of the world is already heavily investing in their transportation infrastructure to prepare for the next century of challenges. Duct tape and goodwill does not suffice when Asia and much of the rest of the world are readying their infrastructure and working to compete in the global economy.

A strategic vision doesn't involve stop-gap measure after stop-gap measure, lurching from one inadequate funding bill to the next in the name of progress. It means taking a hard look at what we need from our ports, rail, and highway systems over the long term and then doing something about it. The country's transportation network, built over generations, has been critical to our long-term economic growth and success. If we can't move goods to market, into, out of, and throughout our country, our export-driven economy cannot thrive. In fact, it will begin to wither.

There are glaring indicators that this interconnected system was not built to withstand the 21st century stressors being placed upon it. The wear, tear, and congestion from the increase of heavy trucks and rail have tested the transportation network. Our ports, roads, rails, and other infrastructure are in need of billions of dollars of investment, and our current policy of looking the other way has kind of run out.

I firmly believe that the Federal Government has a critical role to play in the process, just as it always has in building our nation's transportation networks. We need to lead by creating a coherent and unified mission for our Federal surface transportation programs. Our nation's economic growth demands that.

And in order to develop strategic plans and maximize the return on taxpayer dollars, we need good information about emerging trends and expectations for how freight will move in the coming years. That is why we are here today.

The ports and railroads and trucking companies are all navigating what investments and strategic decisions are necessary to take full advantage of the opportunities or, in some cases, possible threats the expanded Canal will present.

While no one may know the true outcome of the expansion's effect on freight movement until it happens, one thing is clear right now: We can invest in a strategic, long-term vision for our country's role in this new global economy or we can be stuck with inadequate infrastructure because we were unwilling to make the tough choices on investing in a strategic, long-term vision for our country's role in the new economy.

That finishes my statement, and I turn now to my good friend, Senator Thune.

STATEMENT OF HON. JOHN THUNE, U.S. SENATOR FROM SOUTH DAKOTA

Senator THUNE. Thank you, Mr. Chairman. Thank you for holding this hearing today.

And I want to thank our panelists for their willingness to come up and give us the benefit of their insights.

The widening of the Panama Canal presents a great economic opportunity not only for port states but for the nation as a whole. More than 90 percent of American imports and exports move by ship, so the widening of the Canal will have an impact throughout the United States, including in places, like my home state of South Dakota, that are roughly 1,000 miles away from either coast or from the Gulf of Mexico.

A little farther away than West Virginia.

The CHAIRMAN. A little bit.

[Laughter.]

Senator THUNE. As global trade increases, we will need to find new ways to move freight effectively and efficiently. This will require increased coordination among the various modes of transportation as well as with local, state, and Federal officials.

It is also crucial that we not overlook the needs of rural states such as South Dakota. Rural states are the source of many of our nation's exports when it comes to agricultural products and manufacturing and the destination of many of our country's imports. I am particularly encouraged by the fact that the widening of the Canal can increase opportunities for American exports. The Army Corps of Engineers estimates that the ability to employ large bulk vessels is expected to significantly lower the delivery cost of U.S. agricultural exports to Asia and other foreign markets.

Canal expansion will also make it easier for the United States to export liquid natural gas and other sources of energy. The energy industry has been a bright spot of our economy over the past several years. Domestic energy production is increasing and creating American jobs in the process. In 2011, for the first time since 1949, the United States exported more energy than it imported. This is an encouraging development. And as domestic energy production increases, the need for ways to export these materials will increase.

Moving forward, Congress must be sure not to impose burdensome regulations on the transportation industry that will harm productivity or discourage private sector infrastructure investment. We must also recognize the need for continued investment in our nation's transportation infrastructure and work to find financing mechanisms that engage the private sector and that will not place an undue burden on the American taxpayer.

I look forward to hearing from our witnesses today regarding preparations for the likely impacts of widening the Panama Canal, including their assessments of what remains to be done to ensure that we reap the predicted economic benefits of the Canal's expansion.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Thune.

Senator Scott, do you want to put in an opening statement?

Senator SCOTT. No, sir.

The CHAIRMAN. No? Positive?

Senator SCOTT. Positive.

The CHAIRMAN. Rare opportunity.

[Laughter.]

Senator SCOTT. Let me say thank you.

The CHAIRMAN. Oh.

[Laughter.]

Senator SCOTT. I will have a couple questions, though. I am sure I will have some questions after hearing some of the testimony.

The CHAIRMAN. OK. All right.

Senator THUNE. I like the way he works, Mr. Chairman.

Senator SCOTT. I am still "House-broken," sir. I apologize. I am not Senate-trained yet.

[Laughter.]

The CHAIRMAN. I see. OK.

Senator SCOTT. I am coming, though.

The CHAIRMAN. All right.

Now, we have a very distinguished witness list. John Vickerman, Founding Principal of Vickerman and Associates. I like that.

[Laughter.]

The CHAIRMAN. You know, you just—you found a company, you say, "I'm it. My name shows that I'm it. So come hither to me."

[Laughter.]

The CHAIRMAN. Jeff Keever, Senior Deputy Executive Director of the Virginia Port Authority.

And, Jeff, unfortunately you can't speak until Mark Warner gets here, because he wants so badly to introduce you.

[Laughter.]

The CHAIRMAN. And he is coming. OK?

Ed Hamberger, who is President and Chief Executive Officer, Association of American Railroads, and a longtime acquaintance.

I am very glad that you are here, Ed.

Mr. HAMBERGER. Glad to be here.

The CHAIRMAN. I think you have lost weight, Ed.

Mr. HAMBERGER. Thank you, sir.

[Laughter.]

The CHAIRMAN. Philip Byrd, First Vice Chairman, American Trucking Association.

All right. Now, we will start with Mr. Vickerman.

STATEMENT OF JOHN VICKERMAN, PRESIDENT, VICKERMAN & ASSOCIATES

Mr. VICKERMAN. Thank you, sir. And I am it. So, yes.

[Laughter.]

Mr. VICKERMAN. Good afternoon, Chairman Rockefeller and Ranking Member Thune and the distinguished members of the U.S. Senate Committee on Commerce, Science, and Transportation.

My name is John Vickerman. I am President of Vickerman & Associates. We are a firm that specializes in the strategic and tactical planning for ports worldwide. There are 90 deepwater ports in North America. We have done the strategic planning on 67 of those 90 ports. And I am pleased today to be here to share with you some insights in that process.

Before you, you have a slide that depicts the current operation of the Panama Canal today. This is a 4,800-twenty-foot-equivalent-unit, TEU, vessel moving through the lock system. After the expenditure of nearly $5.2 billion, sometime after June 2015—it has been delayed about 6 months because of the construction issues——that capability will be expanded to 12,600 TEUs, as illustrated on the graphic that you see before you.

As indicated by the Ranking Member, containers are not everything, and, in fact, there are fleet sizes that will be greatly benefited by the expansion. And here you can see some global fleet percentages. The crude oil will go from zero percent of ships able to make it through the Canal to 42 percent of the global crude oil fleet having the capability of moving through the Canal when expanded. For LNG, 10 percent now, 90 percent after the completion. And for dry bulk that moves a lot of our agricultural product, it would go from 55 percent to 80 percent in that process.

There is a significant issue and a competitive issue to the Panama Canal, and it is called the Suez Canal. By moving vessels through the Suez what I call backward, through the Red Sea, past the Port of Said, through the Suez, to the U.S., we are able to move, if we did it on sprint service, actually move product from Southeast Asia to the U.S. one day faster than going across the Pacific. It is a strategic link.

And the pricing that has not been announced for the Panama Canal holds a great deal of competitive dynamic vis à vis the Suez Canal. And I will talk more about that in a minute.

A less understood dynamic in Panama is the investment that the Panamanian ports are making. Last year, they indicated that they have moved 6.8 million TEUs through the Panamanian ports. In

1996, they only had 300,000 TEUs, so they have been growing rapidly.

The Panama Canal, now that it has the expansion under way, is looking at investing in value-added logistics services to expand their capability. If we look at the Pacific entrance, the Canal is considering the construction of a new port, five berths, high capacity. And that, coupled with the current expansion program for the PSA terminal, would add 6 million TEUs of capacity to 6.8 million reported last year, for over 12 million TEUs at capacity.

This will foster what we call a transshipment hub. And it is, in fact, the vision of Panama to become the single port of Latin America. The centroid of transshipment is in the Caribbean today. It has now moved and will move to Panama. Thus, transshipment, which moves cargo from large ships to feeder ships, may stimulate significant amounts of vessel movements and will become the center in the Caribbean service and may influence the kinds of vessels and the numbers of vessels calling in the United States today.

The depiction you see before you here is Maersk's new Triple-E vessel. I just want to point out to you that this vessel is four times larger than the current Panama Canal, and after the Canal is completed, it will be one and a half times larger. So I guess if you are getting a running start, maybe you can get through it; no, it won't work. So there are lines and ocean carriers that are building much bigger vessels in that process.

And I would like to just point out to you, 3 days ago Maersk Line decided not to call on the Panama Canal. They are going to move backward from Asia to the U.S. via the Suez Canal. And they have abandoned their services or their vessels going through the Canal. The quote from their president is, "Larger container ships will help the company to generate greater profits by using the Suez Canal."

So we have to be careful that we take a global, systemic, competitive view of what is going on, for the Canal is dependent on the whole global logistics, and fully understand the impact. If we have larger vessels coming to us via the Suez, we will need significant improvements to our ports. And we still need to consider the vessels that would transit the Panama Canal.

It is my pleasure to be here with you today, and thank you for allowing me to make these remarks.

[The prepared statement of Mr. Vickerman follows:]

PREPARED STATEMENT OF JOHN VICKERMAN, PRESIDENT, VICKERMAN & ASSOCIATES

Good afternoon Chairman Rockefeller, Ranking Member Thune and distinguished members of the U.S. Senate Committee on Commerce, Science, and Transportation.

Thank you for inviting me to testify this afternoon. My name is John Vickerman and I am the Founding Principal and President of Vickerman & Associates. I am a licensed professional civil engineer and registered architect in 21 U.S. states and I specialize in the port and intermodal industry. Sixty-seven of the 90 North American deep-water general cargo ports have benefited from our strategic port planning.

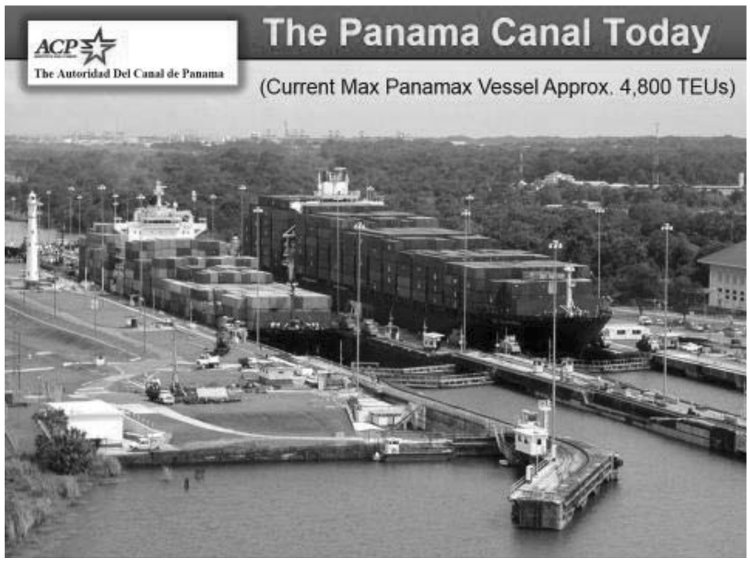
The Current Panama Canal Expansion Program Plus Potential New Added Value Components

The expansion of the Panama Canal, is scheduled to be operational in 2015, and will more than double that waterway's capacity by allowing dramatically larger ships to pass through its canal system.

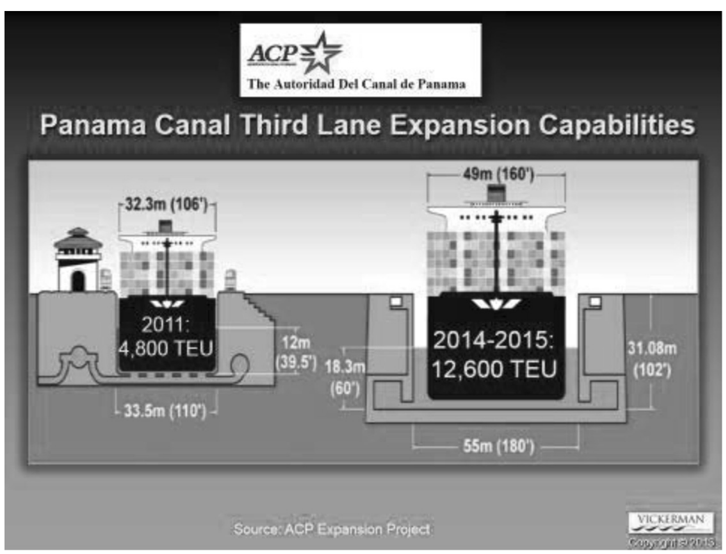
Less understood and appreciated, the current Canal expansion program may also foster expansion related to marine transshipment cargo logistics and the feeder vessels that serve those transhipment markets.

In short, Panama is taking steps to go beyond the mere canal expansion program already underway and add new logistics value by preparing Panama to become the Transhipment Logistics Center for Latin America, akin to Singapore in the Fareast.

Between 1970 and 2009, the number of vessels going through the Panama Canal leveled off but the size of the vessels continued to get larger and larger. Today's Panama Canal container vessel capacity is depicted in the slide.



The Canal expansion program for container vessels is illustrated below permitting a 12,600 TEU vessel transit:

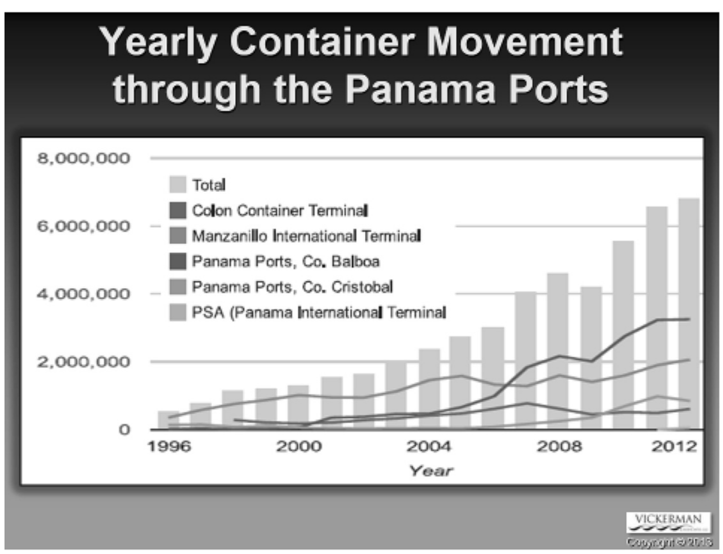


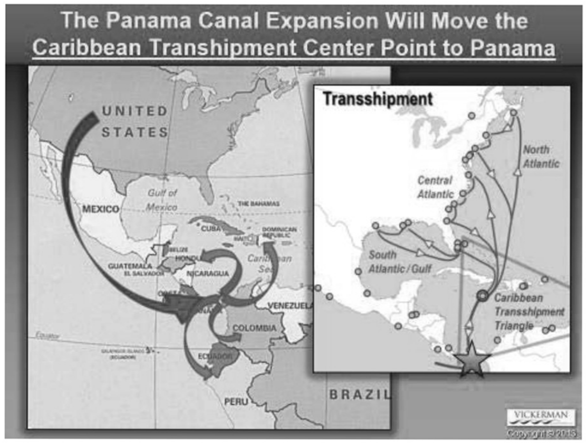
Additionally, a larger share of other vessel types will be able to transit the Canal fully loaded as illustrated on the slide:

The Panama Canal Authority is currently evaluating several strategic projects that would add logistics value to the current canal expansion program by investing in:

Significant Port Expansion particularly on the Pacific Entrance to the Canal. The proposed Corozal Port Terminal Complex with potentially five new high capacity port container berths coupled with the container expansion program already underway by the Panama PSA Terminal on the western side of the canal's Pacific entrance could nearly double the current port capacity in Panama.

The graphic slide depicts the rapid historic expansion of the Panamanian Ports from less than 300,000 TEUs in 1996 to a record 6.8 million TEUs by the end of 2012. The currently envisioned port expansion program described could nearly double this throughput capacity to more than 12 million TEUs.





> The Panama Canal Expansion plus the added value projects currently being considered could move today's Caribbean Transhipment Center Point from the middle of the Caribbean to Panama and may change U.S. Gulf Coast and U.S. Southeast port logistics.

The Path Forward for the U.S.

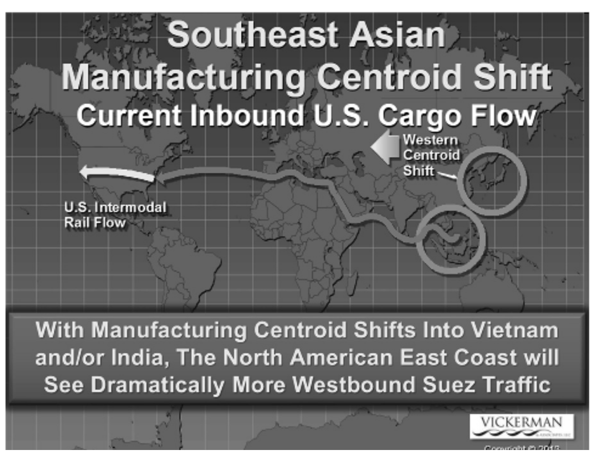
Given the above Panamanian expansion potential, how should the U.S. logically respond to the Panama Canal Expansion Program? The answer must consider and evaluate the Panama Canal's expansion in the context of competitive global trade logistics. The perspective cannot be focused only in the Western Hemisphere and North America.

Even with the Canal expansion program complete, the amount of container shipments going through the Panama Canal may not increase significantly *unless the Canal toll rates are set to be competitive with the Suez Canal.*

On the other hand, if the Panama Canal tolls are competitively set considering global competition we could see significant increases in freight flows and changes in vessel types and their routings particularly to U.S. Ports.

The Suez Canal Competitive Dynamic

The Suez Canal seaway is Europe's jugular marine connection to Asia. This route using "sprint services" could deliver cargo to New York a day faster than transiting the Pacific.



Consider the new Maersk Triple-E vessels, which have a container capacity of 18,000 TEUs, and can fit through the Suez Canal but will be too large for the Panama Canal even after it is expanded in 2015.

The Suez Canal Alternative for Larger Vessels

Three days ago, Maersk Lines, the largest ocean container carrier in the world, announced it had stopped using the Panama Canal to transport goods from Asia to the U.S. East Coast. As reported by their President "*Larger container ships will help the company to generate greater profits by using the Suez Canal*".

Not all U.S. Ports will see larger vessels because of the Panama Canal Expansion. Many will experience smaller feeder vessel logistics due to the competitive dynamics in the Caribbean Transhipment Zone.

The CHAIRMAN. Well, we are going to have a lot of questions for you, a lot of questions. That was very interesting.

Senator Warner is now going to proceed.

STATEMENT OF HON. MARK WARNER, U.S. SENATOR FROM VIRGINIA

Senator WARNER. You may have heard at some point the description of Virginia being known as the best-managed state and the best state for business.

The CHAIRMAN. But only when you were Governor.

Senator WARNER. Well, I am not going to go into that. But a big reason for that——

[Laughter.]

Senator WARNER.—was because we had an incredible port that we made investments in, that we realized, with the changes coming in the Panama Canal, was going to be an asset not just for Virginia but for much of the East Coast.

And so I am very proud that Jeff Keever, who I have had the opportunity to travel the world with, literally, trying to promote the Port of Virginia, is here making a presentation.

Thank you, Mr. Chairman, for the time.

The CHAIRMAN. And it is up to you, Jeff.

STATEMENT OF JEFF J. KEEVER, SENIOR DEPUTY EXECUTIVE DIRECTOR, VIRGINIA PORT AUTHORITY

Mr. KEEVER. Thank you, Mr. Chairman.

And thank you, Senator Warner, for your kind remarks.

Since the founding of Jamestown when the colonists arrived more than 400 years ago, the Port of Virginia has been a leader in international shipping. And, over the last several decades, the port has been at the forefront of containerization in the United States. And my remarks are going to be more along the container side of it rather than the broader remarks that Mr. Vickerman made.

This ability to grow and evolve along with the trends in shipping and global trade is part and parcel of success. Port infrastructure typically requires years, even decades, of planning, design, and construction before it can be brought on line.

Future needs must be anticipated early. Inadequate infrastructure, such as shallow channels, outdated terminals, insufficient roads, bridges, and rail routes, increases the transportation costs associated with getting goods to market. Higher transportation costs impair our ability to compete for exports and make our imports more expensive for consumers.

Realizing that successful infrastructure improvements cannot be reactive, decades ago Virginia began deepening our channels and improving our port facilities to accommodate the next generation of cargo ships by championing a number of initiatives. In 1997, we started planning for the eastward expansion of Craney Island, which will double our capacity. In 2003, discussions began with Norfolk Southern Railway about clearing the coalfield routes through West Virginia for the Heartland Corridor to get to market quicker. In 2006, we completed the deepening of our shipping channels to 50 feet, which was authorized in WRDA of 1986. In 2011, we added a new double-stacked rail service to the chemical, furniture, retail, and agricultural businesses near Greensboro, North Carolina.

We did all of these things because it was good business. And it comes as no surprise to us in Virginia that, with the opening of the expanded Panama Canal in 2015, the Port of Virginia is currently ready for the larger ships that will transit the Canal. And we are currently receiving many of those larger ships, as Mr. Vickerman indicated, through the Suez Canal.

Growth in East Coast cargo resulting from the expansion of the Panama Canal will not happen overnight, and total trade in and out of the U.S. is unlikely to change significantly as a result of the Canal expansion. Trade patterns and the cost of goods may shift, guided by market trends and driven by the need for competition and low-cost transportation.

From the shipper's perspective, the shift is already beginning to occur in terms of ship sizes. According to the U.S. Army Corps of Engineers, post-Panamax vessels will make up 62 percent of total containership capacity by 2030. These ships are already calling at West Coast ports. The Suez Canal is already handling post-Panamax containerships, bringing goods via an all-water route to the U.S. East Coast, and Virginia is accommodating those today.

It remains only for the tolls at the expanded Panama Canal to be set for shippers to determine whether the all-water route from Asia to the U.S. East Coast through the Canal can help them realize additional economies of scale.

The Port of Virginia is post-Panamax-ready, and other East Coast ports are trying to follow suit. Baltimore recently completed a post-Panamax-capable berth at the Seagirt Marine Terminal. At the Port of Miami, dredging has been approved and post-Panamax cranes have been ordered. New York-New Jersey will be able to handle the larger ships by the end of 2015, the funding required to raise the Bayonne Bridge having now been cleared. Charleston is currently in the study phase of a 50-foot channel-deepening project, with construction completed in 2022. Savannah, due to environmental conditions, is only approved to dredge to 47 feet, and the project has been in the planning stage for more than 13 years.

While ports up and down the East Coast are striving to make infrastructure improvements in time for the Canal's opening, it must be acknowledged that these projects are big, expensive, and take a long time to complete. Ports use various funding mechanisms: state funds, Federal funds, terminal revenues, bond issuance, public-private partnerships that Virginia just recently terminated. All of these methods are used to obtain funding for improvements. But the return on that investment is comparatively small. The lion's share of the benefit is captured by U.S. consumers, in terms of available and affordable goods.

Port facilities are only part of the global supply chain. More infrastructure investment is needed in roads, bridges, rail, intermodal facilities, and other supporting infrastructure to more efficiently reach inland markets, as you indicated earlier. And according to the World Economic Forum, on global competitiveness, the U.S. ranks 25th in the world in terms of quality of overall infrastructure, behind countries like South Korea, Spain, Portugal, Iceland, Singapore, and the Netherlands; 19th in the world for the quality of port infrastructure.

The message is clear: Our global competitors are invested in making smart long-term infrastructure investments to meet the demands of the world economy.

The Panama Canal project essentially shines a light on the inadequacies of U.S. freight and transportation infrastructure. It has been 6 years since the last WRDA bill was passed, and the U.S. currently has between $60 billion and $80 billion of backlog of authorized but unfunded Corps projects, with just over $5 billion planned for Fiscal Year 2013.

For instance, the Craney Island eastward expansion project that was authorized by WRDA 2007 has a 50–50 cost-share between the Army and the Port Authority. However, current Federal and Corps policies are in disagreement as to how to fund it. At this point, the Virginia Port Authority has paid approximately 70 percent of the money spent to date. Clear policies are needed to allocate the remainder of the funds for the project, which is anticipated to create American jobs, lower the cost of goods, and save the nation billions in transportation costs.

Perhaps it is time to consider doing more on a Federal level. Regional port authorities and state governments are doing their best with the limited funds, unclear national policies, and lengthy project-development and permitting process. If the U.S. is to regain its competitive edge in the world market, we need a robust national infrastructure supported by a clear national policy, accelerated process, and dedicated funding stream.

Thank you.

[The prepared statement of Mr. Keever follows:]

PREPARED STATEMENT OF JEFF J. KEEVER, SENIOR DEPUTY EXECUTIVE DIRECTOR, VIRGINIA PORT AUTHORITY

My name is Jeff Keever and I am the Senior Deputy Executive Director for the Virginia Port Authority—the Commonwealth's leading agency for international transportation and maritime commerce. The Port operates and markets the cargo terminals in Hampton Roads, Richmond, and Front Royal, and is a major driver for Virginia's economy, producing an estimated $41 billion in business activity and supporting an estimated 343,000 jobs around the Commonwealth. I am proud to say that in 2012, The Port of Virginia was the fastest growing container port on the East Coast.

Since the Jamestown colonists arrived more than 400 years ago, The Port of Virginia has been a leader in international shipping. Over the past several decades, The Port has been at the forefront of containerization in the U.S.—first with dual hoist cranes, first with 26-wide container cranes, first with semi-automated terminals, and the first to attain 50-foot shipping channels. This ability to grow and evolve along with the trends in shipping and global trade is part and parcel of The Port's success.

Port infrastructure typically requires years—even decades—of planning, design, and construction before it can be brought online. Future needs must be anticipated early. Inadequate infrastructure, such as shallow channels, outdated terminals, insufficient roads, bridges and rail routes, increases the transportation costs associated with getting goods to market. Higher transportation costs impair our ability to compete for exports, and make our imports more expensive for consumers.

Realizing that successful infrastructure improvements cannot be reactive, decades ago, Virginia began deepening our channels and improving our port facilities to accommodate the next generation of cargo ships by championing a number of initiatives:

- In 1997, we started planning for the Craney Island Eastward Expansion, which will double The Port's capacity and is currently under construction.
- In 2003, we approached Norfolk Southern about clearing the Coalfield Route through West Virginia to allow double-stack intermodal rail service from The Port to Midwest markets. The Heartland Corridor, as it came to be called, was completed in 2010 through a public-private partnership with several Federal and state stakeholders.
- In 2005, we completed major renovations to Norfolk International Terminals so that it can accommodate 100-foot-gauge container cranes capable of reaching 26 containers across Post-Panamax vessels.
- In 2006, we completed the deepening of our shipping channels to 50 feet, with authorization to deepen them to 55 feet.
- In 2011, we added regular double stack intermodal rail service between The Port and the regional concentration of textile, chemical, furniture, retail, and agriculture businesses near Greensboro, North Carolina.

We did all these things because it was good business, and it comes as no surprise to us that, with the opening of the expanded Panama Canal in 2015, The Port of Virginia is ready for the larger ships that will transit the canal.

Growth in East Coast cargo resulting from the expansion of the Panama Canal will not happen overnight, and total trade in and out of the U.S. is unlikely to change significantly as a result of the canal expansion. Trade patterns and the cost of goods may shift, guided by market trends and driven by the need for competitive, low cost transportation.

From the shipper's perspective, the shift is already beginning to occur in terms of ship sizes. According to a recent U.S. Army Corps of Engineers report,[1] post-Panamax vessels will make up 62 percent of total container ship capacity by 2030. These ships are already calling at West Coast ports. The Suez Canal is already handling post-Panamax container ships bringing goods via an all-water route to the U.S. East Coast. It remains only for tolls at the expanded Panama Canal to be set for shippers to determine whether the all-water route from Asia to the U.S. East Coast via the expanded Canal can help them realize additional economies of scale.

The Port of Virginia is post-Panamax ready, and other East Coast ports are following suit:

- Baltimore recently completed a post-Panamax-capable berth at Seagirt Marine Terminal.
- At the Port of Miami, dredging has been approved and post-Panamax cranes have been ordered.
- The Port of New York/New Jersey will be able to handle larger ships by the end of 2015, the funding required to raise the Bayonne Bridge having now been cleared.
- Charleston is currently in the study phase of a 50-foot channel deepening project, with construction completion anticipated in 2022.
- Savannah, due to environmental conditions, is only approved to dredge to 48 feet and the project has been in the planning and study stage for more than 13 years.

While ports up and down the East Coast are striving to make infrastructure improvements in time for the Panama Canal opening, it must be acknowledged that these projects are big, expensive and take a long time to complete. Ports use various funding mechanisms—state funds and Federal funds, terminal revenues, bond issues, public-private partnerships—to obtain the money needed for improvements, but the return on that investment is comparatively small. The lion's share of the benefits is captured by U.S. consumers in terms of available, affordable goods

But Port facilities are only part of the global supply chain. More infrastructure investment is needed in roads, bridges, rail, intermodal facilities, and other supporting infrastructure to more efficiently reach inland markets and realize greater economic benefits for the U.S.—in terms of jobs, tax revenues, and the availability of affordable goods.

According to the World Economic Forum's 2012–2013 Global Competitiveness Report,[2] the U.S. ranks 25th in the world in terms of quality of overall infrastructure, behind countries like South Korea, Spain, Portugal, Iceland, Singapore, and the Netherlands; and 19th in the world for quality of port infrastructure in particular. The message is clear—our global competitors are invested in making smart, long-term infrastructure investments to meet the demands of the world economy. Many of these countries have access to infrastructure banks that attract private capital to fund major projects.[3]

The Panama Canal Expansion Project essentially shines a light on the inadequacies of U.S. freight and transportation infrastructure, as well as the limitations of the funding mechanisms and processes we have in place to bring infrastructure improvements about. It has been six years since the last WRDA bill was passed, and the U.S. currently has a $60-to $80-billion backlog of authorized but unfunded Army Corps Civil Works projects[4] with just over $5 billion planned for FY13 distribution.[5]

For instance, the Craney Island Eastward Expansion project was authorized by WRDA 2007 legislation at a 50/50 cost share between the Army Corps of Engineers and the Virginia Port Authority; however, current Federal and Corps policies are in disagreement as to how much of it to fund. At this point, the Virginia Port Authority has paid approximately 70 percent of the monies spent to date. Clear policies are needed to allocate the remainder of the funds for this project, which is anticipated to create American jobs, lower the cost of goods, and save the Nation billions of dollars in transportation costs.

Perhaps it is time to consider doing more on a Federal level. Regional port authorities and state governments are doing their best with limited funds, unclear na-

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[1] U.S. Port and Inland Waterways Modernization: Preparing for Post-Panamax Vessels.

[2] Source: *http://reports.weforum.orgglobal-competitiveness-report-2012–2013#=*

[3] Source: *http://www.brookings.edu/blogs/up-front/posts/2013/01/23-crumbling-infrastructure-galston*

[4] *http://www.nwra.org/content/articles/bipartisan-senators-release-wrda-ahead-of-wednesda/*

[5] *http://www.usace.army.mil/media/newsreleases/newsreleasearticleview/tabid/231/article/269/*

tional policies, and lengthy project development and permitting processes. If the U.S. is to regain its competitive edge in the world market, we need a robust national infrastructure supported by a clear National policy, accelerated processes, and a dedicated funding stream.

The CHAIRMAN. I thank you, sir. A lot of moving parts on this thing. Washington doesn't usually do very well with many moving parts, so we need to talk about that.

Ed Hamberger is the President and Chief Executive Officer of the Association of American Railroads.

Welcome.

STATEMENT OF EDWARD R. HAMBERGER, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ASSOCIATION OF AMERICAN RAILROADS

Mr. HAMBERGER. Thank you for the invitation to participate here this afternoon, Mr. Chairman, Ranking Member Thune, and members of the Committee.

Mr. Chairman, before I get into my prepared remarks, it dawns on me that this is the first opportunity I have had to be before you since you announced your future plans last January. And I think it is fair to say that my members and I look at some rail issues, not all, but we look at some rail issues through a different prism than you do. Notwithstanding those——

The CHAIRMAN. But don't you represent the small railroads?

[Laughter.]

Mr. HAMBERGER. We do, sir. And we very much appreciate—that is one where we are right together on the 45G tax credit.

[Laughter.]

The CHAIRMAN. Thank you.

Mr. HAMBERGER. Thank you for your leadership on that, sir. You are exactly right. That is why I say on some issues we look through a different prism.

But notwithstanding those limited policy disagreements, I just wanted to say publicly here today, on behalf of my members, how much we respect you and how much we appreciate your service in the Senate.

Indeed, you will have left your mark not only in the transportation sector, but in so many other areas, from health care, trade, tax policy, energy, environment, telecommunications, foreign policy. The list goes on and on.

And I know you still have 2 years left, and so it is a little early for testimonials, so I will stop here. But I didn't want this opportunity to go——

The CHAIRMAN. Why stop, Ed?

[Laughter.]

The CHAIRMAN. I will tell you, I mean, nobody—Sharon has never said anything like that to me.

[Laughter.]

The CHAIRMAN. But I am deeply appreciative of it. And, you know, I respect the differences that we had.

Mr. HAMBERGER. Exactly right.

The CHAIRMAN. And we were forthright about it, and we fought away at it. And, you know, so be it. Now we are talking about a different part of the future, in which you are, along with trucking, et cetera, very, very much involved, and I look forward to that. But thank you for that.

Mr. HAMBERGER. Thank you. Well, again, just our respect——

Senator THUNE. Mr. Chairman?

Mr. HAMBERGER.—not only as an individual but as an industry, for you personally——

Senator THUNE. I am just interested in knowing what the truckers are going to do to top that.

[Laughter.]

Senator SCOTT. Mr. Byrd, we will work together on that one. How is that?

[Laughter.]

Mr. HAMBERGER. Well, I should point out that in 2013 I think trucking will become our number-one customer base. I think intermodal will exceed coal in 2013. So we are happy to be here with our——

Mr. BYRD. Partners.

Mr. HAMBERGER.—best customers and partners, absolutely.

Again, Senator, thank you for your leadership in the Senate——

The CHAIRMAN. Thank you, sir.

Mr. HAMBERGER.—and this committee.

As we have just heard, the expansion of the Canal will allow for passage of much larger container ships than those currently navigating through Panama. Over time, it is anticipated that more and more cargo moving between Asia and the eastern coast of the United States is likely to be transported on these larger post-Panamax ships.

And when evaluating what the impact will be, we don't really know. As you said in your opening comments, Mr. Chairman, it is hard to know exactly what the shift in traffic patterns will be. Will they still continue to disembark on the West Coast, or will they take the all-water route around to the East Coast? I can't tell you that.

I can tell you that there is a laundry list of factors that I am sure Mr. Vickerman can get into in more detail, but those include things like the time sensitivity of the freight, the fuel costs, the capital costs of the new vessel, the efficiency both of the port operation and the ensuing land surface transportation movement, the Canal and port fees, environmental considerations, availability of warehouse space, and so on.

But what I can say is that the railroad industry is working to be prepared regardless of that outcome. When recently asked about the expansion of the Canal, Norfolk Southern's CEO, Wick Moorman, responded as follows: "We are preparing and planning so that if the traffic comes in from the east and needs to move inland, we will be there to handle it. If the traffic comes in from the west and comes to a western gateway with one of the western rail carriers, we will be ready to handle it."

Now, while Mr. Moorman was speaking specifically on behalf of his company, Norfolk Southern, his statement applies to the freight industry as a whole. And my message to you today is quite simple: We will be ready to handle it.

By way of background, the U.S. rail intermodal volume was 3.1 million containers and trailers in 1980, rising to a peak of 12.3 million in 2006. The recession did impact that, and it fell below that in the last few years. 2012 saw a rebound to almost the 2006 levels. And based on the first quarter of 2013, we think we will set a new record for intermodal transportation.

One of the big factors behind the growth of intermodal, of course, is the investment that the industry has made on new or expanded inland intermodal terminals to facilitate the transfer of containers both between the trucking partner and between the maritime partner at the ports. Clearances have been raised along key routes to accommodate the additional height required to operate double-stacked trains, and a variety of new intermodal car types have been introduced for use throughout the national intermodal network.

These intermodal-specific investments are part of a broader investment strategy that the industry has carried out: over $500 billion in the last 30 years spent on locomotives, freight cars, tracks, bridges, tunnels, other infrastructure and equipment. All this investment is aimed at keeping the U.S. freight rail industry second to none in the world. And I reemphasize that it has been private investment.

This investment has also made intermodal far more efficient, reliable, and productive today than it was just a few years ago. Moreover, railroading's tremendous flexibility and the vast scope of the network means that they can respond quickly and effectively to new traffic patterns and new market challenges, including those that could present themselves with the expansion of the Panama Canal.

And just as an aside, when I mentioned the need for consistent, reliable service, it comes as a surprise to many—and I see Tom Jensen from UPS in the room—that our single largest customer is United Parcel Service. And so what "Brown" does for you every day we do for "Brown" every day. And that requires a very, very tightly run rail network to meet the requirements of UPS.

The expansion of the Panama Canal is just one more in a long series of cases in which railroads are stepping up to meet the challenge of providing safe, reliable, and cost-effective service and to help our customers and the economy grow.

We look forward to continuing to work with you, Mr. Chairman and members of this committee, as you address transportation policy issues. And, again, thank you for the opportunity to be here.

[The prepared statement of Mr. Hamberger follows:]

PREPARED STATEMENT OF EDWARD R. HAMBERGER, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ASSOCIATION OF AMERICAN RAILROADS

Introduction

On behalf of the members of the Association of American Railroads (AAR), thank you for the opportunity to testify about railroads and the expansion of the Panama Canal.

Freight railroads are an indispensable part of America's transportation system. Whenever Americans grow something, eat something, make something, turn on a light, export something, or import something, it's likely that railroads were involved somewhere along the line.

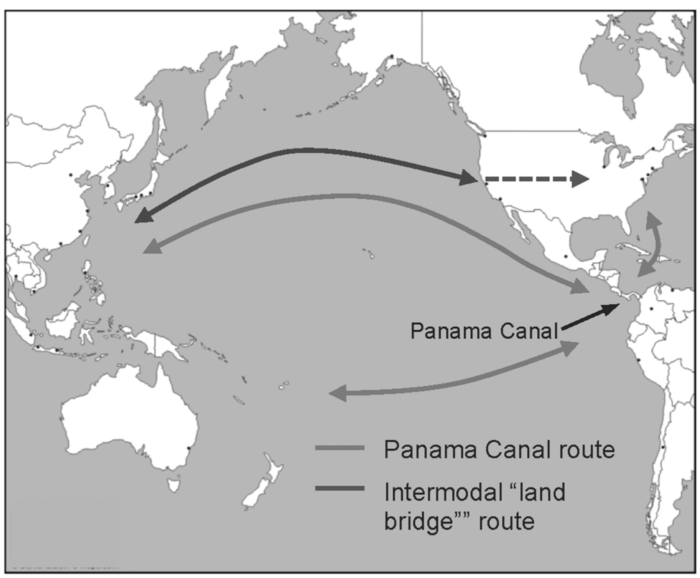
More than 560 freight railroads operate in the United States today—only Hawaii does not have at least one—over nearly 140,000 route-miles. In addition, every major U.S. port is served by at least one major railroad. Nearly all of America's freight railroads are privately owned and operated. Unlike trucks, barges, and airlines, the freight railroads operate almost exclusively on infrastructure that they own, build, maintain, and pay for themselves.

A healthy economy requires an efficient logistics system based on sufficient transportation infrastructure to meet growing demand. In my testimony below, I will discuss how freight railroads are positioning themselves to meet future transportation demand in this country, including transportation demand related directly or indirectly to the expansion of the Panama Canal.

Overview of the Panama Canal Expansion

As members of this committee know, the Panama Canal currently has two lock chambers, the dimensions of which limit the size of container ships that can traverse the canal. So-called "Panamax" ships, the largest ships that can currently use the canal, can carry a maximum of around 4,500 containers. However, a larger third lock chamber is under construction—with completion likely in 2015—that will allow much larger ships to pass through. These larger "post-Panamax" ships will be able to carry up to approximately 12,500 containers, or nearly three times the maximum number carried by existing ships that use the canal.

The big unknown is where ships carrying cargo that are bound for, or coming from, the eastern part of the United States will go. Today, a significant portion of the cargo from Asia destined for the eastern part of the United States is offloaded at West Coast ports (such as Los Angeles, Long Beach, Seattle, Tacoma, Vancouver, or Prince Rupert in British Columbia), and then transported inland on trucks, railroads, or, in some cases, rivers. Going the other way, cargo headed to Asia from the eastern part of the United States often travels via rail or truck to West Coast ports, where it is loaded onto ships heading west.



It is not uncommon for existing Panamax (or smaller) ships coming from Asia with cargo bound for the eastern United States, as well as ships with cargo from the eastern United States heading to Asia, to go through the Panama Canal on an "all-water" route, rather than use the land bridge (via truck or rail) across the country described in the previous paragraph. Some observers believe that the huge capital costs of the newer vessels and other factors will cause these ships to remain primarily on routes to the West Coast. Many others, though, think that a post-Panamax ship is just as likely to find it cost effective to use the "all-water" route to or from the eastern United States. Of course, if an all-water route is to be used, the eastern ports must be able to handle the post-Panamax vessels, which is the rationale for the efforts by a number of ports on the East Coast, the Southeast, and the Gulf of Mexico to dredge deeper channels, install new cranes, and/or build new dock capacity to accommodate post-Panamax ships. Meanwhile, ports on the West Coast are pursuing many of these same kinds of improvements to better position themselves as the preferred destination for ocean carriers even after the canal expansion is complete.

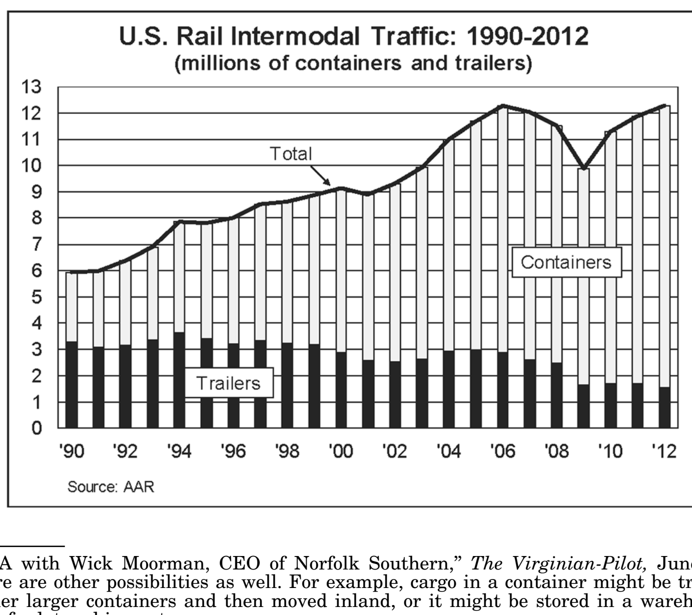
To summarize a very complicated issue, the interplay of many different factors will determine which ports and routes are used. These factors include the time sensitivity of the freight being carried, inventory carrying costs, the capital costs of the new vessels, fuel costs, time in transit, canal toll fees, port fees, inland transportation costs, the speed by which containers are able to be moved inland, environmental considerations, the efficiency of port operations, availability of warehouse space, and many other factors. Taken together, these factors will determine which ports offer shippers the best value for their money (resulting in higher traffic volumes and market share growth for those ports), and which ports lag behind, resulting in lower traffic volumes (or traffic volumes that increase less rapidly than they otherwise would) and lower market share.

Frankly, I don't know which ports will be the "winners" and which will be the "losers" of this competitive battle. I do know, though, that from the point of view of our Nation's rail industry as a whole, it doesn't really matter. The fact is, whether the freight is coming into or leaving from Long Beach or Savannah or Miami or Houston or Seattle or Norfolk or any other major port, our Nation's freight railroads are in a good position now, and are working diligently to be in an even better position in the future, to offer the safe, efficient, cost-effective service that their customers at ports and elsewhere want and need.

In a June 4, 2012 interview, in response to a question about the Panama Canal expansion, the CEO of Norfolk Southern said, "We are preparing and planning so that if the traffic comes in from the East and needs to move inland, we'll be there to handle it. If the traffic comes in from the West and comes to a western gateway with one of the western carriers, we'll be ready to handle it." [1] He was speaking on behalf of his railroad, but his statement applies equally well to the rail industry as a whole. I'm confident that railroads will be "ready to handle it."

Overview of Rail Intermodal

Although other types of ships use the Panama Canal, container ships are the focus of the canal's expansion. When a container ship at a port is unloaded, the containers on it are moved inland through a variety of means. They might be loaded directly onto a truck and delivered to their final destination, especially if the final destination is relatively nearby. Or, containers might go by truck a short distance to a nearby rail yard, then loaded onto trains for movement inland. At some ports, containers are loaded at "on dock" terminals from the ship to railcars.[2,3]



[1] "Q&A with Wick Moorman, CEO of Norfolk Southern," *The Virginian-Pilot,* June 4, 2012.

[2] There are other possibilities as well. For example, cargo in a container might be transloaded into other larger containers and then moved inland, or it might be stored in a warehouse near the port for later shipment.

[3] The situations are reversed when containers arrive at port for export.

In any case, when a container is moved by railroad, it becomes part of what's known as inland "intermodal" service. Intermodal—the long-haul movement of shipping containers and truck trailers by rail, often combined with a (usually much shorter) truck movement at one or both ends—has been growing rapidly for more than 25 years. U.S. rail intermodal volume was 3.1 million containers and trailers in 1980, rising to 5.9 million in 1990, 9.1 million in 2000, and a record 12.3 million in 2006. Intermodal volume fell sharply during the recession, but rebounded to 12.3 million units in 2012—only 15,000 units shy of 2006's record. Through the first three months of 2013, U.S. rail intermodal volume is well ahead of 2006's record pace.

Intermodal is used to transport a huge variety of goods that Americans use every day, from greeting cards and furniture to frozen chickens and computers. In fact, just about everything you find on a retailer's shelves might have traveled on an intermodal train. Intermodal is also used to transport large amounts of industrial and agricultural products like grain and auto parts. More than 50 percent of rail intermodal consists of imports or exports (reflecting railroads' vital role in international trade), but a large and growing share of rail intermodal consists of purely domestic movements. Much of the increase in the domestic share of intermodal traffic consists of freight that used to move solely by truck but which has been converted to rail intermodal.

There are a number of reasons why rail intermodal has grown. Two of the most important are the huge investments in intermodal facilities that railroads have made (as discussed below) and the tremendous efforts railroads have made to improve their intermodal service. Railroads know that reliability is crucial to successful intermodal operations. That's why they've put enormous effort into improving their intermodal service. Today, rail intermodal is far more efficient, reliable, and productive than it was even just a few years ago. In addition, because railroads, on average, are four times more fuel efficient than trucks, using rail saves fuel and fuel costs. Moreover, when rail intermodal is used, truck driver shortages are much less of a problem.

The Development of the U.S. Rail Intermodal Network

Today's U.S. rail intermodal network is the most advanced and efficient such network in the world. It was developed over the past couple of decades by more fully utilizing existing rail network capacity and through tens of billions of dollars in investments in new infrastructure and equipment directly connected to intermodal operations. These investments include:

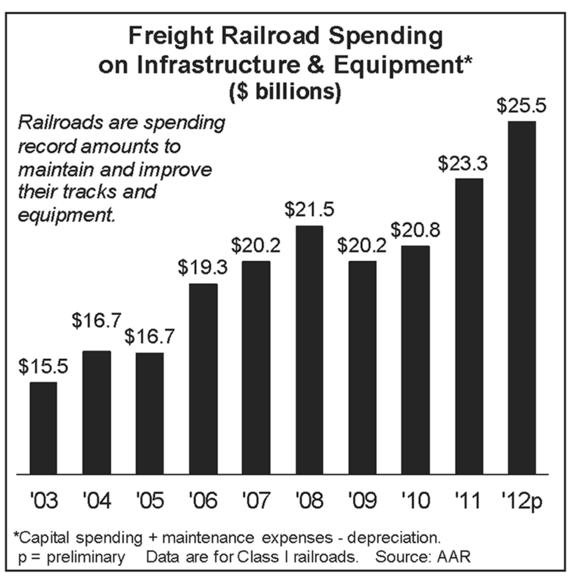
- New or expanded inland intermodal terminals to facilitate the transfer of containers and trailers between rail and truck;
- New near-dock intermodal terminals to facilitate the transfer of containers between ship and rail;
- Introducing a variety of new intermodal car types throughout the national intermodal network;
- Raising clearances along certain routes to accommodate the additional height required to operate doublestack trains;
- Adding track capacity and advanced signaling systems to accommodate faster, more frequent trains of all categories in the rail network; and

- Modernizing the locomotive fleet resulting in greater reliability for rail customers.

A Modern Rail Intermodal Terminal

These intermodal-specific investments are part of a much broader set of some $525 billion in rail investments since 1980—paid for with railroads' own funds, not government funds—on locomotives, freight cars, tracks, bridges, tunnels, and other infrastructure and equipment. That's more than 40 cents out of every revenue dollar. In recent years, despite the recession, America's freight railroads have been reinvesting more than ever before—including $25.5 billion in 2012 and a similar amount projected for 2013—back into a rail network that keeps our economy moving.

Intermodal is a key market segment for each of the major U.S. freight railroads, and each has devoted significant resources toward expanding their intermodal capabilities to keep supply chains fluid and effective. Just a few examples:



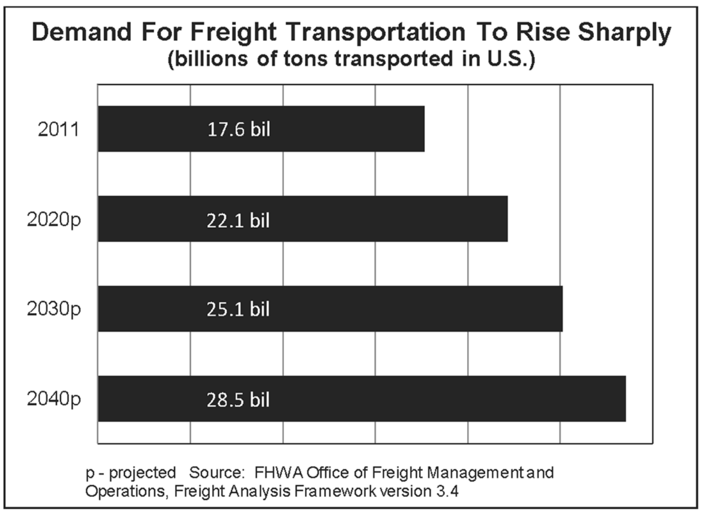
- Through its capital commitments, since 2000 *BNSF* has invested $41.9 billion in the railroad. Later this year, and as part of its planned $4.1 billion capital program for 2013, BNSF is scheduled to open its new $250 million intermodal facility, Logistics Park Kansas City (LPKC). This 443-acre logistics park will be able to initially handle more than 500,000 units each year and 1.5 million units when it is fully built out. BNSF is also moving forward on its $500 million Southern California International Gateway project (SCIG) near the Ports of Los Angeles and Long Beach. SCIG will allow containers to be loaded onto rail just four miles from the docks, rather than travelling 24 miles on local roads and the 710 freeway to downtown rail facilities. SCIG will allow 1.5 million more containers to move by more efficient and environmentally preferred rail through the Alameda Corridor each year. It will greatly improve the efficiency of cargo transfer from ports to customers and will eliminate millions of truck miles annually from local freeways in Southern California, all while utilizing state-of-the-art and environmentally preferred technology, including wide-span all-electric cranes, ultra-low emissions switching locomotives, and low-emission yard equipment.
- *CSX*'s National Gateway is an $850 million public-private partnership launched in 2008 to alleviate freight bottlenecks in the Midwest by creating a double-stack cleared corridor for intermodal rail shipments between the Midwest and mid-Atlantic ports. Phase One of the project, scheduled to be completed this spring, creates double-stack rail access between CSX's new intermodal terminal in Northwest Ohio and its terminal in Chambersburg, Pennsylvania. The entire project is scheduled to be completed in 2015, about the time the Panama Canal expansion is expected to be complete.
- *Union Pacific* has invested over $1.1 billion in recent years on intermodal terminals. Among these investments is the new Joliet Intermodal Terminal, opened in August of 2010. Joliet Intermodal Terminal is a state-of-art intermodal terminal which provides significant capacity in the important Chicago market with service to and from the major West Coast and Gulf Coast ports. Union Pacific is currently building a $400 million intermodal and multi-purpose rail facility in Santa Teresa, New Mexico, on UP's 760-mile "Sunset Route" between Los Angeles and El Paso. Once completed in 2014, the facility will include 200 miles of track and 26 buildings for yard operations. The state-of-the-art facility will include fueling facilities, crew change buildings, an intermodal yard and an intermodal ramp with an annual lift capacity of up to 250,000 intermodal containers. Construction of this facility is part of UP's commitment to invest approximately $3.6 billion in 2013 in capital investments across its 32,000-mile network.
- *Kansas City Southern'*s Meridian Speedway rail corridor connecting Dallas, Texas, and Meridian, Mississippi, continues to grow in significance. It allows KCS to partner with other railroads to offer efficient, cost-effective intermodal service between the southeast and the southwest. KCS's international intermodal corridor connects central Mexico with the central, south central and southeastern regions of the United States. KCS expects to invest approximately 18 percent of revenue in 2013 on capital expenditures, including intermodal terminal expansion.
- In 2012, *Norfolk Southern* opened new intermodal facilities in Memphis and Birmingham, both part of the company's Crescent Corridor project. The Crescent Corridor is a 2,500-mile rail network serving more than 30 new intermodal lanes in the Northeast, Southeast, Texas and Mexico. NS recently announced plans to spend $2 billion on capital improvements in 2013, including the expansion of its Bellevue, Ohio rail yards, construction of a new intermodal terminal in Charlotte, North Carolina (also part of the Crescent Corridor), and the completion of a new locomotive service facility in Conway, Pennsylvania.
- *Canadian National,* which operates more than 6,000 miles of railroad in the United States, plans to spend approximately $1.9 billion in capital expenditures in 2013 across its North American network. Projects include construction of a new intermodal terminal in Joliet, Illinois; the acquisition of new locomotives and intermodal equipment; advanced information technology that will improve service and operating efficiency throughout the railroad's network; and transloading operations and distribution centers to transfer freight efficiently between rail and truck.
- *Canadian Pacific* (CP) also operates more than 6,000 miles in the United States. Its U.S. operations include four intermodal terminals, and it also serves the ports of New York and Philadelphia through operating agreements. The

railroad is projecting capital expenditures of around $1.1 billion in 2013, with significant amounts directed toward delivering seamless service at ports and the railroad's network of intermodal terminals.

- It's not just Class I railroads that are heavily involved in intermodal transportation and preparing for future growth. For example, *Florida East Coast Railway,* a regional railroad operating over more than 350 miles in Florida, recently announced a partnership with the ports of Miami and Port Everglades to build on-dock rail yards that will help to increase South Florida's intermodal traffic to about 20 percent of port volume, up from about 10 percent today. In conjunction with deepening of the ports, the partnership is aimed at positioning South Florida as a gateway for post-Panamax ships.

All of these investments, and many more like them, are aimed at helping to ensure that the U.S. freight rail network remains second to none in the world, and that railroads have the ability to move containers and other cargo to and from ports safely and efficiently.

Of course, as America's economy grows, the need to move more people and goods will grow too, irrespective of what happens with the Panama Canal. Recent forecasts reported by the Federal Highway Administration (FHWA) found that total U.S. freight shipments will rise from an estimated 17.6 billion tons in 2011 to 28.5 billion tons in 2040—a 62 percent increase.[4] Railroads are getting ready today to meet this challenge.

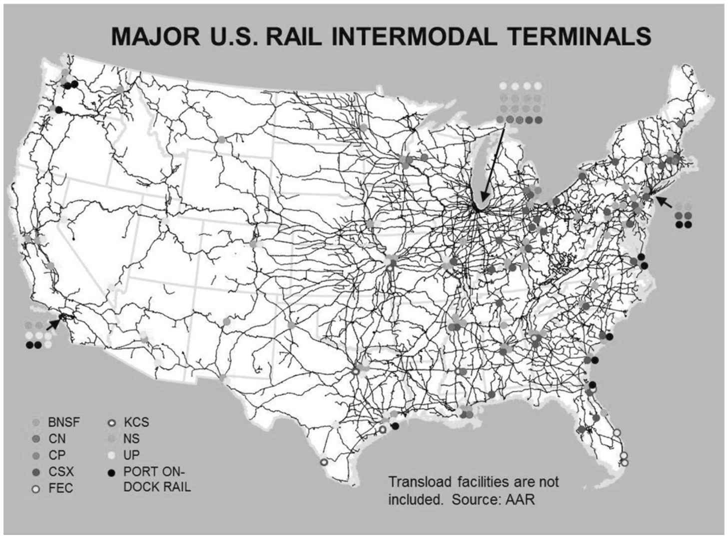


The map below shows most of the major intermodal terminals on the U.S. rail network. Many of these terminals did not exist five years ago. Their breadth and scope are a testament to the seriousness with which railroads treat their customers' capacity and service needs. In that sense, the expansion of the Panama Canal is just one more in a long series of cases (crude oil is another recent example) in which railroads have stepped up to meet the challenge of providing safe, reliable, and cost-effective service to help their customers and the economy grow.

Railroads and Rail Intermodal as an Alternative to Overreliance on Highways

No one, and certainly not railroads, disputes that motor carriers are absolutely indispensable to our economy and quality of life, and will remain so long into the future. That said, because of the enormous cost involved in building new highways, environmental and land use concerns, and other factors, it is highly unlikely that sufficient highway capacity can be built to handle expected future growth in freight transportation demand.

[4] Federal Highway Administration, *Freight Analysis Framework,* version 3.4.



The United States currently has the world's most highly developed highway network, built and maintained at enormous public cost over the years. According to data from the FHWA, in 2010 alone, states disbursed nearly $95 billion just on capital outlays and maintenance for highways.[5] Adding in other expenses such as administration and planning, law enforcement, interest, and grants to local governments brings total disbursements for highways to $146 billion in 2010. Even this huge level of spending, however, is widely considered inadequate to meet present-day, much less future, needs.[6]

Fortunately, freight rail in general, and intermodal rail specifically, represents a viable and socially beneficial alternative. Today, rail intermodal takes millions of trucks off our highways each year, and its potential to play a much larger role in the future is enormous, both in traditional transcontinental markets and in new short- and middle-distance lanes. In the context of ports specifically, railroads offer tremendous potential in safely and efficiently moving freight to and from port facilities, thereby greatly enhancing overall transportation productivity. In addition, a significant portion of the merchandise that railroads transport in their carload business (as opposed to in intermodal containers or trailers) is directly truck competitive. Shippers choose to move this freight on railroads because they find that the value railroads offer, in terms of cost and service, is superior. Railroads recognize that they will have to continue to work hard to earn this business, which is why they are constantly searching for ways to further improve productivity, reduce costs for their customers, and enhance their service offerings.

This does not mean that we should stop building highways or that we should no longer recognize the importance of trucks and highways in meeting our Nation's transportation needs, but it does mean that policymakers should be doubly aware of the role railroads play, and can play, in meeting freight transportation demand. As manufacturing has become more global and as supply chains have become longer and more complex, the railroads' intermodal service has come to play a critical role in making the supply chains of a wide variety of shippers efficient—particularly for those that depend on imported or exported materials and goods, including the goods that might be affected by the expansion of the Panama Canal.

Conclusion

America's railroads move vast amounts of just about everything, connecting businesses with each other across the country and with markets overseas over a

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[5] Federal Highway Administration, *Highway Statistics 2010,* Table SF–2.

[6] For example, the American Society of Civil Engineers, in its *2013 Report Card for America's Infrastructure,* said "While the conditions have improved in the near term, and Federal, state, and local capital investments increased to $91 billion annually, that level of investment is insufficient and still projected to result in a decline in conditions and performance in the long term. Currently, the Federal Highway Administration estimates that $170 billion in capital investment would be needed on an annual basis to significantly improve conditions and performance."

140,000-mile network. They save their customers billions of dollars each year in shipping costs while reducing pollution, energy consumption, and greenhouse gas emissions; relieving highway congestion; and enhancing safety.

Demand for freight transportation will surge in the years ahead due to population and economic growth. Railroads are the best way to meet this demand. Railroads are safe, save fuel, keep trucks off overcrowded highways, and reduce greenhouse gas and other emissions. And they do it while providing affordable, reliable transportation to America's manufacturers, farmers, energy producers, retailers, and consumers. Moreover, their tremendous flexibility, the vast scope of their networks, and their ability to invest for changing markets mean that they can respond quickly and effectively to new traffic patterns and new market challenges, such as those that could present themselves with the expansion of the Panama Canal.

Railroads are working hard to ensure that adequate capacity exists to meet our future freight transportation needs. Meanwhile, they look forward to continuing to work with members of this committee, others in Congress and the Obama administration, and other policymakers to find effective solutions to the transportation challenges we face.

The CHAIRMAN. Thank you, Mr. Hamberger, very much.

Senator Scott is going to introduce Philip Byrd.

Senator THUNE. I am feeling left out.

STATEMENT OF HON. TIM SCOTT, U.S. SENATOR FROM SOUTH CAROLINA

Senator SCOTT. Thank you, Chairman Rockefeller.

It is my pleasure to introduce a great South Carolinian and a personal friend, Philip Byrd, to Washington. Phil has made great contributions to our state and national economy as President and CEO of the largest single carrier in the Charleston area and a leader in the American Trucking Association.

Bulldog Hiway Express is a great South Carolina success story, without any question. Founded in 1959 with a $1,000 loan and a Chevy pickup truck, now they operate throughout the entire continental U.S. and Canada.

I welcome Philip and look forward to hearing how we can support small businesses like Bulldog and improve our overall freight transportation strategy and leverage the new opportunities that will arise from the expansion of the Panama Canal.

About the Chairman, I believe I can quote Mr. Byrd in saying that Chairman Rockefeller is an amazing American, a marvelous Chairman, a brilliant orator, and a fabulous friend-to-be.

Mr. BYRD. Thank you for that, sir.

Senator SCOTT. Yes, sir.

[Laughter.]

Senator SCOTT. Mr. Chairman?

The CHAIRMAN. I am speechless.

[Laughter.]

The CHAIRMAN. Would you proceed, sir?

STATEMENT OF PHILIP L. BYRD, SR., PRESIDENT AND CEO, BULLDOG HIWAY EXPRESS ON BEHALF OF THE AMERICAN TRUCKING ASSOCIATIONS

Mr. BYRD. I will.

Chairman Rockefeller and Ranking Member Thune and members of the Committee, thank you for the opportunity to testify today on behalf of the American Trucking Association. ATA represents more than 34,000 trucking companies throughout the United States. And my name is Phil Byrd, and I am President and CEO of Bulldog

Hiway Express of Charleston, South Carolina. And I am also honored to serve as the First Vice Chairman of the American Trucking Association.

And, as Senator Scott just remarked, Bulldog was founded in 1959 with one truck and a $1,000 loan, and today we literally operate hundreds of trucks and trailers throughout the United States and Canada. Our participation in international freight container transportation started in our early history, as we moved the first containers to come off a vessel in the Port of Charleston. Bulldog Express is now the single-largest carrier in the area.

First and foremost, let me begin by stating that the trucking industry eagerly anticipates the completion of the Panama Canal expansion and the increased transportation that will result from the project's completion. Our industry is incredibly adaptable and prepared to handle the increased need and demand.

That being said, in order to understand the impacts of the Panama Canal widening on our intermodal freight system, which is why we are before the Committee today, it is important to first understand how containers are handled at ports. Where, how many, and when trucks are deployed in the container-transport sector is dictated by decisions made by ocean carriers, 3PLs, brokers, railroads, terminals, and shipping companies, and not by the motor carriers.

Ocean carriers often make short-term decisions to reroute vessels to a different port based on fuel price variances, port labor unrest, and increased operating costs due to terminal and gate inefficiencies. Over the long term, world or regional economic conditions will determine cargo flows throughout the international intermodal freight system irrespective of today's Panama Canal expansion-related efforts. So projecting what infrastructure investments are appropriate as a result of the Panama Canal expansion is certainly not an exact science.

Two ports on the East Coast already have a harbor channel depth of 50 feet to handle the largest ships when the Canal expansion is completed in 2015. Other major container ports, including New York-New Jersey, Charleston, Savannah, Miami, Houston, and New Orleans, have projects in various phases that will allow them to handle the bigger ships, as well. And, as has been stated, the New York-New Jersey Port complex is planning to raise the height of the Bayonne Bridge at a cost of $1 billion to accommodate the larger vessels.

My homeport of Charleston is preparing for a surge in container traffic, as well. Our port authority has approved a 10-year, $1.3 billion capital plan that includes major investments in facilities, equipment, and information systems. Additionally, the state of South Carolina is investing $700 million in port-related infrastructure improvements, including $300 million to dredge Charleston's harbor. We are working cooperatively with the Corps of Engineers to expedite the project so that the harbor project will be completed and we can compete in the expanding all-water market to the East Coast.

However, and most importantly, from a trucking perspective, the biggest challenge to accommodating increased freight volumes lies outside the port gates: specifically, the ability of our congested highways to handle increased freight.

The latest report by the American Society of Civil Engineers found that while ports are making investments to improve terminal infrastructure, connections to the roads, rail, and water channels have suffered from inadequate Federal funding. The report also concludes that 42 percent of America's major urban highways remain congested, annually costing the economy an estimated $1.1 billion in wasted time and fuel; and that $170 billion in capital investment would be needed on an annual basis to significantly improve conditions and performance.

Roads were given a grade "D" by the ASCE. Clearly, while port infrastructure may potentially be ready to handle the increased container volumes, outside the port gates our intermodal connectors and our highway systems are not.

I am also very concerned about the impact of Federal regulations, particularly the new hours-of-service rule scheduled to go into effect this July. The rule will likely reduce truck productivity by 2 to 3 percent, but in port operations like mine the impact will be much greater. And there is no scientific basis for the new rule change, and that is unfortunate.

Nevertheless, I want to reemphasize that the trucking industry is fully capable of meeting the transportation needs resulting from the expansion of the Panama Canal. Given the proven adaptive and flexible nature of our industry, we believe we will be able to handle these container freight increases wherever they actually occur in the American port system.

That concludes my remarks, and I look forward to the questions. Thank you.

[The prepared statement of Mr. Byrd follows:]

PREPARED STATEMENT OF PHILIP L. BYRD, SR. PRESIDENT AND CEO, BULLDOG HIWAY EXPRESS ON BEHALF OF THE AMERICAN TRUCKING ASSOCIATIONS

Chairman Rockefeller, Ranking Member Thune, and Members of the Committee, thank you for the opportunity to testify before you today on behalf of the American Trucking Associations (ATA). ATA is the national association representing the trucking industry. Through its affiliated state trucking associations, affiliated conferences and other organizations, ATA represents more than 34,000 trucking companies throughout the United States.

My name is Phil Byrd, and I am the President and Chief Executive Officer of Bulldog Hiway Express headquartered in Charleston, South Carolina. I also serve as ATA's First Vice Chairman. Bulldog was founded in 1959. We began with one 1954 Chevrolet truck with a twelve foot van body. Today, the company consists of several hundred company-owned power units and approximately 500 trailers, including flatbeds, vans, and intermodal chassis. Our participation in international freight container transportation started early in our history—we moved the first container to come off a vessel in the Port of Charleston. Bulldog Hiway Express is now the largest single carrier in the area.

Since plans to widen the Panama Canal were approved six years ago, freight forecasters, logistics experts, transportation sector consultants, container freight stakeholders and government officials have undertaken numerous research projects and had many discussions regarding the widened canal's impacts on world container trade. Early predictions routinely estimated that East Coast and Gulf Coast ports would see double digit increases in volume. In part, the projected growth was predicated on the diversion of mini-bridge traffic from West Coast ports due to larger container vessels that will make all water transport to the East and Gulf Coasts more attractive. Over time, however, the projected double-digit increases have moderated to single digits, and potential West Coast diversion impacts have become less certain.

The Panama Canal expansion, expected to be completed in 2015, will double the capacity of the canal by increasing throughput and allowing much bigger ships (13,000 standard 20 foot containers, or TEUs) to pass through the locks than the currently sized 5,000 or less TEU vessels. Port investments and port and intermodal traffic planning and marketing are proceeding at a fever pace, with most port locations claiming they will be ready when the Panama Canal expansion is completed. Indeed, we are not aware of any East Coast/Gulf Coast port facility that has concluded it will not benefit from the expansion if it acts to upgrade its port infrastructure. And while there has been some speculation about diversion of freight from West Coast ports, they too project container freight volume increases.

Depending upon which studies are referenced, on the East Coast, the ports of Baltimore and the Norfolk-Port of Virginia already have the requisite harbour channel depth (50 feet) necessary to handle the new ships. As noted above, most other ports have projects in various phases that they believe will allow them to handle the bigger ships by 2015 or soon thereafter. To be competitive and gain a share of the expected panama container transport growth, ports and many supporting inland distribution center complexes are dredging to deepen harbors, and are improving bridges, tunnels, rail lines, and interconnector highways to accommodate the larger ships and expected higher cargo volumes. At a cost of $1 billion, the Port Authority of New York and New Jersey is planning to raise the height of the Bayonne Bridge to accommodate the larger vessels.

My home Port of Charleston has been successfully working its way out of the recent recession, and we are actively preparing for increased freight volumes from the canal widening. Our port is celebrating its twelfth consecutive month of year-over-year growth. Container volume at the port rose about 11 percent in February to 131,634 TEUs, the highest level since October 2008.

Our port authority has approved a 10-year, $1.3-billion capital plan that includes major investments in both new and existing facilities, equipment and information systems. Additionally, the state of South Carolina is investing nearly $700 million in port-related infrastructure, including $300 million to fund Charleston's harbor deepening project. Working cooperatively with the Corps of Engineers to expedite dredging will ensure that the deepening of Charleston Harbor to 50 feet will be completed five years earlier than initially projected.

When evaluating the adequacy or advisability of the ongoing port improvement activities, it is important to note that there has not been a high degree of planning or coordination among foreign-owned ocean carriers, domestic ports, state Departments of Transportation, transportation modes etc. as to whether, and more concerning, where, freight increases will actually occur. As a result, a great deal of the investments being contemplated or undertaken are based on, at best, speculative information regarding final container freight flows.

Clearly, projects related to canal expansion should include greater stakeholder input not only to ensure that the investments are warranted, but to avoid investments that could actually have a negative impact. For example, as previously mentioned, the Port Authority of New York and New Jersey plans to raise a bridge to allow bigger ship service, and will finance the project in part by doubling truck tolls on Port Authority bridges and tunnels. However, raising tolls on the very trucks that move port containers in and out of the port terminals will likely make the port less competitive, and undercut the NY/NJ projected freight increases which justified the expensive bridge project in the first place.

In order to understand the impacts of the Panama Canal widening on our intermodal freight system from a trucking perspective, and consider whether the trucking industry will indeed be ready to move the projected freight increases that may occur in a particular port, it is important to first understand how we do business in the port container "dray" transport sector. As you will note in the detailed description of port trucking logistics provided at the conclusion of this testimony, where, how many, and when port intermodal trucks are deployed in the container transport sector is actually dictated by decisions made by ocean carriers, 3PLs, brokers, railroads, terminals and shipping customers . . . Not by the motor carriers. Moreover, in any short-term port freight movement analysis, fuel price variances, potential port labor unrest and increased operating costs quickly impact the ocean carriers' decision on which ports or coastal locations they will route, or reroute, vessels to for cargo delivery. In the longer term analysis, world or regional economic conditions will reduce or increase cargo flows throughout the international intermodal freight system irrespective of today's port-Panama expansion efforts, *i.e.,* more cargo will move in good times, less in bad. Therefore, predicting accurate container transport needs much further into the future is not an exact science.

At this time, we are aware of no systemic trucking capacity shortages impacting freight movement at our port facilities. However, there have been, and will continue to be, chassis (the metal trailer frames with tires, brakes and lights that are designed for intermodal over-the-road transportation of standard-sized international shipping containers) imbalances (not enough in one facility too many in another) at some locations, which cause trucking company resources to be used for chassis repositioning. Moving empties around is obviously not the most efficient use of trucking resources, but it is often a port trucking fact of life.

Driver resources remain a challenge. Pending Hours of Service (HOS) changes, particularly restrictions related to the 34-hour restart, will negatively impact driver availability and productivity. We will also be challenged by systemic port gate-terminal operational inefficiencies and real or threatened port labor disruptions.

Despite these obstacles, barring federally imposed barriers to efficiency or labor-related difficulties, we believe we will be able to handle volume increases wherever they occur. That said, one additional challenge that may impact our ability to handle increased container freight volumes is chassis ownership and deployment changes that are taking place within the industry. Over the last several years, ocean carriers have announced or already executed plans to exit the chassis ownership and deployment market, in which they have traditionally provided motor carriers with chassis from regional chassis pool facilities on a no-charge or cost pass-through basis. The chassis business model is now changing to a private leasing company structure in which companies own and deploy the chassis for a daily rental fee paid, initially, by the motor carrier. The long-term impacts on port trucking operations of transitioning from a "free" chassis system to a daily rental system are unknown.

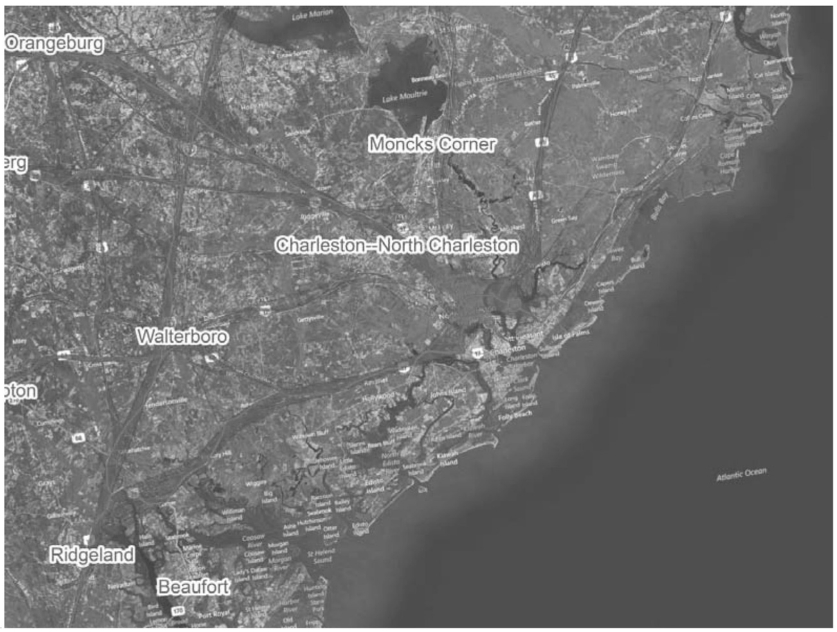
From a congressional oversight and planning perspective, the most significant challenge to accommodating increased freight volumes is likely "outside the gate." As I am sure you are aware, the recently released report by the American Society of Civil Engineers (2013 Report Card for America's Infrastructure) gave U.S. ports a grade of C, because it was determined that a greater investment in port maintenance, modernization, and expansion is necessary for the U.S. to continue to compete globally. Most importantly, ASCE found that . . . "While ports have made investments to improve terminal infrastructure, it is critically important to note that their connections to roads, rail, and water channels have suffered from inadequate Federal funding. The report also found that more dredging will be necessary to take advantage of higher trade capacity once the expanded Panama Canal opens in 2015."

ASCE also reported that forty-two percent of America's major urban highways remain congested, costing the economy an estimated $101 billion annually in wasted time and fuel. While the report indicates that conditions have improved in the near term, and federal, state, and local capital investments increased to $91 billion annually, that level remains insufficient, and still projects to result in a decline in conditions and performance in the long term. The Federal Highway Administration estimates that $170 billion in capital investment would be needed on an annual basis to significantly improve conditions and performance. As a result, Roads were given a grade of D by ASCE.

Of further concern, several ports affected by the canal widening are located in cities, identified by the Texas Transportation Institute, among the most congested in the Nation. This includes New York City, Houston, Miami, and Baltimore, among others. Indeed, according to a report prepared by the American Transportation Research Institute for the Federal Highway Administration, four of the top five highway freight bottlenecks in the Nation are near ports that will potentially be affected by the widening of the canal. Additional port activity could significantly impact congestion on highways serving the port complexes, affecting both passenger and freight travel costs. To illustrate, Figure 1 below shows the flow of truck traffic generated by the Port of Charleston. While significant volume is focused around the port complex itself, the map shows that trucks moving in and out of the port have a significant impact on travel throughout the metropolitan area and beyond. The map further demonstrates that the efficiency of port-related deliveries can be impacted by highway bottlenecks well beyond those highways in the immediate vicinity of the port. Because these impacts are a result of traffic that primarily serves interstate commerce, Federal investment in the affected highway infrastructure is both appropriate and necessary.

MAP–21 included a requirement for the identification of a National Freight Network of highways critical to goods movement, including bottlenecks on these highways. It is likely that many of these bottlenecks will be associated with port traffic, which will possibly be exacerbated in some locations by the widening of the Panama Canal. Unfortunately, the bill did not provide separate funding to address these bottlenecks. ATA strongly urges Congress to create a new, dedicated funding stream to address freight-related highway bottlenecks that significantly undermine freight transportation efficiency. Given the limited resources available for highway investment, spending decisions must be more focused on infrastructure projects that are of strategic national importance.

Figure 1



In conclusion, the widening of the Panama Canal and the resulting container volume increases hold great promise for America's port-related businesses, and should enhance our intermodal container freight sector's economic contribution to the country's prosperity. Preparation for handling the bigger ships and increased freight volumes is well underway, but it is not clear at this time whether the underlying investments are being made in the right locations. U.S. port trucking, however, is ready to meet the challenges ahead, and we look forward to working with the Committee and Members of Congress, and also with Federal and state officials, to establish the regulatory framework and transportation infrastructure necessary to facilitate this process. Thank you once more for the opportunity to testify before the Committee.

Port Trucking Logistics

U.S. intermodal motor carriers generally handle the first and last segments of container transportation that utilizes a ship or railroad for the major portion of the container line haul, *i.e.,* the segment between the off shore international manufacturer and the port or terminal, and then to the final customer. Our length of haul varies from a few miles to a few hundred miles. Intermodal truckers generally do not arrange for the entire transportation movement from container pick-up to delivery; instead, a third party often arranges the transportation segments and chooses to use a trucker for a designated portion of the container move.

Trucking container moves contractually involve ocean carriers, railroads, warehouses, port terminals, brokers, freight forwarders and other third-party entities that make up the maritime transportation logistics system. The container moves may be made between numerous port-terminal facilities, rail facilities, nearby or distant warehousing facilities, or nearby or distant distribution or final customer store locations, which may also be in a state that is different from the port of origin. The company that pays for our trucking-drayage service may be a third party logistics provider, the shipper or consignee, or a steamship line.

Finally, a critical motor carrier container logistics requirement concerns the final return transport of the empty container. Following the container delivery in the various truck moves described above, motor carriers are responsible for returning the empty containers to port, terminal or designated container drop yards as directed by the entity contractually controlling the container.

Motor carriers operating in any of the port services described above are notified of the arrival of a customer's containers in a variety of ways: through shared software, by phone, by facsimile, via e-mail, etc. The freight arrives in an ocean-going container of standard dimensions (20 or 40 foot containers) which fits onto the intermodal chassis. The chassis are traditionally owned and provided by the ocean carriers or railroads but, as discussed above, are today owned and provided by chassis leasing companies.

The necessary freight documents for truck container transport are developed in a variety of ways, but generally involve a delivery order and a bill of lading for a particular container. The containers are off-loaded from the ships to staging areas and then placed in terminals where they are either stacked for later pickup or off-loaded onto highway chassis for immediate pickup by motor carrier dispatched trucks. Motor carrier dispatched drivers—the vast majority of whom are independent owner-operators—pick up the containers during available port operating hours and move them as "dray" to various locations, as described above.

Often, containers are moved to warehouse locations in close proximity to the ports. Some motor carriers simply drop the containers off at the warehouses or railheads and have no further role in the handling of the international cargo. Other motor carriers also operate terminals and provide the cross-dock and trans-loading services discussed above.

The CHAIRMAN. Thank you, sir.

It is almost impossible to know where to start. I was just thinking, Mr. Vickerman, if you could put up that first or maybe the second slide. That is it.

In other words, it doesn't make sense to me, somehow, that the eastern ports and the Gulf Coast ports would be affected but that the West Coast would not. I mean, they are a very long way from the Suez. I need you to explain, backing up, what you mean by that.

And I need you to explain—if you can get the one that has the most arrows on it.

[Laughter.]

The CHAIRMAN. There is a big red arrow. That is the one I am looking for. Can you do that?

That is it. OK.

Because, I mean, to me, it is interesting because it shows a relatively small degree of impact and does not—maybe it is the isthmus of northern Mexico, but it doesn't get to the West Coast. And I would just like to have that straight in my mind. Am I wrong about that, or am I right about that?

Mr. VICKERMAN. No, sir, you are not.

If we look at Asian manufacturing, the centroid of manufacturing, it has moved from the Japans and the Koreas to Southeast Asia. So, coming from Southeast Asia, the dominant movement of ships is across the Pacific to the West Coast of the United States. In large measure, then, the cargo is moved intermodally by truck and by train.

And if it comes to New York, let's use New York as a consumption zone, it would be transferred in on the West Coast to road or rail in that process. It may end up in Chicago. We call that a mini or a micro land bridge, from a rail standpoint.

So that movement, then, has an ocean component and a land component. The movement through the Panama Canal is what we call all-water. The longer time that cargo can stay on a vessel, the cheaper its total cost movement. On a scale of 1 to 10, if we looked at the least-cost movement of freight, it would always be by water. Let's say that is on an increment of 1 or 2. The next increment up would be by rail, the next more costly increment up. And then beyond that would be by truck and ultimately by air, if you wanted to include that mode.

So the——

The CHAIRMAN. Also making the point—and I am interrupting slightly, but it really clears it up for me. You are saying that the direct present routes from Asia to the West Coast, north and south, will handle it. They are going to work still.

Mr. VICKERMAN. Yes. In fact, nothing involved with the Panama Canal expansion——

The CHAIRMAN. Hurts.

Mr. VICKERMAN.—would hurt, in my opinion, sir, would hurt the West Coast. And, in fact, I believe that we are going to revisit problems of capacity and congestion as the growth of the market overall climbs.

We have seen that coming up to the recession of 2009, that growth path looks surprisingly like the growth path after the recession going forward. If you look at L.A.-Long Beach right now, it is estimated in the next 30 years that cargo will increase more than 300 percent. So I don't anticipate that we are going to have the West Coast shrivel or reduce its import.

What the Panama Canal does is allow a greater capacity using an all-water routing from Asia to the East Coast in that process. The cargo stays on the vessel longer. It is generally cheaper, although you would have to look at specifics of origin to destination to really calculate that.

But to answer your question, sir, in my opinion, at least, we are going to see continued pressure on the West Coast as the cargo grows. And what we are talking about here is a two-and-a-half-times increase in container capacity, as an example, by using all-water route through the Panama from Asia to the East Coast.

That would still be a competitive move to what we just talked about with the vessels coming into the West Coast and then transferring intermodally to road or rail.

The CHAIRMAN. Because it is just interesting, the West Coast is where the population is growing the fastest. I mean, we went through this with the Federal Aviation slots and all that. That is where the population is. It takes 38 states to make up the population of California? Something of that sort. It is very dramatic.

Mr. VICKERMAN. Senator, from a consumption zone standpoint, there was an interesting study called the 2050 Planning Study by the Planning Association that actually looks at consumption zone growth. And we have New York-New Jersey, we have California, we have Chicago, we have Atlanta, and the like. In 2050, they have looked at the consumption zones in Chicago and Atlanta and New York merging. That, coupled with the Panama Canal, is starting now to control traffic from the Midwest.

If we look at two of our rail brethren, CSX and NS, they have established major logistics centers. Where? In Ohio. Both railroads have established major logistics centers there.

So we are seeing the Midwest not only from an agricultural production standpoint, but also this merging of consumption zones will have an impact on what controls traffic over the long period of time.

The CHAIRMAN. OK. I appreciate it, and I have overstayed my time, but this is so interesting, this whole concept.

Senator Thune?

Senator THUNE. Thank you, Mr. Chairman.

Mr. Hamberger, as I mentioned earlier in my remarks, the Army Corps of Engineers estimates that the widening of the Canal may create an opportunity for increased agricultural exports to Asia and other markets. And I am wondering if you agree with that assessment.

Mr. HAMBERGER. Yes, sir.

Senator THUNE. Do you expect a significant increase in the amount of agricultural products being shipped by rail as a result of the Canal widening? And what are your members doing to plan for such increases if you believe they will occur?

Mr. HAMBERGER. In my testimony, I have focused more on the intermodal side than on the bulk commodities side, and I would like to be able to get back to you in writing, if I might.

I did anticipate, having read Mr. Vickerman's testimony, this might come up. Certainly, my members do believe that for all bulk commodities, whether it is grain, perhaps LNG, coal, that the larger ships that can transit the Panama Canal will lower the cost and therefore make U.S. products more competitive in global markets and do expect that growth.

I just don't know and haven't talked to them about whether or not that would offset what is currently a very robust export market through the Pacific Northwest. And so I don't know what that trade-off would be, but if I could beg your indulgence——

Senator THUNE. Sure.

Mr. HAMBERGER.—and get back to you in writing.

Senator THUNE. But, I mean, do you assume there will be some uptick in real traffic?

Mr. HAMBERGER. Oh, yes. Yes.

Senator THUNE. Yes. OK.

Yes, sir, Mr. Keever?

Mr. KEEVER. If I could just add to that, we are in discussions with a major agribusiness that is looking to build a facility on deepwater for exports of American ag business going to China, as we speak, that would be served by both Class I railroads in Virginia.

I can't say any more than that, but it just amplifies exactly what your thoughts are, sir.

Senator THUNE. Yes.

I know this may be a question to maybe come back to Mr. Hamberger, and it may be too specific to know at this point, but are there particular commodities that are likely to see an increase in traffic, in your judgment?

Mr. HAMBERGER. I don't have a good answer.

Senator THUNE. OK. OK.

Mr. Vickerman, if you combine the fact that the larger Panamax vessels will lead to lower shipping costs and the recent increases in domestic oil and natural gas production, can you explain what, if any, changes we can expect in manufacturing and in in-sourcing of jobs here in the U.S., here at home?

Mr. VICKERMAN. Senator, I believe the lower overall origin-to-destination costs could, in fact, affect where manufacturing might be. In fact, we are actually seeing some movement in manufacturing back to being collocated closer to the consumption zone, which would mean that Mexico and the like might see a resurgence of that issue.

However, from a global standpoint, we are still seeing very low wage rate issues in Southeast Asia. If we look at the average wage rate in 2015 for India, it will be 78 cents. The current wage rate in Vietnam is a little over $1.10. And we anticipate that those wage rates will influence where manufacturing will be.

However, the opening of the Canal, based on what we just said, could influence sourcing and manufacturing closer to the consumption, ourselves, and thus could influence where the location of that manufacturing would be sourced.

Senator THUNE. And I would direct this to either Mr. Keever and/or Mr. Byrd, but trucking companies often express concern about the amount of time it takes for trucks to get into and out of a port. Time spent idling hurts productivity, and it wastes fuel.

And I guess the question is, how would you assess the efficiency? And maybe for Mr. Keever, the Port of Virginia specifically, and then maybe Mr. Byrd more broadly. But is there anything that can be done to get trucks in and out of port more quickly?

Mr. KEEVER. Sure, that is an issue that has been around for a long time. And I think often we hear of the anecdotal one and two really difficult problems, as opposed to what occurs on a regular, routine basis, where we are turning trucks consistently at about 45 minutes. We have automated gates in place at one of our facilities. We are making improvements to put in automated gates at our other facilities that will speed that process up. And I think most ports are looking to automate that.

But those are typically, I think, the rare occasions that sort of rise to the surface.

Mr. BYRD. In a broader sense, I would just echo what has been said, is that technology has entered the marketplace as it pertains to turn time in ports. And I think there has been a lot of progress made in most ports relative to turn time. But there is still a great opportunity there to gain additional productivity and efficiencies, no doubt about it.

Mr. VICKERMAN. Senator, if I could just add, in my opinion, the idea of automation in our ports is still one to be nurtured and to increase the efficiency of transfer, both truck and rail. If you look at automatic-guided vehicles, Europe is in its fifth generation, the U.S. is in its zero-th generation. We have not embraced automation in that regard.

A very good example of the benefits of automation is the newest terminal in the Port of Virginia, APMT, one of their most productive terminals, which has what I will call a partial automation in that process. Using automation, bringing information technology, and making the interface between road and rail at our ports is a potential venue that could substantially increase the productivity of our ports in North America.

Senator THUNE. Thank you.

Thank you, Mr. Chairman. My time is up.

The CHAIRMAN. Thank you, Senator Thune.

Senator Scott, to be followed by Senator Begich and Senator Warner.

Senator SCOTT. Thank you, Mr. Chairman.

This is a question to Mr. Byrd. The deepening of the Charleston Harbor to 50 feet is predicted to provide significant economic benefit to the Southeast region and the entire nation, with over $100 million in net benefit to the nation estimated on an annual basis.

Mr. Byrd, in your testimony, you raised concerns about the new hours-of-service rule that is scheduled to go into effect on July 1st. What impacts will this new rule have on your business as you see the expanded opportunity with the restriction in hours?

Mr. BYRD. Senator, the hours-of-service rule scheduled to go into effect July of this year is one that is not scientifically proven to add any safety benefit to America's highways. And, in fact, if you look at statistics over the last number of years, you will find that the current regulation has provided the highest grade of safety to America's highways that we have ever seen by commercial motor vehicles.

So there is no scientific proof in it. It will, in fact, add cost. It will delay America's cargo. It will interrupt the flow of goods that currently move today.

For example, in my business, we serve the Port of Charleston, as well as our domestic business serving manufacturers. The Port of Charleston is typically open from 7 a.m. on Monday morning until 5 p.m. on Friday afternoon every week. The new regulation has a stipulation in it called the 34-hour restart provision that would require 2 days back-to-back that would incorporate 1 a.m. and 5 a.m. before a driver could start out with a new, fresh book of hours to begin a new week. What that means is that freight moving out of Charleston to a destination, for example, to Atlanta 336 miles away, could not leave until 5 a.m., which further exacerbates traffic congestion on our highways and it delays cargo.

The way it typically works is our drivers take a 34-hour break today, unencumbered by 2 back-to-back days of 1 a.m. and 5 a.m.; take 34 hours off, they can start with a fresh clock. They can take their first load of America's commerce, have it delivered to destination or be waiting at destination with a full legal break of time so that they can deliver, pick up, and move America's commerce.

This new regulation will in many ways impede the movements of our goods.

Senator SCOTT. Thank you, Mr. Byrd.

One other question for you. As the largest carrier, single carrier in the Port of Charleston, as such, when you look at the opportunities and the challenges facing your company in Charleston and other companies in other ports throughout this country, what actions are your company having to take to gear up for the increased traffic at the Port of Charleston? And how quickly can you adjust to changing conditions?

And as a person who has been involved in the American Trucking Association for a very long time, what do you see as the impact of gearing up throughout the country? From the labor force, I can't remember the statistic, but it was something like 100,000 truckers that we needed, and we had about 80,000, something like that.

Mr. BYRD. Right. There has been a well-identified driver shortage throughout our industry, there is no question about that.

We are very appreciative as an industry on the consideration that has been given through Washington through veterans programs to help expedite the process of getting veterans into the license process and into the seat of commercial vehicles delivering America's freight.

But, yes, we have a driver shortage issue. Still, with that issue out there and looming, we still are procuring, hiring, and training drivers on a daily basis to move America's goods.

We as a business, we are adding to our fleet, we are buying assets. And we are a total asset-based company. We don't use any independent contractors in our fleet. We own our trucks, we own our trailers, and our drivers are employees. We are constantly investing in technology that will prove to bring about efficiencies, both in safety and productivity, to our fleet.

But the things that concern me most as a businessman are those things we have absolutely no control over. And that is highway congestion, and that is inefficient highway infrastructure. And we really need your help. We need assistance to improve America's highways.

No matter how much freight comes to the West Coast, to the East Coast, or how much goes by rail or by water or by truck, trucks are still going to be a majority of the process in moving America's goods. And without an efficient highway system, we simply can't do it.

Senator SCOTT. Thank you, Mr. Byrd.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Begich?

STATEMENT OF HON. MARK BEGICH, U.S. SENATOR FROM ALASKA

Senator BEGICH. Mr. Chairman, thank you very much.

Mr. Vickerman, let me, if I can, ask you a couple questions. I know in your testimony, you had a chart showing a 90 percent potential increase in LNG. Can you give me the predicted LNG tanker traffic once the Canal opens up? As you know, a very small percentage can get through that now. Once it is wider, then there will be more traffic flow.

Do you have any commentary, and you may not be prepared to answer this, but give me first thoughts on what you see as a shipment increase, and what does that mean to the world market, and what will happen with traffic flow potentially going this way from the map?

Mr. VICKERMAN. I will give you my impression. Clearly, I think LNG is going to be a major mover through the Panama Canal. And, as indicated, currently about 10 percent of the global fleet in LNG moves through the Panama Canal. After the expansion, about 90 percent of its fleet would be capable of doing that.

My own view is that LNG is going to be a significant growth market. I am concerned about this single third lane ultimately being congested. I was talking with Jeff beforehand that, from crude oil to LNG to the dry bulk to the containers, I am still worried that with the potential growth that we are seeing after the recession, that I would be worried about congestion in that third lane.

And let me just talk about LNG for a minute. Several months ago, for the first time in the world, we have had a containership operator decide to power the ship by LNG. I see that the large ship I showed you on the diagram, the Triple E from Maersk, there was a decision point between diesel and LNG, and it went diesel, but I believe the next generation of vessels will have heavy LNG capability.

Senator BEGICH. TOTE, for example, is——

Mr. VICKERMAN. TOTE.

Senator BEGICH. We helped them move along. That is a great project.

Mr. VICKERMAN. TOTE announced several months ago the first construction of a containership using LNG.

Senator BEGICH. That is right.

Mr. VICKERMAN. Now, the impact of that is going to be that the ports are going to have to start to bunker LNG.

Senator BEGICH. Right.

Mr. VICKERMAN. And the ability to bunker and distribute LNG, which is a lot more of a concern for safety than the current marine fuel distillate bunkering, is a concern. But——

Senator BEGICH. Do you think we are ready for that growth?

Your pause gives me the answer.

[Laughter.]

Senator BEGICH. I mean, I think it is great what TOTE is doing. Of course, you know, from Alaska we love to sell gas, so we are all OK with this. But, it is also a cleaner-burning fuel, it has a lot of other aspects to it.

But in order to make that network, what you have just described is going to be a serious problem. Because no one wants to have an LNG receiving terminal because they all think it is bad. In reality, LNG is one of the safer products when it comes to petroleum products.

Mr. VICKERMAN. I do know the Panama Canal is considering adding——

Senator BEGICH. A bunker?

Mr. VICKERMAN.—LNG bunkering, in addition to their logistics park, in addition to the new ports, all on top of the existing Panama Canal expansion, in order to service that market.

Now, I do know certain ports which are known for their leadership, like the Virginia Port Authority, have started to entertain the LNG. My concern would be that we are not all at that level.

Senator BEGICH. OK.

Mr. VICKERMAN. LNG bunkering, because of the increased flow in LNG, particularly through Panama—and I believe it is a trend in the future, where we are going to have a lot more containerships and a lot more of our vessels powered by LNG.

Senator BEGICH. And then there is the other piece, obviously. As we develop more gas supplies in the country, moving gas/LNG from this country to markets, the Pacific Rim, will be a whole new opening. And also it will change, probably, the global pricing, right?

Mr. VICKERMAN. Yes.

Senator BEGICH. Because it is cheap around here, quadruple over in the Pacific Rim.

Mr. VICKERMAN. Yes.

Senator BEGICH. So there is probably going to be some incredible impact on pricing. Is that a fair statement?

Mr. VICKERMAN. It is, sir. And the indication that I gave you, if you go from 10 percent of the global LNG fleet being capable to move through the Panama Canal to 90 percent, it is an indicator of the viability of that logistics distribution.

We need to do more in planning for that as a future vessel propulsion fuel. And that goes along with actually embracing and planning for the future, where I think that and other aspects need to be incorporated.

Senator BEGICH. If I can ask you one quick question as we close out my questions, and that is, up in the Arctic, obviously there is a lot of change that is occurring. The Bering Sea is increasing traffic flow significantly. It is estimated that once, in the next 2 to 3 decades, that becomes ice-free, China, Asian markets can move to Europe at a 45 percent less cost than going other routes.

Have you thought about that impact? Because, I mean, that is real. That is not a pipedream. It is happening.

Mr. VICKERMAN. No, sir, my response to you, it is absolutely real. Right now, two and a half months out of every year, we can move product across the top of the globe without icebreaker capability. If we look at the flow from Asia to Europe, we can get across the top of the globe in half the time and half the distance.

Canada has already created an admiralty up there. So the issue is, we should look at dynamics of alternative routings, like the Panama Canal's expansion. And that just tells us that we need to look at all of our competitive issues on a systemic but global basis to anticipate issues like we are talking about going across the globe.

But if we can move product across there in half the time and half the distance, and if it is already being effected, which it is——

Senator BEGICH. It is.

Mr. VICKERMAN.—and many of us, although we may not be environmentalists, believe that we will have greater and greater windows of opportunity to move vessels across the top of the globe.

Senator BEGICH. Very good. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Warner?

Senator WARNER. Thank you, Mr. Chairman.

And I want to follow up on Senator Begich, not so much on the shipping, but just back to the question, the issue that Mr. Keever raised and I think Mr. Byrd raised as well, this need for additional investment in infrastructure.

I know Mr. Hamberger constantly makes the point that freight rail does it privately, but ultimately they intersect——

Mr. HAMBERGER. Absolutely.

Senator WARNER.—with multimodal facilities that have public investment.

And, as has been mentioned, some of the Federal programs right now, in terms of Federal matches in our ports, are not being met. The President's current budget, for example, on the Craney Island expansion doesn't have the Federal match that is required.

So I know you and I know that you do as well, Mr. Chairman, have interest in looking at best practices from around the world. One of those best practices is the creation of a national infrastructure bank, a model that has been used successfully in Europe, in the U.K., that states have used on various bases.

I think many of us point to the success of TIFIA as one of our transportation programs, which, by the way, is a record with no loss of governmental funds. I know you have legislation, I have some bipartisan legislation that I hope to solicit some additional cosponsors on, building on what Senator Hutchison and Senator Kerry did last time, that would create an infrastructure bank that would be about loan guarantees, that would also be about making sure that we have a financing vehicle available. When you are talking about projects that have a 50-year life, trying to get financing that goes beyond the 20-year frame of most of the commercial financing, it is just not out there. So the ability to get 25- to 40-year financing that would be part of an infrastructure bank is, I think, terribly important.

I want to make clear to particularly my colleagues on the Republican side and the Ranking Member, that this would only be something that would have first-dollar private capital loss. So any backstop would be far down the line.

And the proposal the President has put out, or the proposal that we had last time with about a $10 billion initial capitalization, because it wouldn't guarantee all the loans, could generate in the neighborhood of $300 billion to $500 billion worth of infrastructure investment. And after that initial capitalization, it would become self-financing and requires no additional governmental exposure or governmental funding. The Export-Import Bank is an example of that.

And I would point out, one of the things I am concerned about—and this is going to get to a short question at the end; it is as much a commercial as anything—is that, you know, we are continuing to create pockets of these loan guarantee programs: one over here on energy, TIFIA over here on transportation. There is a WIFIA idea now on the water projects. And I just worry, as someone who feels like we have to protect taxpayer investment when we need this infrastructure investment, if we want to avoid future Solyndras, we ought to put any kind of project financing expertise that is going to be done on a national level, that is needed for these multimodal projects, multistate projects, in an independent, separate entity that would not be able to have political influence, that would have the project finance expertise.

Because one of the things with TIFIA that is holding back its success right now with the increased funding is you can't get the project finance expertise to come and work for what may or may not be a long-term project.

So my hope is that this will be something that we can—as we hear from Mr. Byrd and Mr. Keever, but I think even Mr. Vickerman and Mr. Hamberger would agree, if we are going to stay competitive, no matter where we are going to ship across the seas, at some point it is going to hit American infrastructure. And we have to have infrastructure that is competitive with the rest of the world, and we have to think creatively about how we would do that. And I would think there would be ways with improving upon models that have been used elsewhere in the world in getting this done.

And so with that I will turn this into a question, Mr. Keever, do you have any thoughts about an infrastructure bank, a national infrastructure bank, and how that might help ports and/or multimodal projects?

Mr. Byrd, you may want to comment, as well, in my remaining 29 seconds.

[Laughter.]

Mr. KEEVER. Absolutely. I think such a concept makes great——

Senator WARNER. I guess that is a yes?

Mr. KEEVER. Yes. Thank you very much.

Senator WARNER. No, go ahead, please. I am sorry.

Mr. KEEVER. I will defer to Mr. Byrd.

Senator WARNER. Oh, no, I didn't mean to interrupt.

Mr. KEEVER. We think something like that would certainly help provide another opportunity to advance the infrastructure that is woefully needed to accommodate the continued growth, whether the freight moves through the West Coast or the East Coast. And I think you have heard from each of us that there are opportunities on the ports side, there are opportunities on the rail side, opportunities on the roads side.

And the trade is going to continue to come with or without this expansion. It doesn't matter which side it is coming from, but the United States is obviously a major player in international trade. It is not going to diminish; it is going to continue to grow. And we need to be prepared for that as we go forward. Many of the facilities are in need of improvement, and I think this concept would be very, very beneficial.

Senator WARNER. Mr. Byrd, I know my time has expired, but maybe the Chairman will give me 30 seconds.

Mr. BYRD. Thank you.

The trucking industry and the American Trucking Association is not opposed to an infrastructure bank. However, we do feel the need for an increased revenue stream, such as a remodeling, if you will, of the motor fuel tax. We feel that this is the most efficient mechanism by which to generate funds to fund our highway infrastructure needs, both into the future and the maintenance of our current system.

Perhaps looking at some sort of indexing of the motor fuel tax, you know, into the future would be a feasible thing to do. But any mechanism by which we can direct funds to our highway system for improvement and our bridge needs for improvements, we are very much interested in looking at that.

Senator WARNER. And, again, I will just close out. I know my time has gone over. But I agree, it is not an either/or. You need a stable revenue source. We all know that the highway transportation trust fund is bankrupt, basically. But trying to create expertise in project finance, recognizing as well the value of a loan guarantee, and recognizing the fact that the term of being able to finance these projects is something that is an idea that I know you have worked on a long time, Mr. Chairman. And I hope that we will get a chance with this Committee and with our members to, you know, press on and twist it around a little bit.

I think there are improvements on making sure that we can get the kind of responsibility to the taxpayer—that this is not going to be the next GSE, and models that I look forward to working with you and others to share.

Thank you.

The CHAIRMAN. Thank you, Senator Warner, very much. And I will follow up on that after the distinguished Senator from Florida makes his presence known. His name is Nelson, Bill Nelson.

STATEMENT OF HON. BILL NELSON, U.S. SENATOR FROM FLORIDA

Senator NELSON. Mr. Chairman, thank you.

Are you all of the opinion that 2015 is a reasonable time for the Canal to be completed?

Mr. VICKERMAN. No, sir.

Senator NELSON. I was down there 2 years ago, and at the time I think they were shooting for 2014, and I thought that wasn't going to make it. What is your most reasonable guess?

Mr. VICKERMAN. The December 2015 date, I believe, was established by the President of Panama to coincide with the end of the 100th anniversary of the construction of the Canal. They have had some construction delays and some labor issues that have now delayed it, in my opinion, to June, perhaps July 2015.

I think we may experience an even greater issue. They are now indicating that by the end of 2015, perhaps early 2016, that the Canal may come on line in that process.

Senator NELSON. Given the fact that, whenever it does open, there are certainly economies that can be experienced since one of these ships can carry about three times what the existing size of the ships that can go through the Canal. So you get a lot more economies.

Now, the railroads and the trucks, of course, are not going to be doing all the long haul across the country that you do now, where the ships come in on the West Coast. But you are going to have plenty to transport once they get to an East Coast port, are you not?

Mr. HAMBERGER. Yes, sir. And, of course, I think there still will be some offloading in the West Coast ports, as well.

But I just would draw attention to my testimony where your constituent, Florida East Coast Railway, is working closely with the Port of Miami and the Port of Everglades to be ready to take double the amount of intermodal containers that they can handle once the Canal opens to move that traffic north.

I know the railroads are also working with both the Port of Charleston and Virginia and other areas around the country to make sure that we have that capacity when the post-Panamax ships begin sailing.

Senator NELSON. How about——

Mr. BYRD. I would concur with the statement. It is going to be a great deal more freight to move, sir. And that is the reason we need you to fix the highway system.

[Laughter.]

Senator NELSON. Amen to that. Matter of fact, could you help us lobby some of our colleagues here about putting money into infrastructure? That would be most helpful.

Mr. BYRD. We have some of the most astute lobbyists in Washington, sir, and they work on it all the time.

Senator NELSON. Well, they haven't been especially successful recently.

[Laughter.]

Mr. BYRD. We will make them work harder, sir.

Senator NELSON. Maybe you ought to put them on the incentive system.

[Laughter.]

Senator NELSON. So the railroads and the trucks are going to be ready, but all these ports on the East Coast and the Gulf Coast, they would all love to have these big ships coming in, but we can't dig that many channels. We are not going to have the money, through the Corps of Engineers, to dig that many channels. What do you recommend about that?

Mr. KEEVER. Well, there are a couple of ports that are currently already deep enough to accommodate the larger ships, and they are coming to these ports today through the Suez Canal.

With the scarce dollars, certainly the market is going to determine where those larger vessels are going to go. Many of the ports on the East Coast are striving to get to the deeper water. Without a reasonable funding stream and a reduced process, I am not sure they are going to get there.

You may want to make the analogy, Senator, that, do you need an Atlanta airport every 100 miles or so? You probably don't.

Senator NELSON. That is well said. Now, in Virginia, you are all set. You are dredged down to 50 feet because of the aircraft carriers.

Mr. KEEVER. Yes, we are at 50 feet. That was authorized in WRDA of 1986 for the coal exports, U.S. coal exports, where 50 feet inbound we are actually authorized to dredge to 55 feet.

Senator NELSON. But south of you, there is no port on the East Coast that is dredged down to 50 feet. How about Houston?

Mr. KEEVER. No, Houston is not at 50 feet.

Mr. VICKERMAN. Houston is considering a new six-berth terminal in back of Pelican Island accessible into the—the initial channel has that capability, but it is not all the way down through Houston. But not only Houston but New Orleans, Mobile, and the like are starting to anticipate that.

Everybody is using 50 feet as the criteria. Let me just reiterate that the vessel you see there, Maersk 3 days ago said that they weren't going to call in the Panama Canal any longer. They are going to go backward, as we talked about, through the Suez with those larger ships. That will create a ripple in the fleet, and I anticipate we are going to have 9,000, 10,000, 11,000 TEU ships or larger, and eventually, and I am sorry to say it, we are going to see ships that are larger than the Panama Canal, once it is completed, calling on the East Coast.

And we are using this magical 50 feet as a criteria. I happen to believe that we will continue to see pressures to have even greater capability and service greater capability. If Maersk Line is going to take that vessel and service Asia and Europe and we are going to see greater flow through the Suez because they won't call on the Panama, then not only are we having the current Panama Canal pressures, but we are going to have greater pressures in the future to have more capability to service these larger vessels.

Senator NELSON. What depth does that ship require?

Mr. VICKERMAN. We have vessels that are in the 54-foot range. In general, as the vessels get wider and longer, they don't necessarily get deeper. I like to say that Archimedes—there was no containership in Archimedes' time. Archimedes said that the depth of a containership is not proportional to TEU; it is proportional to displaced water volume, or buoyancy.

So we are seeing with much longer vessels, in the 1,200-foot range. With widths of containerships at 22 to 23—13 is Panamax right now—22 to 23, the depth is smaller. And I would assume that 50 to 54 is probably the maximum range. But we may see vessels that would ask for even greater depths than 50 feet in the future.

Senator NELSON. Well, if you have that and if they are wider, so that means you are dredging up a lot of sand, not only deeper but wider, what ports on the East Coast can handle that?

Mr. VICKERMAN. Clearly, the Port of Virginia, with its 50- and 55-foot channel capability, has the entrance channel dynamic to do that. But even Virginia will be taxed with wider ships. The maximum Panamax cranes right now are 19 out?

Mr. KEEVER. We have 26. We have 26 outreach.

Mr. VICKERMAN. Yes. So the maximum would be that. We are going to see more and more of those cranes have to be deployed against those bigger vessels.

Mr. KEEVER. And let me just add, I want to be clear that the Port of New York-New Jersey will be dredged to 50 feet. Baltimore is at 50 feet. Charleston is trying to get to 50 feet. Savannah is trying to get to 47 feet. Miami is expecting to be at 50 feet. So there are efforts that are ongoing.

Senator NELSON. Thank you.

The CHAIRMAN. Thank you, Senator Nelson.

I am going back to what Senator Warner was talking about. I see two strands of evolution, neither of which are very promising unless we react to them. One is the industry, that is, the shipping industry, that guy, and larger iterations of that guy off in the future. Because industry is always looking for—or should be looking for a way to do something with more capacity, more weight, more capacity. And then, all of a sudden, that running up against an infrastructure situation in the United States which is wholly inadequate. To handle that in its present form, they have already decided to go, you know, elsewhere, that ship.

And then the general question of, Americans have always assumed—I think it is part of our optimistic nature, both business and people, more business, perhaps, than people—that if we put forward a viable product which has a tremendous capacity for raising the quality of life in this country and improving the distribution of goods, that somehow the body politic, however that is defined—that could be public-private partnerships or whatever that they will rise to the occasion to make that possible.

And what I am suggesting, that the way things are now, and I think Senator Warner might agree with this, is that this is no longer clear thinking, because I don't think one can depend upon it in the way that we are now thinking about spending resources.

So the second point I would make, and I have never understood this, I have always believed in user taxes.

You have, too?

I just believe in them. I believe that the public has a responsibility to pay for roads. I remember when I was Governor, I took down a couple of the costs of small toll bridges over small rivers and thought that was a pretty nifty thing to do. And it really wasn't. It wasn't. You need every single source of revenue that you can possibly get to take on the absolutely gargantuan task not only on the sea, on the land, but in the air.

We now have no clear possibility of being able to build a modern air traffic control system unless budgets change and priorities change. Without an air traffic control system, our whole sort of air future becomes a very different situation to look at.

So what I am really suggesting is that, to me, this hearing will be always memorable because it is sort of the time when the pressure for progress and the possibility of progress—often the possibility of progress is much-fragmented, but it isn't now. There is sort of a clear stream of cooperation and continuity and intermodal this and that, transshipment. It works. Comes up against sort of like post-9/11, when you had all the silos in the intelligence community. And the first bill we passed after 9/11 was a bill which allowed the CIA to talk to the FBI, which I think is hilariously embarrassing, but we had to do that in order for that to happen.

And people are slow to become part of an intermodal process, which is in the way of funding what has to be funded in order for this country to survive. I mean, this discussion is really about the future of America in the world economy. And we are either up to it or not. We are going to have to decide whether or not to be up to it. We have various views about revenue, and I think they are going to overrun us. I think they are going to overrun us.

And so I wish you well with your lobbyists, not for the sake of being a Democrat and not a Republican or a Republican and not a Democrat, but just a real fear that we are at a juncture now where all of a sudden the chickens have come home to roost and there is no pen in which to put them. And I will take that last one back, but you understand what I am saying.

I think we are at a tremendous crisis point. You are planning as if this can work. We are not acting in a way to allow it to work. That is a crisis. My time is up.

Senator THUNE. Thank you, Mr. Chairman.

I really don't have any more questions. I just appreciate very much the subject, and it is an important one. And moving freight and goods and keeping our economy competitive has to be job number one for us, and we have some real opportunities to do that in the days and weeks and months and years ahead, and we need to be making the right decisions now in order to enable that to happen.

So I appreciate you all's perspective.

And was Archimedes a West Virginian, by any chance?

[Laughter.]

Senator THUNE. Was he? That is fascinating. He sure knew a lot about ships for a guy from West Virginia.

[Laughter.]

Senator THUNE. But, anyway, thank you very much.

And thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Thune.

I might just add, you know, that South Dakota and West Virginia do all right in this process, West Virginia specifically, with Prichard and with other areas. I mean, all of this—you all are doing your work. You are doing your work. You are finding out that, no, they are not going to go through the enlarged Panama, they are going to go back to the Suez. And you are figuring out where the lines are, where they intersect, where the goods will go, how you get them to the next sector.

And we, clearly, are not prepared to rise to the challenge that you offer us, which is not one of self-interest but which is clearly one of national interest because of our economic position in the world.

Yes?

Mr. HAMBERGER. Could I just get one positive thing on the record here? And that is that the American Society of Civil Engineers' quadrennial report, which came out last month, did give the railroad industry, including Amtrak, commuter rails, and freight railroads——

The CHAIRMAN. I saw that.

Mr. HAMBERGER—the biggest move up, from a C-——

The CHAIRMAN. To a C+.

Mr. HAMBERGER.—to a C+. It is not——

The CHAIRMAN. I would note that.

Mr. HAMBERGER. I personally think we should be rated higher than that, but at least they recognized our movement up.

The CHAIRMAN. And I was going to send flowers and roses; I really was.

[Laughter.]

Mr. HAMBERGER. Thank you.

The CHAIRMAN. And everything else was a D, wasn't it?

Mr. HAMBERGER. I believe we were number two, behind solid waste.

The CHAIRMAN. OK.

[Laughter.]

The CHAIRMAN. I don't know, this is important stuff. It is just important stuff. And, Bill, I will stop and you go ahead.

But it is that wonderful thing which people say about politicians, that we love to talk about what should happen and then decline to do what makes it possible for that to happen. And that shell game comes to a halt right around this point, I think.

Yes, sir?

Mr. VICKERMAN. Mr. Chairman, I just want to accentuate that. Mechanisms like infrastructure banks and the mechanism that would allow us to do that is woefully needed out there.

The marine carriers do not use North America as a best-case practice. Our best terminal in North America, compared to the best terminal internationally, fails by a factor of more than four to one.

If we do not create mechanisms to take the planning we have talked about here and create the reality that your vision sees—we need that capability. We need those infrastructure banks. We need those mechanisms that would allow the U.S. and North America to be a best-case practice.

The CHAIRMAN. And you have to know that they are going to be there decades from now. It is very much like, you know, charting our fall in math and our fall in science. And we see it repeatedly in television commercials and feel awful about it and then otherwise really don't react. And you can play that game while you are the world's most prosperous country until suddenly you can't play that game.

Please.

Senator NELSON. Well, I thank you for holding this hearing.

You know, all of this is under the assumption that the Panama Canal Authority continues doing the professional job that they are doing. And, of course, there was fear and trepidation back decades ago when the U.S. turned it over to the Panama Canal Authority.

Do any of you all have any concern about, going forward, the operation of the Panama Canal Authority?

Mr. VICKERMAN. Sir, from my perspective, no.

I had the same concerns. When Alberto Aleman, the head of the Panama Canal Authority, took over, I had some concerns not only for our security when we moved our forces back to Florida from their protection of the Canal. But I am here to tell you, currently working for the Panama Canal and having worked for them in the past, the Panamanians and the Panama Canal Authority have done a wonderful job. And my anticipation is that they will continue to do that into the future, and I do not have, sir, hesitation at all as to their prowess and capability in managing the new Canal.

The CHAIRMAN. But that makes me—and then this will be my last statement, I promise. It takes me back to the Carter days when we were voting on the Panama Canal. And I was a Governor at the time and was brought into the White House. And I was just, without really giving it a whole lot of thought, it was such an obvious thing to be for. The only problem was I was the only person in the state of West Virginia that felt that way.

[Laughter.]

The CHAIRMAN. Because you just don't do that. I mean, you don't go into some foreign land and, you know, be a Teddy Roosevelt and just purchase it.

But the point was that we constantly fail to rise to the challenge, and we have to find out a way to make us rise to the challenge, and not out of political theory or ideology but out of sheer fear of our economic future.

Sir?

Mr. BYRD. Mr. Chairman, if I can just make one comment about your most recent remarks relative to the things that have not been done that could have been done to have improved our highway infrastructure and to have made America's commerce even that much stronger, I just want to bring light to the fact that oftentimes some of the things that are done are called burdensome regulations that have unintended consequences that impede the safe and efficient flow of goods throughout this country.

We spoke earlier about this hours-of-service regulation, and I only referenced one component of that regulation, and that was the 34-hour restart. But another component would simply be that, in this new regulation, trucks all throughout America would have to break every 5 hours for 30 minutes. We don't have enough room to park trucks today for a 10-hour regulation. And we are concerned as an industry, where do the trucks park, where do they go? And does a 30-minute break time in a 5-hour span come to be an hour or an hour and a half because drivers are looking for places to park those vehicles?

So I would just call attention to the fact that oftentimes some of the things we do have unintended consequences and impede the flow of America's goods.

The CHAIRMAN. I understand that, and your objection is duly noted. I am trying to think on a larger scale here. I am not thinking about a rule or a regulation, an EPA, or anything of that sort. I am trying to think on a larger scale. And I think we have to.

The hearing is adjourned. And you have all been terrific.

[Whereupon, at 4:11 p.m., the hearing was adjourned.]

A P P E N D I X

PREPARED STATEMENT OF THE AMERICAN CHEMISTRY COUNCIL

The American Chemistry Council (ACC) is submitting this statement for the record for the Senate Committee on Commerce, Science and Transportation hearing "Expanding the Panama Canal: What Does it Mean for American Freight Infrastructure" on April 10, 2013.

The ACC represents the world's leading companies in the business of chemistry, a $760 billion enterprise and one of America's most significant manufacturing industries. Our members apply the science of chemistry to make innovative products that make people's lives better, healthier and safer. Chemical products are in 96 percent of manufactured goods, and are the building blocks of the modern world. The industry employs 800,000 Americans in skilled, high wage jobs, with average annual salaries over $83,000, which is 41 percent higher than the average manufacturing wage. Chemistry is also a highly capital intensive industry, and it finances over $33 billion in capital investments annually, including structures and equipment, and over $56 billion in research and development.

The Chemistry Renaissance in the United States

The business of chemistry is set to expand dramatically in the United States with the discovery of vast new supplies of shale gas. America's chemical companies use ethane, a natural gas liquid derived from shale gas, as a feedstock in numerous applications. Additionally, natural gas is being used to power chemical facilities, and ample supplies are rapidly lowering U.S. production costs. After years of high, volatile natural gas prices, the availability of cheap and abundant shale gas has created a competitive advantage for domestic chemical producers, and will lead to new investment and growth. ACC estimates that more than 400,000 new jobs and $132 billion in new economic output could be realized with a modest increase in the natural gas supply.

Chemical Products Exports

The business of chemistry accounts for 12 percent of U.S. exports, $187 billion annually, and it is *the largest exporting sector in the United States.* Boosting U.S. exports is a top priority for the chemical sector, and ACC has advanced a five-point plan to increase exports based on key policy changes in the areas of trade, energy, regulation, transportation and tax. Sustainable export growth depends on getting key policies and regulations right, and ACC looks forward to providing Congress with the industry's input on this important topic. Please visit *http://www.americanchemistry.com/Policy/Trade/Keys-to-Export-Growth-for-the-Chemical-Sector.pdf* to view the full report.

Improvements to the Panama Canal should be a positive influence on this national effort to enhance our exports. The increased capacity of the Panama Canal will be a positive for the chemical industries' ability to move its products efficiently around the world. Added capacity and larger vessels should help reduce transportation costs for the industry, giving the U.S. a competitive global advantage as a place to manufacture. However, we encourage policymakers to closely monitor U.S. ports as they prepare for the larger vessels and the associated increased flows to ensure that the necessary land-based infrastructure is in place to handle the resulting traffic levels.

Growing Exports by Fixing America's Freight Infrastructure

Chemical manufacturers are one of the Nation's largest shippers, moving over 847 million tons of products every year. Rail provides a vital link for U.S. chemical manufacturers to reach the global market and, for many chemicals rail is the only economically viable choice for transportation in both interstate and international commerce. Many ACC members depend on the Nation's railroads to move a wide array of products, including plastics, chlorine, fertilizers, bulk petrochemicals, and industrial chemicals. The chemical industry shipped 186 million tons of products by rail in 2010 with at least 14 million tons of those shipments headed directly to ports and borders for export.

This means that the success of the chemical sector in the United States is inexorably tied to our freight rail infrastructure, as transportation costs have a large influence on America's relative attractiveness as a manufacturing location. In 2012, the chemical industry paid over $9 billion in rail transportation costs, and has seen rapid increases in rail rates over the last decade. Between 2005 and 2010, there was a 77 percent increase in premium rail rates despite the concurrent recession, according to a recent study conducted on behalf of ACC. Likewise, 27 percent of ACC members reported that rail transportation issues have hindered their own domestic investments. The full studies and summaries can be found at *http://www.americanchemistry.com/RailResearch.* ACC strongly encourages legislators to closely examine these trends to ensure that the manufacturing renaissance is not undermined by policies that protect railroads from competing with each other.

The *President's Exports Council* stated that "America's transportation infrastructure is also America's export infrastructure" and listed Surface Transportation Board (STB) reform involving rail competition as one of the steps needed to enhance exports. We believe policy reforms at the STB will reduce the need for government regulation of the freight rail industry by strengthening market forces and increasing access to multiple railroads. Despite dramatic changes and consolidation in the rail industry, the STB has not been reauthorized since its inception in 1995. ACC encourages the Commerce Committee to modernize the STB, empowering the agency to allow competition and market forces to flourish in the railroad industry.

We appreciate the opportunity to offer our views on an issue that is critical to the growth of our industry in the United States, and our Nation's economy. We hope that we continue to work with you to help build a freight infrastructure that will meet the expanding needs of the country now and well into the future.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. FRANK R. LAUTENBERG TO JOHN VICKERMAN

Question 1. The Panama Canal is scheduled to open to larger vessels in 2015. East Coast ports like the Port of New York and New Jersey are rapidly preparing port infrastructure to accommodate larger Panamax vessels. In your assessment, which ports are the Panamax vessels most likely to call on?

Answer. As indicated in my remarks above to other QFR responses, I believe there may be two kinds of vessel impacts associates with the Panama Canal Third Lane Improvement Program:

- Larger Container Vessel Impacts: (up to 12,600 TEUs from the current 4,800 TEU Panama Canal vessel capacity). I believe larger container vessel will transit the Panama Canal and the new vessel work horse for the Canal may well be container vessels in the 9,000 to 12,000 TEU range. These larger container vessels will be deployed to gateway ports in North America with superior landside multimodal seamless logistical access to regional consumption load centers like Chicago (if Chicago was a port it would be the largest port in the U.S.), Houston, Atlanta and New York regional population and consumption areas. However even larger vessel, perhaps in the 16,000 to 18,000 TEU range may well be deployed to the emerging new transhipment port hubs planned at both entrances of the Panama Canal and especially at the Western Entrance to the Canal.
- Smaller Transhipment Feeder Container Vessel Impacts: The emerging future impact not only of the expanded Panama Canal but the additional related improvements being invested in the new Panama Canal like new port transhipment port infrastructure at the Canal entrances, new barge and RO/RO vessel services within the Canal, new Canal Logistics Parks adding value to international transhipment operations, new LNG Vessel Bunkering capabilities within the Canal, etc. may well be dramatically larger numbers of smaller feeders vessels to and from the U.S. to Panama's transhipment centers.

Question 2. When can ports expect to see freight volume increases?

Answer. As indicated in previous QFR responses, I do not believe there will be a "big surge" or "tsunami" in cargo instantaneously created at the opening of the Panama Canal Third Lane Expansion Program (mid to late 2015). However, over time and definitely within the first several years of the Canal's Expansion Program opening we will begin to experience continuing greater maritime freight flows through the Panama and the Suez Canals to North America.

Question 3. Are East Coast ports investing enough in our ports and surrounding infrastructure to be ready for the Panama Canal expansion?

Answer. The leadership in many East Coast ports, particularly New York, Baltimore, Virginia, Savanah and selective Florida ports is investing in systemic intermodal and multi-modal infrastructure improvements that will make the U.S. ready for the eventual increased freight flows through the Panama Canal. Yet these investments are not without flaws, limitations and inconsistencies with overall systemic national freight system needs and requirements.

Question 4. The U.S. has no strategic national freight plan to guide Federal investments. However, the "Moving Ahead for Progress in the 21st Century Act" (MAP–21) requires the Department of Transportation to create a national plan. What key areas should the Department address to ensure that Federal freight investments are prioritized to more efficiently and effectively move goods across all freight modes?

Answer. I have addressed some of my concerns in earlier QFR responses to other Senators. I am pleased that the U.S. will finally initiate Federal programs that will lead toward a true National Freight Policy and an implementation of a proactive Freight Mobility Strategic Plan. The U.S. needs a multi-modal/intermodal National Freight Policy that could lead to rationalizing and optimizing our current multimodal freight flows that must continue beyond the end of Fiscal Year 2014. In my opinion, Federal policy should focus on elimination of "modal system impediments" and provide incentives for multi-modal/intermodal investments which could possibly include the following examples:

- Tax incentives
- Tax credits
- Streamlining and simplifying of environmental regulations of multimodal/intermodal project permit timing
- Expansion of State Infrastructure Banking instruments to foster intermodal investments
- Pinpoint chokepoints within today's freight logistics supply chain system and investment in the elimination of the chokepoints without concerns for creating winners or losers in terms of state contributions
- Provide incubator investment to incentivize intermodal/multi-modal investment

Question 5. Chairman Rockefeller and I have introduced the "American Infrastructure Investment Fund Act," which would establish financing and grant programs at the Department of Transportation to leverage private dollars to advance large-scale, critical infrastructure projects. Will current Federal and state investments be able to cover the cost of building infrastructure to address freight needs in the U.S., especially in light of the Panama Canal expansion?

Answer. In my opinion no. Senator, the bill introduced by you and Senator Rockefeller, the "American Infrastructure Investment Fund Act" is, as I understand it, an important strategic legislative effort to establish a $5 billion fund that could provide incentives for investments in critical transportation projects all across the U.S. by providing eligible projects with financial assistance which is undoubtedly needed for the U.S. to compete more effectively in the global marketplace. This legislation could also be used to improve the efficiency of a national or regional transportation network by improving the condition, performance, or long-term cost structure of existing infrastructure.

Question 6. If not, how would incentivizing private investment help us meet these infrastructure needs?

Answer. Incentivizing private sector investment in a Public Private Partnership (PPP) is exactly what is needed to initiate and incubate needed competitive future strategic U.S. intermodal/multi-modal freight projects. Many times there are insufficient funds available for initial planning and design of very worthwhile strategic intermodal/multi-modal projects. Incentives like the "American Infrastructure Investment Fund Act" could greatly help propel these needed projects forward. It is important that every project undertaken meets the litmus test of demonstrating a substantive real "value added" logistics benefit to the National intermodal/multimodal systemic freight system. Thus the overarching objectives and resulting project funds as a result of this legislation must be to invest only in transportation projects of regional and national significance that provide measurable improvements and quantifiable productivity enhancements to the economic competitiveness of the United States.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO JOHN VICKERMAN

Question 1. As you know, the U.S. Department of Transportation (USDOT) announced the creation of a Freight Policy Council made up of senior Departmental leadership in August 2012. The Council is charged with developing a national multimodal freight strategic plan and implementing other freight provisions included in Moving Ahead for Progress in the 21st Century (MAP–21). More recently, the application process closed for a new National Freight Advisory Committee (NFAC) that will bring key freight stakeholder input into the USDOT decision-making process. I've been proud to have worked with Secretary LaHood to bring these steps to fruition, but personally believe there is more to be done. Do you believe these steps will lead USDOT to have a more multi-modal perspective on freight mobility?

Answer. I am pleased that the U.S. will finally initiate Federal programs that will lead toward a true National Freight Policy and an implementation of a proactive Freight Mobility Strategic Plan. The U.S. desperately needs an intermodal/multimodal National Freight Policy that could lead to rationalizing and optimizing our current multi-modal freight flows and investments creating a world class competitive platform for the US.

However, I question if the new programs will lead the USDOT to a robust multimodal understanding and ability to cut across mature transport modal "stove pipes" for the benefit of freight mobility and effectiveness for shippers and beneficial cargo owners (BCOs). I am reminded of the failed internal restructuring of the USDOT organization (ONEDOT) that attempted to reorganize the USDOT into a cross-cutting multimodal structure but could not overcome the industry's and USDOT's transport modal biases.

Regarding the National Freight Advisory Committee (47 voting members) it is noted that only three significant U.S. Ports are represented (Miami-Dade County (Port of Miami); Port Authority of New York and New Jersey; and Port of Houston). Will this committee and its recommendations really be truly multimodal or will the proceedings revert to the usual highway truck centric thinking? Shipping freight via our gateway ports, rail and inland waterways is typically far more efficient and less polluting way to move goods, while taking trucks off our congested roadways.

The recently signed new bipartisan transportation reauthorization bill, the "Moving Ahead for Progress in the 21st Century Act" ("MAP–21"; P.L. 112–141) or MAP–21 includes a number of important provisions to improve the condition and performance of the national freight network and support investment in freight-related surface transportation projects. The $109 billion, two-year bill does not significantly alter total funding from the previous authorization, but it does include many significant reforms. I have high hopes and expectations for the success of MAP–21.

Question 2. What more needs to be done on a Federal policy level to recognize the importance of safe and efficient goods movement to America's economic success?

Answer. In my opinion, Federal policy should focus on elimination of "modal system impediments" and provide incentives for multi-modal/intermodal investments which could possibly include the following examples:

- Tax incentives
- Tax credits
- Streamlining and simplifying of multimodal/intermodal project permit timing
- Streamlining and simplifying of environmental regulations of multimodal/intermodal project permit timing
- Expansion of State Infrastructure Banking instruments to foster intermodal investments
- Pinpoint chokepoints within today's freight logistics supply chain system and investment in the elimination of the chokepoints without concerns for creating winners or losers in terms of state contributions.
- Provide incubator investment to incentivize intermodal/multi-modal investment

While the Federal Government has historically worked in cooperation with U.S. Public Port Authorities to maintain and strengthen America's transportation infrastructure, in recent years the Federal Government has fallen behind in maintaining that partnership agreement.

The American Society of Civil Engineers (ASCE) has recently reported that America's ports need greater investment from all levels of government as well as by the private sector in order to protect hundreds of thousands of jobs and trillions of dollars of investment. Making robust competitive investments in U.S. gateway ports will improve their efficiency, productivity and capacity. Fully funding the USDOT

MARAD Port Infrastructure Development Program could be a step in the right direction.

The MARAD program as envisioned would involve planning and engagement with stakeholders to increase public and private investment in ports and integrating port authority planning with Metropolitan Planning Organizations (MPOs), State DOTs, and other regional planning councils, as well as assisting ports in securing financing sources to implement sound infrastructure investment plans

Question 3. As you know, Moving Ahead for Progress in the 21st Century (MAP–21) expires at the end of Fiscal Year 2014. As Congress begins to turn its eye towards the next surface transportation reauthorization, what do you think are the top three Federal policy priorities/programs that we should include to assist the efficient and safe movement of intermodal freight?

Answer. The surface transportation bill, Moving Ahead for Progress in the 21st Century, or MAP–21 includes a number of provisions to improve the condition and performance of the national freight network and support investment in freight-related surface transportation projects that must continue beyond the end of Fiscal Year 2014.

The top Federal freight transportation priorities should include:

- Solve the Harbor Maintenance Trust Fund (HMTF) lack of funding for the Nation's harbor maintenance needs and cease use of the fund for Washington's unrelated programs. Perhaps this condition is the reason we have has so many ear marks for dredging projects since the HMTF was "unavailable" for port harbor maintenance.
- Solve the lack of severely needed investment and maintenance in the Nation's inland waterway system. Revitalize the Inland Waterway Trust Fund.
- Provide legislation that will truly cut across modal "stove pipe" impediments and result in increased intermodal/multimodal freight capacity and productivity for the Nation. The world's global marine ocean carriers and international terminal operators do not use North America as a "best case" example. We continue to lack substantial port terminal automation. Our throughput productivity does not come close to world standards.

Question 4. I'm sure everyone would agree that mainline capacity—whether for waterways, highways, or rail—is important to the movement of goods. But many major freight bottlenecks occur in the "last mile" as goods are arriving to, or leaving, a major transfer point. Do you believe that last mile and intermodal connections should be an integral part of Federal freight policy or should they be considered more of a state and local transportation policy issue?

Answer. Yes, the last mile of intermodal/multimodal connectivity is very important to the overall freight system. However, focusing on the "last mile" to the detriment of, or in the absence of improving the entire freight system improvements would be meaningless.

Question 5. Do you believe Federal freight policy accurately captures the importance of last mile and intermodal connections? If not, what additional steps should be taken?

Answer. Properly, and consistently measuring the productivity and throughput capacity for each element of the freight logistics system and making improvements in the entire system at key choke points in the transport logistics system will bring true systemic freight improvements. The national and statewide freight systems are like an "analogous pipeline" . . . why connect different diameter pipes and expect the throughput of the largest pipe segment. The system will be dictated by the smallest diameter analogous pipe segment (the choke point). Investing in these systemic chokepoints is the only rational way forward. Although this chokepoint elimination strategy will undoubtedly create some winners and losers in the process particularly at the local and regional level, the overall freight logistics system will be dramatically improved.

Question 6. Do you believe there is a stronger Federal role needed in coordinating planning of or contributing funding to addressing major bottlenecks at last mile and intermodal connectors? If yes, what additional steps should be taken?

Answer. A stronger Federal role in coordinating strategic national systemic freight planning in addressing major national bottlenecks is definitely needed. The effort needs to go beyond just "last mile and intermodal connector programs". Please refer to the QFR answers above.

Question 7. Do you believe that states, local governments, and industry have the appropriate resources to address last mile and intermodal connection infrastructure needs over the next decade? If not, what would an appropriate Federal role look like?

Answer. In large measure we have the appropriate resources and planning skills to address these issues. Intermodal and multimodal terminal automation is in its infancy in North America. From a port perspective, Europe is in its fifth generation of Automatic Guided Vehicle (AGV) technology and the U.S. is in our "Zeroth" generation with new fully automated port terminals just now emerging on the West Coast Southern California region this year. States, local governments, and industry must work with our transport labor unions, particularly the longshoremen's labor components to achieve improvements . . . "a rising tide will lift all boats."

Question 8. Several weeks ago at the annual conference of a nationwide trade and freight mobility advocacy group, Mark Szakonyi, Associate Editor of the Journal of Commerce, stated that, "Our readers question how well DC understands our business. Many in Congress believe there will be a big surge in cargo volumes to the East Coast with the widening of the Panama Canal. Many of my readers, however, believe there will be zero to single digit growth at most." In light of those comments, do you think there is a disconnect between policymakers in Washington, D.C. and industry on the possible effect of the Panama Canal? Why or why not?

Answer. Yes, I do believe there is a distinct disconnect between the maritime and intermodal freight industry and our policymakers in Washington, D.C.

I do not believe there will be a "big surge" or "tsunami" in cargo instantaneously created at the opening of the Panama Canal Third Lane Expansion Program (mid to late 2015). However, over time and definitely within the first several years of the Canal's Expansion Program opening we will begin to experience continuing greater freight flows through the Panama and the Suez Canals.

Please consider this for the Panama Canal Expansion Program:

- I am concerned about potential new bottlenecks in the expanded Panama Canal. Although the majority of future freight cargo flow through the Panama Canal Expansion will be via container vessels with increases in vessel size from 4,800 TEUs to 12,600 TEUs other large vessel sizes will increase as well:
    - Crude Oil Tankers from 0 percent of the current fleet now to 42 percent after the Canal Expansion
    - LNG vessels from 10 percent of the current fleet now to 90 percent after the Canal Expansion
    - Dry Bulk vessels from 55 percent of the current fleet now to 80 percent after the Canal Expansion
    - IF: West Coast Ports & Rail become/remain congested . . . and East Coast Ports continue to accommodate the big ship draft requirements . . . and the Panama Canal cost remains price competitive with Suez Canal . . . and Freight cargo trade volumes continue to Increase . . . and if Canal's infrastructure keeps pace with Growth . . .
    - Then: I believe Global Ocean Marine Carriers will route as much traffic via the expanded Panama Canal as it can handle . . .

Question 9. Nationwide, ports, the transportation industry, and shippers are taking a variety of steps to prepare for the impact of the Panama Canal—whether to increase capital asset flexibility, port infrastructure, or addressing intermodal bottlenecks. Do you believe that those steps would have occurred even if the Panama Canal was not being widened—that is to say, could intermodal growth (recent and projected) be the major driver of those improvements instead?

Answer. Yes to some degree. The expansion of the Panama Canal has presented unique issues such as the need for 50 foot channel depths and more capable port and intermodal rail terminal throughput capabilities. Some impacts from the Panama Canal Expansion are yet to be fully realized and appreciated in North America. I believe that another less talked about impact of the Panama Canal Expansion program will be the potential for significant increases in the number of feeder vessels generated by the emergence of the Panama Canal as a major transhipment zone for Latin and South America. In fact I believe Panama will become the Singapore of Latin America. Substantial new transhipment port development is planned for the Western entrance to the Panama Canal that could nearly double the entire throughput of the Panamanian port system in the near term.

Question 10. Mr. Vickerman, as an expert in intermodal issues, I'm interested to hear your opinion on establishing a revenue stream to specifically fund multi-modal transportation infrastructure. Do you believe that public-sector investment in multimodal transportation assets—whether intermodal connectors, grade separations, access improvements, or last-mile connections—is adequate to serve existing, new, and planned intermodal facilities?

Answer. No. I believe that continuing international trade increases through our gateway ports will out strip our collective intermodal/multimodal need and requirements. I am also concerned about the consistency and deliberate investment in chokepoints in our freight systemic system which may be hampered by politics and trivial investments without leveraging our limited resources.

Question 11. Do you believe that a new funding stream should be established specifically to improve multimodal freight infrastructure? If not, would you support a so-called "set-aside" of existing revenue collections?

Answer. I would support a new dedicated secure funding stream specially for improvements to our multi-modal freight system and especially to improve our gateway port productivity.

Question 12. Mr. Vickerman, you mentioned in your testimony that "Three days ago, Maersk Lines, the largest ocean container carrier in the world, announced it had stopped using the Panama Canal to transport goods from Asia to the U.S. East Coast. As reported by their President 'Larger container ships will help the company to generate greater profits by using the Suez Canal'." How much do you think regional stability and the threat of piracy will affect the potential for increased shipments from Asia through the Suez Canal bound for the U.S. East Coast?

Answer. I believe this trade route for the U.S. East and Gulf Coasts is essential to not only the U.S. economy but indeed is a jugular critical issue for the European to Asia trade exchange. Regional stability in the Suez region has always been a vital concern for international shipping. The threat of piracy has also been a long time concern. Recently, several weeks ago, an RPG attack on a COSCO container vessel in the Suez entering Port Said has heightened industry concerns regarding Suez Canal continued stability and the resilience of the Suez Canal to remain open and operational.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. AMY KLOBUCHAR TO JOHN VICKERMAN

Question. Mr. Vickerman, farmers and businesses in Minnesota rely heavily on the inland waterway system to transport soybeans, corn, and other commodities from Minnesota to terminals in southern Louisiana. They're then loaded onto an ocean vessel, transit the Panama Canal, and are eventually delivered to trading partners in Asia. Minnesota businesses have developed strong trading partnerships with countries like China, Singapore, and Korea and will increasingly rely on the inland waterway system to move their product. Will the Panama Canal expansion project unlock greater capacity for American companies to trade in places like Asia, and how best can we spread the word to American businesses so they can fully take advantage of new markets?

Answer. The general answer is yes, please refer to my other QFR Responses. The best way, in my opinion, to spread the word to American businesses is through a proactive and interactive professional educational outreach efforts coordinated through industry associations and professional industry groups.

Your preamble to this question, I fully endorse and understand. Three times in the last 18 months I have traveled to Japan, China, and Indonesia on behalf of the U.S. Soybean Export Council (USSEC) and U.S. Soybean interests to educate the buyers of U.S. soybeans (particularly "Identity Preserved Soybeans") as well as U.S. Grain on the dynamics of shipping U.S. Agricultural products to Asia. The USSEC and U.S. Grain interests have participated in multiple overseas conferences and meetings to provide the Asian customer, on his own turf, with a full understanding of how U.S. Agricultural products are shipped and the logistic dynamics associated with the shipment of U.S. Agricultural product. This educational effort was in addition to and in concert with the U.S. Agricultural product production education. These international outreach educational venues have been received by the foreign buyers and processors with great appreciation and interest.

An emerging beneficial program that could greatly expand and unlock greater capacity for American companies to trade in places like Asia, is the United Soybean Board (USB) Freedom to Operate Action Team Initiative that will conduct an analysis examining the feasibility of a privately financed process for dredging and deepening the lower Mississippi River to 50 foot depth in order to substantially increase the economic viability of soybean and grain exports through the lower Mississippi River region.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO JEFF J. KEEVER

Question 1. As you know, the U.S. Department of Transportation (USDOT) announced the creation of a Freight Policy Council made up of senior Departmental leadership in August 2012. The Council is charged with developing a national multimodal freight strategic plan and implementing other freight provisions included in Moving Ahead for Progress in the 21st Century (MAP–21). More recently, the application process closed for a new National Freight Advisory Committee (NFAC) that will bring key freight stakeholder input into the USDOT decision-making process. I've been proud to have worked with Secretary LaHood to bring these steps to fruition, but personally believe there is more to be done. Do you believe these steps will lead USDOT to have a more multi-modal perspective on freight mobility?

Answer. Yes, we do. The Freight Policy Council and NFAC certainly have the potential to succeed in gaining additional perspectives from stakeholders to identify critical needs that can be incorporated into the decision-making process. The Committees can formally provide in-depth and expanded multi-modal perspectives from different sectors of the freight industry which can assist policy makers in hearing all sides of the issue.

Question 2. What more needs to be done on a Federal policy level to recognize the importance of safe and efficient goods movement to America's economic success?

Answer. There is much more to be done on a Federal policy level to recognize the importance of safe and efficient goods movement to America's economic success. While not all inclusive, several critical components of recognizing/incorporating the importance of competitive freight movement include:

- Decoupling the needs of freight from overall population-based congestion measures. While there is certainly a relationship between where population resides and where freight is consumed, that ignores critical transportation system components having a direct effect on U.S. competitiveness in the global marketplace. Getting agricultural and commodity exports to market continues to increase in importance as emerging economies raise their standards of living and consume more. Having competitive exports is a key to reducing trade imbalances.
- International gateways such as marine terminals and cargo handling airports need to be efficient and have seamless intermodal connections across the Nation. Many ports of entry evolved near heavily populated urban locations. Last miles, multi-modal connections and efficient freight routing systems have not kept pace.
- A better articulation of having an efficient freight system and its value to the U.S. population is needed. The cost of infrastructure is easily disseminated along with views on how it is funded, be it increased revenues from taxes and users fees such as tolls or other means. The costs ("hidden taxes") that all would bear because of inefficient infrastructure come from the increased costs of basic goods and services. The fact that these costs often exceed the investment in infrastructure has been poorly communicated to the public.

Question 3. As you know, Moving Ahead for Progress in the 21st Century (MAP–21) expires at the end of Fiscal Year 2014. As Congress begins to turn its eye towards the next surface transportation reauthorization, what do you think are the top three Federal policy priorities/programs that we should include to assist the efficient and safe movement of intermodal freight?

Answer. The uncertainty that comes from Congress' inability to pass a long-term Highway Bill is detrimental to the freight industry and the private sector. A clear Federal policy, accelerated processes, and a dedicated funding stream are needed to assist the efficient and safe movement of intermodal freight.

Question 4. I'm sure everyone would agree that mainline capacity—whether for waterways, highways, or rail—is important to the movement of goods. But many major freight bottlenecks occur in the "last mile" as goods are arriving to, or leaving, a major transfer point. Do you believe that last mile and intermodal connections should be an integral part of Federal freight policy or should they be considered more of a state and local transportation policy issue?

Answer. If the U.S. is going to increase its competitive standing in the global economy, last mile and intermodal connections should be an integral part of Federal freight policy, not state or local transportation policy. From a Federal perspective, "last mile" transportation investment is a small fraction of a total systems cost, but for localities these projects can break the bank. Costs can increase exponentially when undue delays, inconsistent performance and lack of timely access occur in last miles. Often, the view is only on the increased cost of transportation, which can be considerable. It is often ignored that U.S. companies tie up billions of dollars in cash to maintain on-hand inventories to combat supply chain uncertainty. Those are much needed funds that can be reinvested in America.

Question 5. Do you believe Federal freight policy accurately captures the importance of last mile and intermodal connections? If not, what additional steps should be taken?

Answer. Many critical last miles are not appropriately acknowledged or addressed at the Federal level, often because they are classified as state or local facilities, making them difficult to gain public support for and fund. The U.S. has critical freight assets of national significance that should be incorporated into the Federal policy-making process.

Question 6. Do you believe there is a stronger Federal role needed in coordinating planning of or contributing funding to addressing major bottlenecks at last mile and intermodal connectors? If yes, what additional steps should be taken?

Answer. We believe that a stronger Federal role is needed in prioritizing and contributing funding to projects that address major freight bottlenecks at last mile and intermodal connectors because of the scale and expense of such projects. However the design and construction process should be coordinated by state or local government entities.

Question 7. Do you believe that states, local governments, and industry have the appropriate resources to address last mile and intermodal connection infrastructure needs over the next decade? If not, what would an appropriate Federal role look like?

Answer. States, local governments, and industry do not have the appropriate resources to address last mile and intermodal connection infrastructure needs over the next decade. The U.S. has certain assets, such as global gateways and high volume production points of commodities and goods, which should be incorporated into Federal policy to create a competitive system at the same level as the Federal interstate highway system.

Question 8. Several weeks ago at the annual conference of a nationwide trade and freight mobility advocacy group, Mark Szakonyi, Associate Editor of the Journal of Commerce, stated that, "Our readers question how well DC understands our business. Many in Congress believe there will be a big surge in cargo volumes to the East Coast with the widening of the Panama Canal. Many of my readers, however, believe there will be zero to single digit growth at most." In light of those comments, do you think there is a disconnect between policymakers in Washington, D.C. and industry on the possible effect of the Panama Canal? Why or why not?

Answer. We do believe that there is a disconnect between policymakers in Washington, D.C. and industry on the possible effect of the Panama Canal, but there are also disconnects within the industry about the possible effects. Certainly the expansion will cause larger ships to come to the East Coast, but it will be a gradual process. We have been told consistently by ship lines that 8,000–10,000 TEU ships will be expected at ports that are prepared, and there will be a redistribution of cargo to the smaller ports.

Question 9. Nationwide, ports, the transportation industry, and shippers are taking a variety of steps to prepare for the impact of the Panama Canal—whether to increase capital asset flexibility, port infrastructure, or addressing intermodal bottlenecks. Do you believe that those steps would have occurred even if the Panama Canal was not being widened—that is to say, could intermodal growth (recent and projected) be the major driver of those improvements instead?

Answer. The Panama Canal expansion presents a tangible point that is measurable for considering U.S. needs, regardless of the Canal. As emerging trade with Asian countries outside of China increases the "large ship" advantage via the Suez Canal, more retail products will be imported. An efficient intermodal system is needed for retail in particular to reach the entire population. The Panama Canal presents a point on the calendar and an opportunity for the U.S. to address and take advantage of a need that exists now and will continue regardless of whether the Canal is expanded or not.

Question 10. Mr. Keever, you mentioned in your testimony that "If the U.S. is to regain its competitive edge in the world market, we need a robust national infrastructure supported by a clear National policy, accelerated processes, and a dedicated funding stream." As you know, there is no funding stream currently dedicated exclusively to multimodal freight mobility improvements. Can you please expand on what sort of dedicated funding stream you would support?

Answer. The mechanics should be viewed as immaterial of the funding stream (user fees, tolls, tax revenues). It is well-documented that benefits to the Nation exceed the cost. We are in favor of funding that which both achieves the objective and does not unfairly burden one mode or segment, making them uncompetitive.

Question 11. Do you believe that a new funding stream should be established specifically to improve multimodal freight infrastructure? If not, would you support a so-called "set-aside" of existing revenue collections?

Answer. We would support either a new or "set-aside" funding stream specifically to improve multimodal freight infrastructure. A combination of funding mechanisms will be necessary to address freight mobility needs in the U.S., but these funding mechanisms should not disadvantage U.S. ports in their ability to remain competitive. Programs such as "projects of national significance" that was initiated under SAFETEA–LU" work well for large freight projects. If a freight trust fund is created under surface transportation authorization to fund freight projects, it should be fully spent on freight transportation and not used for deficit reduction. Appropriate projects that are freight-related should still be eligible to compete for other Federal funding sources. We support alternative financing mechanisms like national and state infrastructure banks, the Transportation Infrastructure Finance and Innovation Act (TIFIA) program, and government bond financing. However, these mechanisms should:

- Specifically include port authorities as eligible applicants.
- Specifically include port-related infrastructure as eligible for funding.
- Complement rather than supplant freight infrastructure grant funding mechanisms.
- Ensure most major port projects can qualify within funding floors contained in legislation and that funding floors are not too high.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. ROGER F. WICKER TO JEFF J. KEEVER

Question 1. Taking into account, anticipated increases in vessel traffic for all ports as a result of "displaced" and "feeder" traffic, what specific shoreside infrastructure investments should our country prioritize in order to ensure that all ports can benefit from an expanded Panama Canal?

Answer. The U.S. East Coast is dotted with multiple ports that handle a combination or any one of a number of cargoes: containers, bulk, breakbulk, petroleum/natural gas, automobiles, coal, etc. Some of these ports are served strictly by trucks, others by rail and many are served by both. These ports are further differentiated by whether they are shallow or deep-draft facilities—do they have deep or shallow water? It is probably safe to say that any of these facilities have sufficient water depth for the existing cargo they handle today, it is the potential future cargo volumes that will affect their existing channel depths.

As the question of shore-side infrastructure investment is weighed, it is important to remember that not all of the East Coast ports need to be a major port, the cost of such an effort would be far too great. Any Federal money invested in transportation infrastructure to prepare for the opening of the Panama Canal will help, but it is my opinion that the money will have to be spent on projects that will provide the greatest return on investment and at those ports that serve the East's critical manufacturing and population centers.

Investments in road and rail infrastructure are vital to the maritime cargo industry and the Nation's consumers. Moving freight off highways onto rail reduces congestion and pollution and saves fuel. Developing specific travel corridors for trucks helps the driving public and assures the on-time arrival of goods. Efficient, unobstructed road and rail access to markets ultimately saves money for the consumer.

Question 2. How successful have Federal grant programs such as TIGER and the Rail Line Relocation grant programs been in helping ports prepare for post-Panamax ships and what changes need to be made in order to make them more effective?

Answer. TIGER and RLR grants have been and continue to be significant sources of money when it comes to helping expand rail's capabilities. What is needed is more focus on funding for those "last mile" projects that link rail with critical port/truck/logistics hub infrastructure. Also falling in the last mile category is funding for and preservation of those projects that insure the health and development of short-line rail haulers that are often the critical link from a port to a larger collection point for cargo headed to multiple markets.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. DAN COATS TO JEFF J. KEEVER

Question. As you plan for the Panama Canal expansion, what efforts are you taking to work with agribusiness, like the soybean industry, to ensure the infrastructure is in place to meet increased demand for U.S. exports?

Answer. The Port of Virginia has a long history of moving agricultural cargoes, from tobacco, to hardwoods harvested in the Blueridge Mountains, to grain and soybeans. Moreover in Virginia there are several private terminals that handle grain and other ag-related products and that business is growing. In fact, Perdue is showing significant interest in working with The Port of Virginia to develop a multi-million dollar import/export facility that would handle a significant amount of export grain.

A trend The Port of Virginia continues to capitalize on is that of export grain moving in containers. For years Virginia, because of its competitive position and its rail connections to Midwest markets, has been a leader in the containerized grain exports. In short, we have the infrastructure in place and continue to look for ways—partners—to help expand this capability. A critical component of capturing this business is access to and expansion of our rail capabilities.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. FRANK R. LAUTENBERG TO EDWARD R. HAMBERGER

Question 1. The U.S. has no strategic national freight plan to guide Federal investments. However, the "Moving Ahead for Progress in the 21st Century Act" (MAP–21) requires the Department of Transportation to create a national plan. What key areas should the Department address to ensure that Federal freight investments are prioritized to more efficiently and effectively move goods across all freight modes?

Answer. In order to ensure that Federal freight investments are prioritized to more efficiently and effectively move goods across all freight modes, it would be prudent for the Department of Transportation to focus on:

- Distinguishing between the country's needs of competitively moving freight within the U.S. and across the world, and population-based congestion. While there are points where population density that consumes goods and freight intersect, there are also many major commodity and manufacturing consumption and productions where the relationship to population is not direct.
- When discussing transportation infrastructure needs and the investments required, start to include the costs to the Nation in increased prices for goods (the "hidden tax") and cash that could be reinvested but is instead unnecessarily tied up in inventories because of inefficient supply chains.

Question 2. Chairman Rockefeller and I have introduced the "American Infrastructure Investment Fund Act," which would establish financing and grant programs at the Department of Transportation to leverage private dollars to advance large-scale, critical infrastructure projects. Will current Federal and state investments be able to cover the cost of building infrastructure to address freight needs in the U.S., especially in light of the Panama Canal expansion?

Answer. We do not believe there is currently enough Federal and state investment to cover the cost of building infrastructure to address freight needs in the U.S. The current $60 billion to $80 billion backlog of authorized but unfunded Army Corps Civil Works with just over $5 billion planned for FY13 distribution points directly to these funding shortcomings.

Question 3. If not, how would incentivizing private investment help us meet these infrastructure needs?

Answer. If incentivizing private investment generated sufficient enough funds to make the needed infrastructure investment the obvious answer, the problem could be solved. At issue is structuring incentive programs where the public and private entities receive fair value. Not every investment can incorporate a toll or a fee where a private entity can calculate return on investment, liquidity and risk.

Question 4. Many of the East Coast port cities, including New York, Miami, and Baltimore, are among the most congested cities in the Nation. With freight traffic expected to increase substantially in these areas, how important is it for the U.S. to invest in multi-modal freight infrastructure?

Answer. It is critical for the U.S. to invest in multi-modal freight infrastructure to keep up with increasing freight traffic in many congested East Coast port cities. Investing in freight transportation infrastructure will make freight movement more efficient and cost-effective, which will provide direct economic benefits to businesses across the country and to the citizens at large.

Question 5. Of the Federal investments that are already being made, is the U.S. investing effectively to get the best return?

Answer. Although likely the answer is no, we are unable to fully answer this question in a quantitative manner without all of the data on existing Federal investments and returns.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO EDWARD R. HAMBERGER

Question 1. As you know, the U.S. Department of Transportation (USDOT) announced the creation of a Freight Policy Council made up of senior Departmental leadership in August 2012. The Council is charged with developing a national multimodal freight strategic plan and implementing other freight provisions included in Moving Ahead for Progress in the 21st Century (MAP–21). More recently, the application process closed for a new National Freight Advisory Committee (NFAC) that will bring key freight stakeholder input into the USDOT decision-making process. I've been proud to have worked with Secretary LaHood to bring these steps to fruition, but personally believe there is more to be done. Do you believe these steps will lead USDOT to have a more multi-modal perspective on freight mobility? What more needs to be done on a Federal policy level to recognize the importance of safe and efficient goods movement to America's economic success?

Answer. The Association of American Railroads has applied to be among the freight stakeholders included in the National Freight Advisory Committee process. These steps have the potential to enhance what has already been a strong commitment by this Administration to multi-modalism, evident particularly in the evaluation and selection process for TIGER grants. To date, several dozen projects that have received TIGER grant funding are associated in one way or another with freight railroads, and many of those projects are aimed at improving transportation performance by more effectively integrating various transportation modes.

The history of America's freight railroad industry bears important lessons for today's policy leaders at both the Federal and state level. Prior to the Staggers Act of 1980, the Nation's railroad network suffered from many years of insufficient investment. The resulting infrastructure became increasingly unreliable, unsafe and undesirable as a mode of transportation for customers and shippers. Over the past 30 years, however, that condition has been dramatically reversed, resulting in a freight rail network that is the envy of the world. Today, most people don't understand well enough the linkage between infrastructure and global competitiveness, or the long-term costs of deferred maintenance and repairs to transportation systems. Few understand how vital the transportation system is to delivering their paper and coffee in the morning. As the opportunity approaches in 2014 to reauthorize MAP–21, leadership is needed on a bipartisan and bicameral basis to coalesce around transportation funding solutions that will meet the long-term infrastructure needs of the country.

Question 2. As you know, Moving Ahead for Progress in the 21st Century (MAP–21) expires at the end of Fiscal Year 2014. As Congress begins to turn its eye towards the next surface transportation reauthorization, what do you think are the top three Federal policy priorities/programs that we should include to assist the efficient and safe movement of intermodal freight?

Answer. As Congress moves toward the reauthorization of MAP–21, we recommend the following four priorities to assist in the efficient and safe movement of intermodal freight:

- The TIGER program or the comparable Projects of National and Regional Significance (PNRS) program have been important mechanisms for states to access Federal dollars to advance major capital projects, especially those related to freight movement. Freight railroads have been able to partner with states awarded TIGER or PNRS grants, adding private capital and resources to these projects to accelerate their completion.
- Distortions to the transportation infrastructure market should be reduced or eliminated by more closely tying the costs of the highway and bridge network—particularly the national freight highway network—to its users. Currently, the market for freight transportation is distorted because heavy trucks pay for less than 80 percent of the damages they are causing to road infrastructure. Freight railroads, on the other hand, pay entirely for the construction and maintenance of its infrastructure. This market distortion is only exacerbated when General

Funds are transferred to the Highway Trust Fund. To date, some $55 billion has already been transferred to the HTF to make up for the lack of user fees raised. Without a revamping of HTF revenue streams, projections currently estimate that at least $10–15 billion annually will be needed in General Funds to fill the gap between revenue and outlays.

- The current environmental permitting process remains a challenge to the timely completion of capital projects needed to enhance the safe and efficient movement of freight. Environmental streamlining should remain a key priority during MAP–21 reauthorization.
- Preserve the FHWA section 130 program which provides funding to the states for highway-rail grade crossing improvements and seek ways to incentivize local communities to close or separate grade crossings where appropriate.

Question 3. I'm sure everyone would agree that mainline capacity—whether for waterways, highways, or rail—is important to the movement of goods. But many major freight bottlenecks occur in the "last mile" as goods are arriving to, or leaving, a major transfer point. Do you believe that last mile and intermodal connections should be an integral part of Federal freight policy or should they be considered more of a state and local transportation policy issue?

Answer. Intermodal connections and attention to "last mile" connections are critical elements of both state and national freight planning and policy. Understanding the components of an effective logistics supply chain that moves freight efficiently from producers to customers must be part of both a national and state framework. At the local level, for example, land use planning has been inadequate in appropriately accommodating the needs of freight carriers in all modes. Freight movement—whether in yards, intermodal facilities, ports, and other locales—must be sufficiently taken into account when planning land uses such as residential developments, schools, and recreation. Encroachment on railroad right of way, for example, can pose serious safety hazards. Given that local governments most often control land use planning, there remains an important role at both the national, state and local level to ensure the fluid movement of freight.

Question 4. Do you believe Federal freight policy accurately captures the importance of last mile and intermodal connections? If not, what additional steps should be taken?

Answer. It is too early to tell whether the Federal freight policy and planning requirements included in MAP–21 will result in an enhanced appreciation for last mile and intermodal connections.

Question 5. Do you believe there is a stronger Federal role needed in coordinating planning of or contributing funding to addressing major bottlenecks at last mile and intermodal connectors? If yes, what additional steps should be taken?

Answer. It is too early to tell whether the Federal freight policy and planning requirements included in MAP–21 will result in an enhanced appreciation for last mile and intermodal connections.

Question 6. Do you believe that states, local governments, and industry have the appropriate resources to address last mile and intermodal connection infrastructure needs over the next decade? If not, what would an appropriate Federal role look like?

Answer. Some intermodal connection infrastructure projects that are of national and regional significance in terms of freight movement could be too costly for a local government or state to fund. Consequently Federal funding awarded through a competitive discretionary grant process, like the TIGER program, is an appropriate approach for these needs.

Question 7. Several weeks ago at the annual conference of a nationwide trade and freight mobility advocacy group, Mark Szakonyi, Associate Editor of the Journal of Commerce, stated that, "Our readers question how well DC understands our business. Many in Congress believe there will be a big surge in cargo volumes to the East Coast with the widening of the Panama Canal. Many of my readers, however, believe there will be zero to single digit growth at most." In light of those comments, do you think there is a disconnect between policymakers in Washington, D.C. and industry on the possible effect of the Panama Canal? Why or why not?

Answer. Frankly, railroads don't know which ports will be the "winners" and which will be the "losers" of this competitive battle, but railroads are working hard to be prepared no matter what the outcome is. In a June 2012 interview, in response to a question about the Panama Canal expansion, the CEO of Norfolk Southern said, "We are preparing and planning so that if the traffic comes in from the East and needs to move inland, we'll be there to handle it. If the traffic comes in from the West and comes to a western gateway with one of the western carriers, we'll be ready to handle it." He was speaking on behalf of his railroad, but his statement applies equally to the rail industry as a whole and their capabilities to transport containers via rail intermodal service.

Question 8. Nationwide, ports, the transportation industry, and shippers are taking a variety of steps to prepare for the impact of the Panama Canal—whether to increase capital asset flexibility, port infrastructure, or addressing intermodal bottlenecks. Do you believe that those steps would have occurred even if the Panama Canal was not being widened—that is to say, could intermodal growth (recent and projected) be the major driver of those improvements instead?

Answer. That's a difficult question to answer. Clearly, globalization has been occurring for many years for reasons that have little or nothing to do with the Panama Canal. One result is large and continuing increases in the volumes of international trade. Those increases would be occurring even without the canal expansion. That said, the expansion of the canal adds new complexities—and new challenges—that have to be addressed. At the end of the day, ports that offer shippers the best value for their money, all things considered, will see higher traffic volumes and market share growth, while ports that lag behind will see lower traffic volumes (or traffic volumes that increase less rapidly than they otherwise would) and lower market share.

Question 9. Mr. Hamberger, as you mentioned in your testimony, the growth of intermodal cargo has spurred millions of dollars of private-sector investment nationwide to handle the movement and distribution of containerized cargo. Do you believe that public sector investment in multi-modal transportation assets—whether intermodal connectors, grade separations, access improvements, or last-mile connections—is adequate to serve existing, new, and planned intermodal facilities? Do you believe that a new funding stream should be established specifically to improve multi-modal freight infrastructure such as that which I've outlined above? If not, would you support a so-called "set-aside" of existing revenue collections?

Answer. The Association of American Railroads has not taken a position on the issue of revenue streams for Federal public transportation spending. That said, railroads do not support freight fund proposals that would require freight railroads or rail shippers to pay into such funds. Unlike airlines, trucks, and barges, freight railroads already pay the vast majority of the costs of building and maintaining their infrastructure. It wouldn't make sense for railroads or their customers to pay into a "freight fund," only to have the money—minus inevitable administrative costs—doled back out by the government. Railroads should not be required to assess or collect fees going into a freight fund, and no state and local government should impose such fees unless the parties involved agree otherwise.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN THUNE TO EDWARD R. HAMBERGER

Question 1. Do you expect a significant increase in the amount of agricultural products being shipped by rail as a result of the canal widening and what are your members doing to plan for such increases? Are there particular commodities that are likely to see an increase in traffic?

Answer. As noted in my testimony, the interplay of a wide variety of factors, such as the time sensitivity of the freight being carried, inventory carrying costs, fuel costs, time in transit, canal toll fees, port fees, inland transportation costs, and more, will determine traffic patterns and port usage in the post-Panama Canal expansion world. Railroads do not know—we don't think anyone does, at this point—how these competitive battles will turn out, or how the canal expansion will affect the quantity of any particular commodity that will be exported. That said, our Nation's freight railroads are in a good position now and are working diligently to be in an even better position in the future, to offer the safe, efficient, cost-effective service that their customers need no matter where those customer are, no matter what the freight is, and no matter where the freight is going. America's freight railroads have reinvested $525 billion since 1980—including $25.5 billion in 2012—to create a freight rail network that is second to none in the world.

Question 2. The railroad industry has engaged in a number of public-private partnerships to improve freight railroad operations. A prime example of this is the Heartland Corridor from Norfolk to Chicago and Columbus (Ohio). What are the advantages of these partnerships?

Answer. Public-private partnerships—arrangements under which private freight railroads and government entities both contribute resources to a project—offer a mutually beneficial way to solve critical transportation problems.

Without a partnership, many projects that promise substantial public benefits (such as reduced highway congestion by taking trucks off highways, or increased rail capacity for use by passenger trains) in addition to private benefits (such as enabling faster freight trains) are likely to be delayed or never started at all because neither side can justify the full investment needed to complete them. Cooperation makes these projects feasible.

With public-private partnerships, the public entity devotes public dollars to a project equivalent to the public benefits that will accrue. Private railroads contribute resources commensurate with the private gains expected to accrue. As a result, the universe of projects that can be undertaken to the benefit of all parties is significantly expanded. In some partnerships, public entities and private railroads both contribute to a project's initial investment, but the railroads alone fund future maintenance to keep the project productive and in good repair. It's a win-win for all involved.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. ROGER F. WICKER TO EDWARD R. HAMBERGER

Question. The majority of the testimony you provided has focused on infrastructure needs surrounding post-Panamax ready ports. As you well know, these post-Panamax ready or soon to be post-Panamax ready ports represent a small percentage of America's ports. Taking into account, anticipated increases in vessel traffic for all ports as a result of "displaced" and "feeder" traffic, what specific shoreside infrastructure investments should our country prioritize in order to ensure that all ports can benefit from an expanded Panama Canal?

How successful have Federal grant programs such as TIGER and the Rail Line Relocation grant programs been in helping ports prepare for post-Panamax ships and what changes need to be made in order to make them more effective?

Answer. America's freight railroads operate almost exclusively on infrastructure that they own, build, maintain, and pay for themselves. Freight railroads invest billions of dollars each year to meet the needs of diverse cargo shippers and receivers, including large and small U.S. ports. Even during the recent economic downturn, railroads have continued making record investments—well more than $20 billion in 2012—to grow and modernize the national rail network. The Rail Line Relocation grant program and the TIGER grant program offer state and local public entities important funding sources to enter into public-private partnerships with freight railroads to enhance rail facilities, including rail facilities serving the Nation's ports. These public-private partnerships allow state and local governments to expand the use of rail while paying for only the public benefits associated with a particular project. Freight railroads in turn pay for the private benefits they receive. Thus, public-private partnerships represent a win-win for all parties.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. DAN COATS TO EDWARD R. HAMBERGER

Question. As an important artery, the Panama Canal handles three out of every ten bushels of grain and soybean exports from the U.S., more than half the exports through the Center Gulf, one tenth of the Texas Gulf exports and nearly thirty percent of the Atlantic Coast exports. For soybeans specifically, the Panama Canal handles 44 percent of total U.S. exports, 63 percent of the soybeans through the Center Gulf, 57 percent through the Texas Gulf, and more than half the volume through the Atlantic Coast. According to the U.S. Soybean Alliance the prospects of an expanded canal will offer enhanced economic and service opportunities for exports of U.S. grain and soybeans, and product exports. The opportunities will be varied, such as increased loadings per vessel, the potential for larger vessel sizes to be used, decreased canal transit time, and the potential for lower transport costs overall. The U.S. Soybean Alliance also says that the benefits, while important to U.S. exports, will not be limited to the U.S. alone but also competitors alike. The future of grain export capabilities of the United States to meet expanding demand opportunities and requirements is an increasing concern. With more sustained levels of export volumes, changing export capacity dynamics, and various export prospects being discussed, there is a very real concern that even if the world demands grains and soybeans, and associated products from the U.S., the U.S. may well not be in a position to meet supply with this demand at competitive prices without more discriminating resource prioritization and investment strategies. To this end, eleven grain elevators are expanding export capabilities.

As you plan for the Panama Canal expansion, what efforts are you taking to work with agribusiness, like the soybean industry, to ensure the infrastructure is in place to meet increased demand for U.S. exports?

Answer. With or without the expansion of the Panama Canal, in the years ahead, America's demand for safe, affordable, and environmentally responsible freight transportation will grow. Railroads are the best way to meet that demand.

From 1980 to 2012, America's freight railroads reinvested $525 billion—of their own funds, not government funds—on locomotives, freight cars, tracks, bridges, tunnels, and other infrastructure and equipment. That's more than 40 cents out of every revenue dollar. In recent years, railroads have been reinvesting more than ever before, including a record $25.5 billion in 2012, back into their systems. They know that if America's future transportation demand is to be met, rail capacity must be properly addressed.

Railroad capacity investments are not made in a vacuum. In fact, unlike other network industries which transmit fungible products (*e.g.,* electricity is the same, no matter who generates it) or products that can readily be routed to particular customers using automated equipment (*e.g.,* electronic signals for telecommunications), railroads must move specific railcars carrying specific commodities from specific origins to specific locations. Railroads can accomplish this only because they devote enormous resources to plan and operate their networks to meet their customers' needs safely and efficiently. For that reason, railroads work closely with their customers to ensure that the have the best possible information as they develop their network planning models and prioritize investment needs.

For railroads, capacity is not just a function of the amount of "iron in the ground." It is also a function of the number and skill level of railroad personnel; the development and implementation of new technologies; and collaborations and cooperative relationships with other railroads, rail customers, and suppliers. On all these fronts, railroads are working to make sure that they have the capacity and the capability to serve their customers' needs both today and in the post-Panama Canal expansion world.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. FRANK R. LAUTENBERG TO PHILIP L. BYRD

Question 1. The U.S. has no strategic national freight plan to guide Federal investments. However, the "Moving Ahead for Progress in the 21st Century Act" (MAP–21) requires the Department of Transportation to create a national plan. What key areas should the Department address to ensure that Federal freight investments are prioritized to more efficiently and effectively move goods across all freight modes?

Answer. Funding for freight projects should be provided based on the proportional contribution from each mode. Since trucking is the only freight mode currently contributing to the Highway Trust Fund, freight funding from the HTF should be directed only to highway projects. A portion of HTF revenue should be dedicated to addressing major highway freight bottlenecks on the National Freight Network, and other freight needs such as truck parking, a significant safety issue. If funding is provided from a mode-neutral source, such as the General Fund, or a new fee such as a sales tax or bill of lading tax, revenue should be allocated based on a benefit-cost analysis.

Question 2. Chairman Rockefeller and I have introduced the "American Infrastructure Investment Fund Act," which would establish financing and grant programs at the Department of Transportation to leverage private dollars to advance large-scale, critical infrastructure projects. Will current Federal and state investments be able to cover the cost of building infrastructure to address freight needs in the U.S., especially in light of the Panama Canal expansion?

Answer. Most studies that have projected highway investment needs have determined that the available revenue from current federal, state, and local sources are likely to only provide about half the resources needed to address the Nation's highway maintenance and mobility requirements currently and in the foreseeable future.

Question 3. If not, how would incentivizing private investment help us meet these infrastructure needs?

Answer. While private investment can address some of these needs, they are a less efficient way to fund highway projects than traditional funding methods, specifically the fuel tax, due to the additional financing costs.

Question 4. Your testimony states that expansion projects to increase freight capacity at ports can have unintended consequences. Specifically, you reference the

Port Authority of New York and New Jersey raising tolls on their facilities to pay for the cost of raising the Bayonne Bridge, which will allow larger ships to access the port, but the toll increases will also hurt trucking companies that rely on the port. How do toll increases along roads that lead to ports impact the competitiveness of ports?

Answer. Ports tend to be extremely competitive, and increases in landside transportation costs, which are largely passed on to customers calling on the port, can have a significant impact on a shipper's decision to continue to call on the port or to move their goods through a more competitive facility. Tolls, particularly when they are as high as those imposed on trucks by the PANYNJ, represent a specific and significant cost increase to the port which can potentially drive business away.

Question 5. What role can Congress play with regard to toll-setting practices near ports?

Answer. Ports tend to be extremely competitive, and increases in landside transportation costs, which are largely passed on to customers calling on the port, can have a significant impact on a shipper's decision to continue to call on the port or to move their goods through a more competitive facility. Tolls, particularly when they are as high as those imposed on trucks by the PANYNJ, represent a specific and significant cost increase to the port which can potentially drive business away.

Question 6. What impact do tolls have on port costs and the market choices that shippers make?

Answer. Shippers will choose which ports to call on based largely on cost and convenience. Tolls can significantly impact landside transportation costs, which can skew shippers' decisions and drive traffic to competing ports that may not be burdened by the additional costs imposed by tolls on trucks which service the ports.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO PHILIP L. BYRD

Question 1. As you know, the U.S. Department of Transportation (USDOT) announced the creation of a Freight Policy Council made up of senior Departmental leadership in August 2012. The Council is charged with developing a national multimodal freight strategic plan and implementing other freight provisions included in Moving Ahead for Progress in the 21st Century (MAP–21). More recently, the application process closed for a new National Freight Advisory Committee (NFAC) that will bring key freight stakeholder input into the USDOT decision-making process. I've been proud to have worked with Secretary LaHood to bring these steps to fruition, but personally believe there is more to be done. Do you believe these steps will lead USDOT to have a more multi-modal perspective on freight mobility?

Answer. These steps are likely to produce a more multi-modal perspective, and looking at the freight system through a multi-modal lens is an important step toward fully understanding the logistics system and recognizing where it breaks down. However, it is also important to recognize that the vast majority of freight moves by a single mode on the highway system, and Congress' charge to USDOT in MAP–21 to focus primarily on improving the National Freight Network should not be lost.

Question 2. What more needs to be done on a Federal policy level to recognize the importance of safe and efficient goods movement to America's economic success?

Answer. Federal investment policy should be more closely aligned with the goal of moving interstate freight. An important step in this regard is to focus more resources on addressing bottlenecks on the National Freight Network. Furthermore, Federal regulatory policies, particularly those governing truck sizes and weights, should be reformed to better reflect current scientific knowledge.

Question 3. As you know, Moving Ahead for Progress in the 21st Century (MAP–21) expires at the end of Fiscal Year 2014. As Congress begins to turn its eye towards the next surface transportation reauthorization, what do you think are the top three Federal policy priorities/programs that we should include to assist the efficient and safe movement of intermodal freight?

Answer. Greater investment in the National Highway System, which carries 97 percent of truck freight, including last-mile intermodal connectors. A dedicated freight program for highways focused on addressing bottlenecks on the National Freight Network and other freight needs like truck parking and intermodal connectors. Easing of Federal restrictions on truck size and weight.

Question 4. I'm sure everyone would agree that mainline capacity—whether for waterways, highways, or rail—is important to the movement of goods. But many major freight bottlenecks occur in the "last mile" as goods are arriving to, or leaving, a major transfer point. Do you believe that last mile and intermodal connections should be an integral part of Federal freight policy or should they be considered more of a state and local transportation policy issue?

Answer. While connectors should be a shared responsibility, it must be recognized that many of the benefits derived from the movement of freight at these locations extend beyond local or state borders, and therefore the Federal Government should bare a greater responsibility for the improvement of intermodal connector roads.

Question 5. Do you believe Federal freight policy accurately captures the importance of last mile and intermodal connections? If not, what additional steps should be taken?

Answer. No. Federal-aid highway funds should be set aside to improve intermodal connector roads.

Question 6. Do you believe there is a stronger Federal role needed in coordinating planning of or contributing funding to addressing major bottlenecks at last mile and intermodal connectors? If yes, what additional steps should be taken?

Answer. Yes, the Federal Government should identify the most critical and costly intermodal highway connectors and set aside funding to improve them.

Question 7. Do you believe that states, local governments, and industry have the appropriate resources to address last mile and intermodal connection infrastructure needs over the next decade? If not, what would an appropriate Federal role look like?

Answer. As trade grows, so will the pressure on intermodal connector highways. Clearly, available resources are inadequate today and the situation will likely become worse over the coming years. The Federal Government must identify the most critical needs and dedicate resources toward addressing them.

Question 8. Several weeks ago at the annual conference of a nationwide trade and freight mobility advocacy group, Mark Szakonyi, Associate Editor of the Journal of Commerce, stated that, "Our readers question how well DC understands our business. Many in Congress believe there will be a big surge in cargo volumes to the East Coast with the widening of the Panama Canal. Many of my readers, however, believe there will be zero to single digit growth at most." In light of those comments, do you think there is a disconnect between policymakers in Washington, D.C. and industry on the possible effect of the Panama Canal? Why or why not?

Answer. Yes, I do believe there is a growing disconnect between policymakers and the industry on the possible effect of the Panama Canal expansion. That said, I believe that the disconnect partially reflects the fact that numerous studies have been completed on this issue showing a wide range of freight increases in varying geographic regions. And I am certain that the many interested parties and constituent groups these differing and sometimes conflicting studies when briefing their individual Members of Congress. Thus, almost any region can point to data identifying their port as gaining new freight volumes, which is then used to justify port related projects to widen harbors, deepen rivers, improve highway connectors, etc.

Question 9. Nationwide, ports, the transportation industry, and shippers are taking a variety of steps to prepare for the impact of the Panama Canal—whether to increase capital asset flexibility, port infrastructure, or addressing intermodal bottlenecks. Do you believe that those steps would have occurred even if the Panama Canal was not being widened—that is to say, could intermodal growth (recent and projected) be the major driver of those improvements instead?

Answer. It is without question that intermodal infrastructure investment—like interstate highway investment—has been underfunded and lagging for many years. And I certainly believe that a sizable portion of the capital investments that was discussed during the hearing should have occurred with or without the Panama Canal expansion. Up until the recent economic recession, intermodal freight volumes were consistently projected to show double digit increases. However, those projections have been moderated downward given the severity of the recession and the resulting uncertainties that have ensued. Nevertheless, greater investment was, and still is, required to accommodate increases in containerized freight flows that will occur with or without the canal expansion.

Question 10. Mr. Byrd, you mentioned in your testimony the shortfall the United States faces in funding infrastructure, particularly around ports. You also discussed ATA's support for "a new, dedicated funding stream to address freight-related highway bottlenecks that significantly undermine freight transportation efficiency." Can you please expand on what sort of dedicated funding stream you would support?

Answer. The fuel tax is the most efficient and most fair way to fund highway projects and therefore ATA supports an increase and/or indexing of the Federal fuel tax.

Question 11. Do you believe that a new funding stream should be established specifically to improve multimodal freight infrastructure? If not, would you support a so-called "set-aside" of existing revenue collections?

Answer. The trucking industry is willing to support an increase in fuel taxes to support highway projects, particularly if all or a portion of the revenue is dedicated to addressing bottlenecks on the National Freight Network and other freight needs such as truck parking and intermodal connectors. Funding for infrastructure serving other modes should be made available if those modes pay a user fee that generates revenue proportional to the funding they receive. We oppose the subsidization of non-highway freight projects with highway user fees. If funding is provided from a mode-neutral source, such as the General Fund, or a new fee such as a sales tax or bill of lading tax, revenue should be allocated based on a benefit-cost analysis.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. AMY KLOBUCHAR TO PHILIP L. BYRD

Question 1. Mr. Byrd, I have long held the view that the competiveness of our economy is directly tied to the strength of our infrastructure. But, in order to have a 21st century economy, we need 21st century ports, bridges, highways, and rail. Now, as a member of the President's Export Council, I am focused on improving the way businesses can efficiently get their goods to the 95 percent of the world market that lies outside our borders and investing in infrastructure is a critical element of this effort. Do you foresee the Panama Canal expansion adding significant stress to other elements of America's transportation network?

Answer. While we do not yet know the nature or extent to which Canal expansion will impact freight flows, it is likely that certain ports will see a significant increase in traffic as shippers take advantage of the efficiencies gained from utilization of larger ships. Most of the ports which can accommodate these larger vessels are located in urban areas whose landside access is already strained. A significant influx of containers at these locations, most of which will likely be moved to and from the port by trucks, will put further stress on the highway systems in these areas, affecting the cost of moving goods, increasing congestion for commuters and adding maintenance costs.

Question 2. I recently toured Minnesota companies that export their products to the world and so I'm curious to know your view on how a big-scale project like expanding the Panama Canal will benefit small businesses on Main Street?

Answer. Canal expansion is likely to reduce the costs of moving goods to foreign markets, opening up new opportunities for both large and small U.S. businesses. Investments in transportation infrastructure projects, such as those which eliminate major highway bottlenecks, reduce the cost of moving U.S. products, allowing domestic industries to better compete with foreign competitors.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. ROGER F. WICKER TO PHILIP L. BYRD

Question 1. The majority of the testimony you provided has focused on infrastructure needs surrounding post-Panamax ready ports. As you well know, these post-Panamax ready or soon to be post-Panamax ready ports represent a small percentage of America's ports.

Taking into account, anticipated increases in vessel traffic for all ports as a result of "displaced" and "feeder" traffic, what specific shoreside infrastructure investments should our country prioritize in order to ensure that all ports can benefit from an expanded Panama Canal?

Answer. As I indicated in my testimony before the Committee, four of the five top highway freight bottlenecks in the Nation are near ports. Addressing these choke points should be a priority to ensure ports will be able to handle the additional traffic expected from an expanded Panama Canal.

In the Charleston area, I–26 is highly congested. I–26 extends in a southeasterly direction from Kingsport, TN to Charleston, SC, linking the port with I–95, I–20, and I–85. The highway has just two lanes in each direction and needs to be expanded to meet both automobile and commercial truck traffic needs. I–85, also a significant commercial corridor, is also highly congested.

Question 2. How successful have Federal grant programs such as TIGER and the Rail Line Relocation grant programs been in helping ports prepare for post-Panamax ships and what changes need to be made in order to make them more effective?

Answer. Few grants have been awarded through the TIGER grant program for highway land access to ports. Although trucks provide the majority of landside port transportation, TIGER grants directed at improving port landside transportation have focused almost exclusively on improving private rail infrastructure instead of the more critical public highway infrastructure.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. DAN COATS TO PHILIP L. BYRD

Question. As an important artery, the Panama Canal handles three out of every ten bushels of grain and soybean exports from the U.S., more than half the exports through the Center Gulf, one-tenth of the Texas Gulf exports and nearly thirty percent of the Atlantic Coast exports. For soybeans specifically, the Panama Canal handles 44 percent of total U.S. exports, 63 percent of the soybeans through the Center Gulf, 57 percent through the Texas Gulf, and more than half the volume through the Atlantic Coast. According to the U.S. Soybean Alliance the prospects of an expanded canal will offer enhanced economic and service opportunities for exports of U.S. grain and soybeans, and product exports. The opportunities will be varied, such as increased loadings per vessel, the potential for larger vessel sizes to be used, decreased canal transit time, and the potential for lower transport costs overall. The U.S. Soybean Alliance also says that the benefits, while important to U.S. exports, will not be limited to the U.S. alone but also competitors alike. The future of grain export capabilities of the United States to meet expanding demand opportunities and requirements is an increasing concern. With more sustained levels of export volumes, changing export capacity dynamics, and various export prospects being discussed, there is a very real concern that even if the world demands grains and soybeans, and associated products from the U.S., the U.S. may well not be in a position to meet supply with this demand at competitive prices without more discriminating resource prioritization and investment strategies. To this end, eleven grain elevators are expanding export capabilities.

As you plan for the Panama Canal expansion, what efforts are you taking to work with agribusiness, like the soybean industry, to ensure the infrastructure is in place to meet increased demand for U.S. exports?

Answer. For the trucking industry, the central issues is whether sufficient investments will be made in highway infrastructure to accommodate increases in freight, whether associated with an expanded Panama Canal and other economic activity. The needs of agribusiness are really no different in this regard than other commercial traffic, most of which moves by truck.

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