

# Coalition for America's Gateways and Trade Corridors

AECOM

Alameda Corridor-East  
Construction Authority

Broward County's  
Port Everglades

California Department  
of Transportation

Cambridge  
Systematics, Inc.

Canaveral Port Authority

Cascadia Center

Chicago Metropolitan  
Agency for Planning

City of Chicago

COMPASS – Community  
Planning Association of  
Southwest Idaho

Dewberry

Economic Development  
Coalition of  
Southwest Indiana

Florida Department  
of Transportation

Florida East  
Coast Railway

Florida Ports Council

Freight Mobility Strategic  
Investment Board  
(Washington State)

Gateway Cities Council of  
Governments

HERZOG

HNTB Corporation

Illinois Soybean  
Association

Intermodal Association  
of North America

Kootenai Metropolitan  
Planning Organization

Los Angeles  
County Metropolitan  
Transportation Authority

Majestic Realty Co.

Maricopa Association of  
Governments

Memphis Chamber of  
Commerce

Metropolitan  
Transportation  
Commission

Moffatt & Nichol

National Railroad  
Construction and  
Maintenance  
Association

NASCO – North  
American Strategy for  
Competitiveness

The Northwest  
Seaport Alliance

Nossaman LLP

Ohio Kentucky Indiana  
Regional Council of  
Governments

Orange County  
Transportation Authority

Oregon Department of  
Transportation

Parsons

Port Authority of  
New York & New Jersey

Port Newark Container  
Terminal

Port of Hueneme

Port of Long Beach

Port of Los Angeles

Port Miami

Port of Oakland

Port of Portland, OR

Port of San Diego

Port Tampa Bay

Port of Vancouver USA

Prime Focus, LLC

Puget Sound Regional  
Council

RAILCET

SANDAG - San Diego  
Association of  
Governments

Southern California  
Association of  
Governments

Tampa Hillsborough  
Expressway Authority

Tennessee Department  
of Transportation

Washington State  
Department of  
Transportation

Will County Center for  
Economic Development

WSP

## TESTIMONY OF

**Mark Policinski**

Chief Executive Officer

Ohio-Kentucky-Indiana Regional Council of Governments

Member

Coalition for America's Gateways and Trade Corridors

## REGARDING

Freight Movement: Assessing Where We Are Now And  
Where We Need To Go

## BEFORE

Senate Committee on Environment and Public Works'  
Subcommittee on Transportation and Infrastructure

**DECEMBER 20, 2017**

Thank you for the opportunity to testify before the Senate Committee on Environment and Public Works' Subcommittee on Transportation and Infrastructure. The ability to move freight safely, reliably, and expeditiously provides a competitive advantage for businesses and supports a higher standard of living for U.S. citizens. I appreciate the Committee's ongoing dedication to freight system improvement.

Today I am representing both the Ohio-Kentucky-Indiana Regional Council of Governments (OKI) as well as the Coalition for America's Gateways and Trade Corridors ("the Coalition"), a diverse coalition of more than 60 public and private organizations dedicated to increasing federal investment in America's multimodal freight infrastructure. I thank Chairman Inhofe, Ranking Member Cardin and Members of this Subcommittee for the opportunity to share my views with you.

OKI is a council of local governments, business organizations and community groups committed to developing collaborative strategies to improve the quality of life and the economic vitality of the region. OKI has final authority over all federal dollars spent on surface transportation in the region. Each year, OKI approves roughly \$500 million for projects in the region and it invests approximately \$40 million in projects for our region.

The OKI region is home to the Brent Spence Bridge, one of, if not the, premier freight infrastructure projects in the country. It is a dangerous and structurally obsolete bridge that is a lynchpin to the entire I-75 trade corridor, connecting Michigan to Miami. Every day, the bridge carries over a billion dollars of goods across its span. It was built to carry 80,000 vehicles a day, but now, carries twice that number. Maybe more germane to these hearings, the bridge was built to carry 3-4,000 trucks a day, but now, carries 32,000 trucks every day. The cost of congestion is staggering, as it is estimated at almost \$750 million dollars per year. We believe it is a national priority fix the Brent Spence Bridge.

OKI has been involved in numerous projects from planning to implementation and has enjoyed substantial success because of an active Board of Directors and a first rate staff. We've worked closely with our three state DOT's, our federal highway partners, transit agencies and private companies across our Tri-state region to advance effective projects for our citizens. All of the projects we fund are evaluated first from an economic impact perspective. Every project fills the need of enhancing commerce. This is true for small projects to building a new multi-billion dollar Brent Spence Bridge.

Because of our overarching interest in economic development, freight has been a strategic emphasis at OKI for over a decade. Years ago, we adopted the motto, “Freight is the Future”. We did this in recognition of the fact that for the first time in human history, the world had an interconnected economy. A connection that could be accessed by a tap of your finger on your smart phone, with a reach to every corner of the earth, filled with information supported by trillions of bits of data. This world economy demands that nations elevate their infrastructure to compete on the global stage. Economies that fail their infrastructure test, will fail when it comes to growth, jobs, innovation and income. They will fail their future.

I applaud Members of this Committee for prioritizing freight infrastructure investment under the Fixing America’s Surface Transportation (FAST) Act. This landmark legislation is a down payment on our Nation’s infrastructure needs, but as you know, much more is needed to keep pace with the demands of a growing global economy and population.

The economic importance of freight infrastructure cannot be overstated. The United States’ multimodal freight network directly supports 44 million jobs and impacts every American’s quality of life.<sup>1</sup> Our nation’s five major economic sectors, which represent 85 percent of our national economy, rely on the efficient and cost-effective movement of freight. These sectors – manufacturing, retail, agriculture, natural resources, and transportation providers – touch every state and Congressional district. The system moves 55 million tons of goods daily, worth more than \$49 billion.<sup>2</sup> That’s roughly 63 tons per person annually; meanwhile, the U.S. population is expected to increase by 70 million by 2045.<sup>3</sup> Such population growth presents both challenges and opportunities. To capitalize on a growing 21<sup>st</sup> Century consumer base and workforce, our infrastructure network must be up for the task.

Unfortunately, years of underinvestment in our national transportation system have driven up the cost of doing business. U.S. companies alone spend around \$27 billion annually in extra freight transportation expenses due to congestion,<sup>4</sup> and the total cost of congestion is estimated at \$1 trillion annually –

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<sup>1</sup> U.S. Department of Transportation, *National Freight Strategic Plan*, October 2015.  
<[https://www.transportation.gov/sites/dot.gov/files/docs/DRAFT\\_NFSP\\_for\\_Public\\_Comment\\_508\\_10%2015%2015%20v1.pdf](https://www.transportation.gov/sites/dot.gov/files/docs/DRAFT_NFSP_for_Public_Comment_508_10%2015%2015%20v1.pdf)>

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

roughly seven percent of U.S. economic output.<sup>5</sup> Our trading partners are investing at a more aggressive pace: on average, European countries spend the equivalent of 5 percent of GDP on building and maintaining their infrastructure, while the United States spends just 2.4 percent.<sup>6</sup> China is investing at almost four times our rate.<sup>7</sup> Businesses are taking note. According to a 2014 study by the National Association of Manufacturers, 65 percent of members surveyed do not believe that infrastructure, especially in their region, will be able to respond to the competitive demands of a growing economy over the next 10 to 15 years.<sup>8</sup>

Illustrative of the need for a Federal role in freight planning and infrastructure investment, 77 percent of U.S. freight moves between states. States and localities cannot shoulder the burden of nationally-significant freight movement.<sup>9</sup> At present, the Federal government provides just 25 percent of public infrastructure funding – down from an all-time high of 38 percent – placing a strain on communities and local governments.<sup>10</sup> The Constitution’s Commerce Clause assigns the Federal government the responsibility of making investments to support interstate commerce. Some of freight infrastructure’s largest, most complex, and most desperately needed improvements occur where multiple modes come together. These instances often require a partnership at the Federal level to untangle chokepoints that burden our communities and slow commerce.

While it is safe to say all transportation spending has some impact on our economy, investment in the nation’s multimodal freight network always has a significant impact on economic activity. It has a much larger ROI than other transportation spending. Freight investments, by their nature, always have improved commerce as their chief result. A ship connected to a train connected to a truck by the most efficient infrastructure will yield benefits not only to the companies who own the modes, but also, to

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<sup>5</sup> Ibid.

<sup>6</sup> Council on Foreign Relations, *The State of U.S. Infrastructure*, October 2017. < <https://www.cfr.org/background/state-us-infrastructure>>

<sup>7</sup> McKinsey Global Institute, *Bridging Global Infrastructure Gaps*, June 2016 < <https://www.un.org/pga/71/wp-content/uploads/sites/40/2017/06/Bridging-Global-Infrastructure-Gaps-Full-report-June-2016.pdf>>

<sup>8</sup> Horst, Ronald and Jeffrey Werling, National Association of Manufacturers, *Catching Up: Greater Focus Needed to Achieve a More Competitive Infrastructure*, September 2014. <<http://www.nam.org/Issues/Infrastructure/Surface-Infrastructure/Infrastructure-Full-Report-2014.pdf>>

<sup>9</sup> Tomer, Adie and Joseph Kane, Brookings and JP Morgan Chase Global Cities Initiative, *Mapping Freight: The Highly Concentrated Nature of Goods Trade in the United States*, November 2014. < [https://www.brookings.edu/wp-content/uploads/2016/06/Srvy\\_GCIFreightNetworks\\_Oct24.pdf](https://www.brookings.edu/wp-content/uploads/2016/06/Srvy_GCIFreightNetworks_Oct24.pdf)>

<sup>10</sup> Council on Foreign Relations, *The State of U.S. Infrastructure*, October 2017. < <https://www.cfr.org/background/state-us-infrastructure>>

their communities, suppliers and customers. Freight infrastructure is always built to yield economic rewards.

The FAST Act created the first-ever formula program designed to target freight system improvements, like first and last mile connectors. We encourage Congress to provide oversight of this program to ensure the funds are invested in crucial freight infrastructure. The FAST Act also created a much-needed competitive grant program designed to target investments in large freight and highway projects. The Nationally Significant Freight and Highway Projects Program, or INFRA program, contains criteria written into law that focus on goods movement infrastructure, and its goals include: increasing global economic competitiveness, improving connectivity between freight modes, reducing congestion and bottlenecks, and improving the safety, efficiency and reliability of the movement of freight and people.

While traditional formula funds complement a grant funding approach and provide state departments of transportation a funding stream to carry out construction, maintenance and preservation of the Nation's highways, their ability to fund non-highway freight projects is severely limited. Freight mobility – on all modes – requires added capacity and improved efficiency to keep pace with growing demands. Connectivity among the modes is key to the efficient movement of goods. Competitive grant programs, such as INFRA, assist in funding large-scale infrastructure projects, which often span modes and jurisdictional borders and are difficult, if not impossible, to fund through traditional distribution methods such as formula programs.

While formula programs invest through a standard 80 percent federal to 20 percent non-federal match, competitive grant programs encourage states and localities to bring their best possible deal to the table, driving innovative and creative funding and financing arrangements. Programs like INFRA and TIGER have repeatedly shown their ability to attract non-federal dollars. For example, the FY16 round of INFRA (FASTLANE) awarded roughly \$800 million and will be combined with other funding from federal, state, local, and private sources to support \$3.6 billion in infrastructure investment.

Despite the INFRA program's proven ability to attract non-Federal dollars, that should not be the *only* consideration in deciding whether or not to fund a project. The leverage created by federal dollars is very important, but, it is not of sole importance. What also must be considered is the ROI of the project. Just because a project is more "affordable" to the federal government, does not mean it is the most valuable investment for the country's economy. Investment in our multimodal freight system results in

public benefits and therefore cannot be considered a business proposition alone. Projects should first be evaluated on their ability to meet the program's goals, based on measurable and objective criteria defined by Congress.

### **Recommendations**

Without a campaign of strategic investment to expand capacity and increase efficiency, U.S. productivity and global competitiveness will suffer while costs increase. To address these needs, we respectfully recommend that Congress:

**Develop a national strategy that guides long-term planning:** A national "vision" and investment strategy that shapes and guides the nation's freight infrastructure system with active coordination among states, regions, and localities is needed. A focus on multimodal freight should be established within the U.S. Department of Transportation's Office of the Secretary to guide freight mobility policy and programming with a particular focus on projects of national significance that aid in the movement of commerce.

A unique mix of public and private infrastructure and specialized knowledge at the Federal level is required to understand the operational and economic differences between the various types of goods movement infrastructure. For example, port infrastructure development challenges will be different from challenges presented by highways and roads. This investment strategy should include innovative and flexible approaches to structuring federal financial assistance in a manner that encourages private sector investment.

**Provide dedicated, sustainable, and flexible funding:** An investment program dedicated to multimodal freight infrastructure is necessary to ensure that public agencies can invest in their most critical goods movement needs – regardless of mode. Federal funding should incentivize and reward state and local investment and leverage the widest array of public and private financing.

Existing programs available to freight infrastructure, like the INFRA and TIGER competitive grant programs, are oversubscribed. In its first round, the INFRA grant program saw \$13 in requests for every \$1 available. A minimum annual direct federal investment of \$2 billion above current levels dedicated to multimodal freight infrastructure and distributed through a competitive grant program is necessary to meet growing needs.

We encourage Congress to eliminate the caps on non-highway spending under the freight formula and INFRA programs. Freight does not move on highways alone – where public benefit is derived, public investment must be made. Intermodal freight is one of the fastest-growing sectors of the freight market.<sup>11</sup> And, it is often in the places where various modes come together that public assistance is needed to close the funding and infrastructure gaps, which result in capacity inefficiencies and bottlenecks. Examples include highway-rail grade crossings, rail spurs to access cargo, logistics or transfer facilities, tunnels and bridges for port access, border crossing capacity enhancements, and air-freight connectors.

**Implement a set of merit-based criteria for funding allocation:** Projects should be selected through the use of merit-based criteria that identify and prioritize projects with a demonstrable contribution to national freight efficiency. Long-term funding must be made available to ensure that, once a project is approved, funds will flow through to project completion. Funds should be available to support multi-jurisdictional and multi-state projects, regardless of mode, selected on the basis of objective measures designed to maximize and enhance system performance, while advancing related policy objectives.

**Oversight of existing freight programs:** We ask Congress to oversee execution of the INFRA program to ensure projects are evaluated against criteria codified in law. We commend Congress’ foresight in mandating that the Government Accountability Office (GAO) publish a report on the decision making process for the INFRA grant program. Despite the Congress’ development of strong, merit-based criteria for the program, under the first round of grant awards, the GAO was unable to determine the rationale for selecting the 18 awarded projects.<sup>12</sup> We encourage Congress to continue such oversight to aid decision-making transparency and adherence to Congressional intent.

**A partnership with the private sector:** Private participation in the nation’s freight infrastructure is vital to system expansion. Federal funding should leverage private participation and provide transportation planners with the largest toolbox of financing options possible to move freight projects forward quickly and efficiently. The establishment of an advisory council made up of freight industry members and system users could assist and partner with USDOT in order to foster such partnering with the private sector.

I would like to thank the committee for their time and attention to this critically important topic.

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<sup>11</sup> U.S. Department of Transportation, *Beyond Traffic*, February 2015.

<[http://www.dot.gov/sites/dot.gov/files/docs/Draft\\_Beyond\\_Traffic\\_Framework.pdf](http://www.dot.gov/sites/dot.gov/files/docs/Draft_Beyond_Traffic_Framework.pdf)>

<sup>12</sup> Government Accountability Office, “DOT Should Take Actions to Improve the Selection of Freight and Highway Projects,” November 2017. <<https://www.gao.gov/assets/690/688111.pdf>>