

**STATEMENT OF
POLLY TROTTENBERG
ASSISTANT SECRETARY FOR TRANSPORTATION POLICY
U.S. DEPARTMENT OF TRANSPORTATION**

BEFORE THE

**SUBCOMMITTEE ON INTERNATIONAL TRADE,
CUSTOMS, AND GLOBAL COMPETITIVENESS
COMMITTEE ON FINANCE**

U.S. SENATE

“Doubling U.S. Exports: Are U.S. Sea Ports Ready for the Challenge?”

APRIL 29, 2010

Chairman Wyden, Ranking Member Crapo, and Members of the Subcommittee:

Thank you for inviting me to appear before you today to discuss the role of U.S. seaports in promoting U.S. commerce and their capacity to meet future projected growth in exports. I welcome the Subcommittee’s interest in this topic which raises many important transportation policy, financing and governance issues.

In his State of the Union speech in January, President Obama announced a goal of doubling exports within five years. He reiterated this commitment in a March 11 speech to the annual meeting of the Export/Import Bank, and listed some specific steps he has already taken to reach this goal. The President, by executive order, created an Export Promotion Cabinet to develop and coordinate a new National Export Initiative to improve conditions that directly affect the private sector’s ability to export. This cabinet will have its first meeting in April.

The growth of exports will require new investments and more efficient operations at U.S. ports and the intermodal connections and road, rail and air networks that serve them. To get there, we have developed a new national focus on freight policy and investment.

Secretary LaHood has established five key strategic goals as priorities in our national transportation policy – economic competitiveness, safety, state of good repair, livability, and environmental sustainability. DOT policy on freight transportation grows out of our focus on these five key strategic goals.

We want a freight policy that will allow us to target our investments on freight projects that are most effective in allowing us to achieve these goals – especially helping our domestic industries compete globally, creating jobs and economic growth, and reducing energy usage, carbon emissions, as well as the adverse livability impacts on affected communities.

Unfortunately our national transportation policy has often failed to target funding toward investments that will be most effective in achieving these goals.

Developing an effective freight transportation policy has been hampered in the past by the “stovepiped” approach to transportation funding that is written into our transportation authorizing statutes. Expenditures for each freight transportation mode are generally dependent upon their particular funding sources.

The result is that a truly outcome-oriented transportation investment policy – where the outcomes include the strategic goals I mentioned earlier – has been difficult to achieve, because investments have been dictated by where the funding came from, rather than where the investments could have the greatest impact on the desired outcomes.

However, the President, the Congress, and the Department of Transportation have already taken concrete actions to improve the nation’s freight transportation system generally and its ports in particular. With the passage of the American Recovery and Reinvestment Act, Congress made \$1.5 billion available in discretionary grants for what the Department has called the TIGER program (Transportation Investments Generating Economic Recovery).

We received over 1,400 TIGER applications and conducted a comprehensive multi-modal review process within the agency, including requiring rigorous analytical and benefit-cost analysis for major projects. And at the end of that process, we awarded nearly 50 percent of the TIGER funds for projects that will better move freight, with freight rail projects being the single largest category for TIGER funds. This represents a significant shift from the current allocation of Federal transportation dollars.

Of the \$1.5 billion in TIGER grants, we awarded \$124 million to port projects, \$431 million to projects to improve rail, highway, and intermodal freight transportation (primarily movement of ocean containers and truck trailers), and \$277 million to highway projects, many related to freight movement.

In making these TIGER investments, DOT analyzed key current and emerging trends in freight movement and the global ports industry.

Ports fall into two main categories -- those that primarily handle container traffic, which is largely higher-value manufactured goods, and those that primarily handle bulk products such as coal, grain, lumber, petroleum products, and ores. Many ports combine both functions, and efficient connections to the inland portion of the trip of both imports and exports is vitally important for all ports.

The largest bulk port by tonnage is the Port of South Louisiana on the Gulf Coast, which handles primarily grain and petroleum products, followed by the Port of Houston, which handles large volumes of petroleum.

The largest container port in our nation is in Southern California, where the twin Ports of Long Beach and Los Angeles, combined, move nearly half of all ocean containers handled in the U.S. The dominant trend of the past 20 years has been the tremendous growth of container traffic through U.S. West Coast ports; containers handled have increased from about seven million twenty-foot equivalent units (TEU) in 1988 to more than 16 million TEU in 2008, the peak year.

Since that time, traffic has declined due to the 2007-2009 recession, but industry experts believe that container volumes are likely to grow again as the economy recovers.

Much of the traffic through West Coast ports moves east to major U.S. population centers by rail, and some government support has been provided to facilitate and even furnish investment in private railroad facilities to move this traffic.

In Seattle and Tacoma, the ports and the state have undertaken the Fast Track initiative to improve rail service and reduce delays to highway traffic along the rail corridor serving the two ports, reducing pollution and congestion as well as reducing transportation costs. In Southern California, money from the ports, the state, the Federal government, and the railroads has constructed the Alameda Corridor, a 30-mile rail link that removes truck traffic from local streets and speeds rail service.

However, the rate of container traffic growth through West Coast ports is slowing, while container traffic at East and Gulf Coast ports is expected to grow more quickly. For example, in 2009 West Coast traffic fell by 17.5 percent, while traffic at East Coast ports grew by 13.3 percent. This is a continuation of a trend that began in the late 1990s, as increasing congestion at West Coast ports and their intermodal connectors resulted in traffic from Asia moving either through the Panama Canal or via Suez to the East Coast rather than through West Coast ports.

The 2014 completion of new locks on the Panama Canal will also draw increased freight traffic to the East and Gulf Coasts. The lock expansion will permit very large, 10,000 TEU “post-Panamax” ships to transit the Canal, and it is expected that some of these ships will begin service directly to selected Gulf Coast and East Coast ports, bypassing the West Coast. This will alter trade flows throughout the U.S. and increase traffic demands both at East/Gulf Coast ports and on the highways and rail lines that serve them. Government can help prepare to meet this challenge, and we are already taking action.

The TIGER program made \$14 million available to three ports in Maine – Portland, Searsport, and Eastport – to advance Maine’s long-term port development strategy and both develop new markets like wind turbines and make old markets like forest products more competitive. In Massachusetts, we awarded \$20 million to the Fast Track New Bedford project to reconstruct two freight rail bridges that serve the port.

We also provided \$22.3 million for improvements at Quonset Point, Rhode Island, to facilitate both the manufacture of wind energy equipment and the use of short-sea shipping to move goods between Rhode Island and other points on the East Coast. TIGER has also funded port improvements in California, Hawaii, and Alaska.

There is a renewed focus on water in the Department of Transportation. The Maritime Administration’s Marine Highway program seeks to revive a once-flourishing short-sea shipping industry on U.S. coasts and inland waterways. Marine highways can take freight that was traditionally carried by road or rail and move it instead by water -- along the East and West Coasts, the Gulf of Mexico, the inland waterways and the Great Lakes. The marine highways

can offer shippers an alternative to congested highways, but even more important, marine transportation is green transportation.

To tap into this great promise, the Department of Transportation is investing \$59 million in the new America's Marine Highway Program this spring, including \$52 million in TIGER grants for marine highway projects in the ports of Stockton and West Sacramento, CA and in Quonset Point, RI.

One of the challenges of this post-Panamax restructuring of trade flows is that distances between Gulf/East Coast ports and the producing and consuming regions they serve are much shorter than distances from West Coast ports. Distance favors rail movement of cargo, since the cost of handling in ports, and of drayage to and from intermodal rail yards, can be spread over a longer rail haul. Shorter hauls favor trucks. Growing volumes of truck traffic from our post-Panamax ports are likely to have an adverse effect on highway congestion and environmental sustainability.

To address these challenges, DOT made a number of major investments to improve freight rail in the East and Midwest. These include \$98 million for the National Gateway project, which will complement substantial state and private railroad dollars to create a corridor for double-stack rail movement of ocean containers that reaches from the ports of Wilmington, North Carolina, Newport News, and Baltimore to Chicago.

DOT also leveraged significant private and state dollars by providing \$105 million for the Crescent Corridor, which will improve rail corridors between the Northeast and South Central portions of the U.S., and fund a number of new rail intermodal terminals at various locations in the South.

Finally, DOT funded the CREATE project (Chicago Region Environmental and Transportation Efficiency) at \$100 million to remove bottlenecks that impede the flow of east/west and north/south rail traffic through Chicago, expediting movement of goods for both import and export across the U.S.

We are currently developing the guidance for the National Infrastructure Investments program funded in the FY2010 Appropriations Act. This program has somewhat different requirements from the TIGER Grant program, but the central focus of this program will remain the same – an outcome-oriented, performance-based program that focuses funding on investments in whichever modes are most effective in achieving our national transportation goals, and that relies on the best economic analysis and professional judgment available to identify projects that promise the biggest returns on our investment.

Similarly, the Administration has proposed a National Infrastructure Innovation and Finance Fund in our FY2011 budget request to provide funding for projects in whichever mode of transportation allows us to achieve our transportation goals in the most cost-effective way. And it will base its project selection on economic analysis to ensure that we get the maximum possible return on our investment.

We have also taken advantage of other statutory authority, such as the TIFIA (Transportation Infrastructure Finance and Innovation Act) program and the Private Activity Bond program, which allow the Department to provide loans or authority to borrow private funds at tax-exempt interest rates. These programs have helped to foster partnerships to provide funding for other projects that improve freight movement.

Ports are particularly appropriate venues for public/private partnerships, since ports have bonding authority and receive revenue from users.

Perhaps the most familiar example of this strategy is the Alameda Corridor, mentioned earlier. The corridor was funded with a mix of bonds, direct funding from the Ports of Los Angeles and Long Beach, and Federal and state contributions. All containers moving on the corridor are assessed a fee which is used to cover dispatching, maintenance, and bond repayment costs.

A less familiar example is the Shellpot Bridge, south of Wilmington, Delaware. This bridge is on a freight rail route that bypasses downtown Wilmington and provides access to the Port of Wilmington. When the owner of the bridge, the Norfolk Southern Railway, was reluctant to spend scarce capital funds on its rehabilitation, the State of Delaware agreed to make the money available – if the railroad would agree to pay a toll charge for each railroad car using the bridge. Five years into a 20-year agreement between the State and the railroad, more rail cars than anticipated are moving over the route, and it appears the State will recoup its investment with interest. Meanwhile, the railroad pays a per-car charge, rather than having to add the cost of the bridge to its capital investment base – thus converting a fixed charge into a variable cost.

One troubling problem is the need for better freight transportation data. The outcome-oriented, performance-based approach to transportation investment that we have emphasized relies on good freight transportation data to make possible the economic analysis of the benefits of freight transportation projects. At present there are major gaps in freight data availability.

For example, imports and exports are recorded in the Journal of Commerce's PIERS (Port Import/Export Recording Service) database, but inland movements of imports are not tracked separately. Data are lacking on many truck movements within metropolitan areas. Records of freight moved by rail in intermodal service often identify commodities as "FAK" (freight, all kinds) without further detail. The Commodity Flow Survey, on which we rely for data on freight flows, doesn't cover some categories of freight, and has too small a sample size to provide detailed commodity-specific data for many metropolitan areas.

We must focus on and invest in better data-collecting capacity. We also plan to make more extensive use of information technology to improve the performance of the freight system. For example, we monitor the speed and travel time reliability of two-thirds of the Interstate System through a cooperative arrangement with the trucking industry through which we receive GPS data from over 500,000 trucks. We are working with shippers in Kansas City to minimize unproductive truck traffic in their urban core through a pilot program that improves information sharing.

Intelligent Transportation Systems (ITS) are also being deployed to help carriers and shippers track shipments on intermodal connectors. Improved information on the location of cargoes can help shippers and consignees manage inventories to reduce costs, improve en route cargo security, and help government to make more effective decisions on transportation investments.

We are also working to reduce the adverse environmental and livability impacts of freight movements. As the volume of freight movements grows, noise, vibration, and pollution impacts on adjacent communities will become more severe. Too often, local communities feel that they are exposed to all the negative livability impacts of freight movements, while many of the benefits accrue to freight shippers and communities elsewhere. Recent controversies over the siting and operation of highway/rail waste transfer facilities and intermodal terminals in several states have brought this concern into sharp focus. Carefully targeted investments in freight infrastructure can reduce impacts on local communities, as well as improving environmental sustainability by enabling cargo to move on more fuel-efficient modes such as rail and water.

We also must remember that, while air cargo constitutes less than one percent of our international trade by tonnage, it represents almost 24 percent of our international trade by value. Moreover, because American exports are disproportionately high-value, light-weight products, they more commonly move by air than our imports do. About 30 percent of our exports move by air (by value) compared with about 20 percent of our imports. So when we think about transportation infrastructure that contributes to our exports, we have to think about airport infrastructure as well as surface transportation.

Finally, I want to mention Secretary LaHood's effort over the last couple of months to engage a diverse range of freight stakeholders through the Department's Surface Transportation Reauthorization Outreach Tour, which has so far held sessions in New Orleans, Minneapolis and Los Angeles. One recurring theme of these discussions has been that the effective and efficient movement of freight is a critical element in promoting and sustaining regional and national economic competitiveness.

As noted by virtually all these stakeholders, a coherent Federal freight plan must be developed that addresses these issues. At the Secretary's recent two-day Port Summit in San Diego, there was a consensus among port stakeholders that there must be a fully integrated transportation system in order to improve freight efficiency, improve environmental sustainability, and grow the economy. Freight stakeholders also emphasized the need to ensure a continuing funding stream for the full range of freight transportation projects, and continued encouragement of public-private partnerships within the freight sector.

I thank the Subcommittee for inviting me to testify today and would be happy to respond to any questions that you have.