

# Coalition for America's Gateways and Trade Corridors

Written Submission of  
Mortimer Downey, Chairman  
Coalition for America's Gateways and Trade Corridors  
Before the Committee on Environment and Public Works  
Unites States Senate  
on  
Goods Movement on our Nation's Highways  
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The rapid and cost efficient movement of goods throughout the U.S. supply chain, and particularly through our trade gateways and corridors, is vital to securing America's economic future and maintaining our competitiveness in world markets. Trade, as a percentage of the U.S. GDP, has been steadily increasing during the past quarter century, rising from 13% in the 1990s. Today, it is 30% and it is expected to grow to 35% in 2020 and to as much as 60% by 2035. Many factors, including enhanced logistics systems, improvements in manufacturing processes and new technology are placing an ever-greater strain on the capacity of our goods movement transportation network. Failure to respond to these strains will put a damper on our economic growth.

Freight movements, whether by rail, truck, ship or air, are a crucial link in the \$7 trillion commodity flow fueling the U.S. economy today. The chokepoints that are developing along the nation's highways only tell a fraction of the story. That strain on capacity is being felt along all of the nation's major gateways and trade corridors. Congestion on these facilities is not only an environmental disaster; it serves as a trade barrier as well. Manufacturers and agricultural producers across the nation depend on this infrastructure to get their products to international markets. American businesses and families rely on the goods movement system to bring products to their shelves and homes.

500 New Jersey Avenue, NW Suite 400 Washington, DC 20001  
202-828-9100 phone 202-638-1045 fax www.tradecorridors.org

*ACS State and Local Solutions*

*Alameda Corridor-East Construction Authority*

*American Standard Companies*

*City of Chicago*

*Delaware River Maritime Enterprise Council*

*Delaware Valley Regional Planning Commission*

*DMJM-Harris*

*FAST Corridor Partnership (Seattle-Tacoma-Everett)*

*Florida East Coast Railway*

*Florida Ports Council*

*Florida Trade and Transport Council*

*Gateway Cities Council of Governments*

*Hatch Mott MacDonald*

*HELP, Inc.*

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*Los Angeles County Metropolitan Transportation Authority*

*Los Angeles Economic Development Corporation*

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*Memphis Chamber of Commerce*

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*Moffatt & Nichol Engineers*

*National Association of Industrial & Office Properties*

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*National Corn Growers Association*

*National Railroad Construction and Maintenance Association, Inc.*

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*Orange County Transportation Authority*

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*Parsons Brinckerhoff*

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*Port of Los Angeles*

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*River of Trade Corridor Coalition*

*Riverside (Calif.) County Transportation Commission*

*San Bernardino Associated Governments*

*San Gabriel Valley Economic Partnership*

*Seattle Department of Transportation*

*Southern California Association of Governments*

*Spokane Regional Transportation Council*

*Tennessee Department of Transportation*

*Washington State Department of Transportation*

*Wilbur Smith Associates*

Despite these compelling figures, we do not have consensus around a national freight plan or a coherent program to document, anticipate and provide for our economy's goods movement needs. Infrastructure that was adequate in the first half of the twentieth century is still being relied on today, with some facilities utilized well beyond design capacity, while others are no longer as useful in today's economic patterns. State Departments of Transportation and regional transportation planning authorities are scrambling simply to meet the maintenance demands of our existing system, while the declining federal funding source – the motor fuels tax – will fail to cover currently authorized spending as early as 2009.

Before a solution can be developed, we have to think about the problem differently, as a nation. It is not merely the highways that trucks drive on – though those do play a very important role. It is also the ports and border crossings, the rail lines, the intermodal connectors, and the local roads that handle the final delivery. It is less an issue of modal competition—rail vs. truck vs. barge—and more an issue of modal interdependence. We must focus on the system as a whole, rather than viewing the nation's transportation infrastructure as several different systems that occasionally interact. We must see the entire network, interacting and interdependent. Only then can we begin to discuss real solutions to the issues this nation faces.

Critical to any effective solution to the goods movement problem is the establishment of a dedicated federal fund, such as a Freight Trust Fund (FTF) or similar *dedicated* account, whose revenues are predictable, sustained, firewalled from other uses, and committed to infrastructure that enhances the movement of goods. Although our thinking on such a fund is still evolving, I would like to identify the principles that should drive decisions about the FTF, some thoughts as to how funds might best be used, and some suggestions about the potential sources of revenues.

The FTF should be comprised of existing and new revenue sources. While some of the traditional Highway Trust Fund sources might be allocated, additional monies must come from beneficiaries of freight infrastructure improvement and be based on the following principles:

- The price of goods should support and internalize some portion of the cost of expanding related infrastructure, such that growth in demand for moving goods delivers proportional funding for related infrastructure improvement.

- All potential funding mechanisms and sources should be considered and fees assessed on user benefit.
- FTF revenue sources should be predictable, dedicated and sustained.
- The FTF should be financed from a wide variety of user fees, so that no one user group is disproportionately affected, with the recognition that the consumer is the ultimate beneficiary.
- Funds should be available to support projects of various size and scope, but with special priority for projects of national significance.
- Funds should be available to support multi-jurisdictional and multi-state projects selected on the basis of their contribution to national freight efficiency.
- While the current federal gasoline tax should continue to be dedicated to the traditional core programs, a small percentage of any future increase in the gas tax should be dedicated to the FTF, reflecting the real benefit to the driving public from freight projects that relieve highway congestion. Certainly, the federal fuel taxes should not be reduced, for any duration of time.
- Fund distribution should be based on objective, merit-based criteria, with higher-cost projects subject to more stringent evaluation than lower-cost efforts.
- Long-term funding should be made available in a manner similar to the current Transit Full Funding Grant Agreements to ensure that once a project is approved, funds will flow through to completion.

In practice, the FTF should be established either as a separate entity or as a dedicated, firewalled freight account within the HTF to collect fees, retain unexpended balances and liquidate annual appropriations, in order to give assurance to those who pay into the fund that it will be fully used for the *designated* purposes.

Overall, FTF funds for support of major freight investments should be distributed in a manner consistent with the process and procedures detailed by the Congress in SAFETEA-LU for Projects of National and Regional Significance (PNRS). Assuming Congress keeps the PNRS program in the next reauthorization and does not earmark the funds, the PNRS criteria, currently the subject of an administrative rule making, would serve as a formula for discretionary allocation.

Finally, with respect to sources of funding, FTF contributions should come from a variety of independent new sources to supplement existing revenues in a way that will fairly share the burden of cost for system development and maintenance among users/beneficiaries commensurate with their use of facilities. All users of the freight transportation system should be required to contribute to the FTF. Revenue streams should also be as diverse as practicable to ensure FTF income is resistant to economic cycles and will grow to keep pace with demand for infrastructure and inflation. At least four types of revenue sources should be considered to provide the equitable, diverse and stable revenue stream necessary:

- **Motor fuel user fees** – gasoline, diesel, alternatives including gasohol, biofuels, and railroad fuels;
- **Direct vehicle fees**, such as new registration, use and sales;
- **Indirect user fees**, such as dedicated national sales taxes and proxies based on cargo weight or value such as bill of lading, cargo facility charges or freight consumption fees; ports that don't need harbor maintenance could be allowed to redirect harbor maintenance tax receipts collected at their ports to the FTF; customs fees are generated by trade and applying a portion of these monies to support the infrastructure necessary to conduct that trade is a logical and fair use; and,
- **Longer term fees** established to offset reductions in fuel taxes as consumption moves away from gasoline and diesel, including carbon emission fees, weight distance taxes of all surface-based vehicles and other vehicle mileage taxes.

While the FTF would provide a dedicated source for freight project funding, participation in this program should not preclude projects from seeking funding from existing sources, reflecting the multiple benefits they can provide to local communities as well as to national freight movement.

Looking beyond the financing mechanisms immediately available, additional sources made possible by the phasing in of new technologies into America's transportation fleet may offer long-term solutions. Chief among these are ton-based fees and ton-mile taxes which have the added benefit of improved cost allocation.

These new revenue sources could effectively measure “freight consumption” in small increments and be incorporated in the consumer price of goods, reducing public opposition while concurrently removing modal biases and state-by-state equity issues.

At the state and local levels, federal policies should provide transportation planners with the largest toolbox of financing options possible to enable them to move freight projects forward as quickly and efficiently as possible. This is vital to support the development of local projects and connectors, in addition to the necessity of raising funds to match federal FTF monies.

Among the tools federal policy should enable are tolling of new facilities, innovative financing, private investment and public-private partnerships. Creative solutions are needed to increase capital sources. In addition, general fund allocations are an important tool at the state and local levels and federal FTF funding should be structured to incentivize and reward state and local investment.

Sustainable goods movement lies at the center of our quality of life, not only for the availability of consumer products, but because of transportation’s impact on land use, energy consumption and environmental quality. Improvements to freight infrastructure can result in reduced congestion, better air quality, and less time and fuel wasted.

The anticipated acceleration of trade, combined with domestic growth, has created millions of new job opportunities and a higher standard of living for Americans. But these benefits will last only if we are able to keep moving the goods.