

**Senate Transportation Sub-Committee on California Ports & Goods  
Movement**

**Informational Hearing  
Senator Alan Lowenthal, Chair**

**National Freight Policy: A Strategic and Vital Need**

March 1, 2011  
1:30 PM  
State Capitol, Room 4203

**Background Paper**

**Introduction**

“Our unity as a nation is sustained by free communication of thought and by easy transportation of people and goods...

Together the unifying forces of our communication and transportation systems are dynamic elements in the very name we bear — United States. Without them, we would be a mere alliance of many separate parts.”

*President Dwight D. Eisenhower, 1955*

**Overview**

Although freight policy has been part of the federal surface transportation bill process, it remains the orphan of U.S. transportation policy. The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21) of 1995 and the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) of 2005 (expired on September 30, 2009 with a Continuing Resolution through March 4, 2011) represented the largest surface transportation investment in the nation's history. In addition, these legislative efforts brought surface transportation into the 21<sup>st</sup> century by shaping the highway program to meet the Nation's changing transportation needs, and refining the programmatic framework for investments needed to maintain and grow the country's transportation infrastructure. Given these achievements, freight policy did survive beyond the discussion stage in the formulation, funding and deployment of Nation's transportation policy.

Overcoming the orphan status within the U.S. Department of Transportation and state agencies and building sustained support for a national freight policy and adequate funding has been difficult for the following reasons outlined in a May 2009 American Shipper magazine article:

- No Dedicated Federal Champion: Freight doesn't have a dedicated federal agency champion.
- No Stakeholder Voice: Transportation planning mostly ignores freight stakeholders.
- Overall Process too Split: Freight projects cross many jurisdictions that won't take the financial lead on something that only partially benefits them.
- Competing Interests: Government and industry often have competing interests.
- Lack of Consensus: Industry lacks consensus about which projects are worthy based on fears that some sector or region may gain a competitive advantage.

In order to meet 21<sup>st</sup> century competitiveness the nation's freight network must not only overcome the obstacles outlined above, but offer systematic reliability, stability and efficiency. In addition to the nation's freight network being robust, communities must grow and thrive with seamless mobility, economic vitality and livability.

The U.S Department of Transportation estimates the freight traffic will nearly double of the next 20 years.

### **Domestic Perspective**

An overview of the movement of maritime freight handled by the Nation's container ports in 2009 through mid-2010 is presented in the U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, *America's Container Ports: Linking Markets at Home and Abroad, 2011*. The principle findings and trends of this report are presented below:

- In the first half of 2010, U.S. container ports handled a total of 110 million metric tons of containerized cargo, 17 percent higher than the 95 million metric tons handled in the same period in 2009, but down 8 percent from the 120 million metric tons handled in 2008.
- Both U.S. containerized exports and imports rose during the first half of 2010, as U.S. businesses replenished low inventories and production activities increased. Despite this upturn, maritime container exports for the first half of 2010 were down 6 percent from 2008 levels and container imports were down 9 percent.

- The growth in cargo activity at U.S. container ports during the beginning of 2010 followed a challenging year in 2009, when the tonnage of container cargo handled by the Nation's ports fell by 10 percent when compared to 2008.
- The growth in container traffic in early 2010 affected various sectors of the freight transportation sector. During the first half of 2010, active containership capacity worldwide reached 13 million TEUs (20-foot equivalent units—a measure for counting containers), up 15 percent from the previous 6 months, as the number of idled vessels fell and new vessels were delivered for service.
- The number of intermodal shipping containers and truck trailers transported nationwide on railcars by U.S. Class I railroads during January to June of 2010 was 5.2 million units, up 12 percent from 4.6 million moved by rail during the same period in 2009, but down 7 percent from 5.6 million in 2008.
- In 2009, the most recent period for which global data are available, worldwide container TEUs declined 15 percent, compared to 2008.
- Despite recent fluctuations, today 1 container in every 11 that is engaged in global trade is either bound for or originates in the United States, accounting for 9 percent of worldwide container traffic.
- U.S. container ports handle more TEUs of imports than exports, although the percentage of exports has increased during the most recent 3 years. In 2009, maritime container imports passing through U.S. seaports accounted for 58 percent of total container traffic, down from its peak of 67 percent in 2006.
- On a typical weekday in 2009, U.S. container ports handled an average of 68,000 TEUs of freight, up from 37,000 TEUs per day in 1995, but down from the peak of about 78,000 in 2007.
- In 2009, the top 10 U.S. container ports accounted for 85 percent of U.S. containerized TEU imports and exports, up from 78 percent in 1995.

West coast ports as a region grew the fastest of any port region between the mid-1980s and 2009, but since 2007 the region has experienced the sharpest decline in container traffic. Between 2007 and 2009, total TEUs handled by west coast ports declined 22 percent, compared with 13 percent decline for east coast ports and less than 1 percent increase for gulf coast ports.

The west coast ports finding outlined in the above mentioned report contributed to the April 2009 joint letter by the California, Oregon and Washington Transportation Commissions to United State Senator, Maria Cantwell. The following highlights of the letter stress the vital and important commercial impact of west coast gateways and critical need for a comprehensive national freight policy and investment strategy:

*Goods movement policy efforts of the West Coast states of California, Oregon and Washington are built on the premise that freight movement crosses states' borders, is multi-faceted, and because of the impact of freight movement on our states' and nation's economy, we believe it requires specific federal attention as an economic, infrastructure and environmental priority. Our states are home to five of the nation's ten foreign container seaports, seven of North America's top*

*40 cargo airports and several border crossings. The West Coast trade and transportation system is a critical gateway for freight traffic entering/ leaving the country while also serving the domestic trade traffic between mega-regions on the West Coast and the rest of the United States. Our states share the I-5 Corridor, connecting our NAFTA partners Mexico and Canada, as well as the Burlington-Northern Santa Fe and Union Pacific Railroads, and we are the nation's gateway to the Pacific Rim trade corridor...*

*The West Coast states are major entry points for the US commerce and have an opportunity to help shape the debate over a national freight policy that is consistent with each state's economic, infrastructure and environmental policies. Rapidly increasing freight volumes is one of the challenges facing America's transportation system that cries out for increased federal attention and investment. We strongly believe that ensuring a strong and globally competitive economy, facilitating interstate commerce, and protecting our national security and safety are in our collective and national interest. As the nation's gateway to Asia, our states have been paying the price for the lack of federal government attention to the infrastructure requirements needed to meet this historic shift in trade patterns. The burden of paying and environmental to address the growing volume of commerce has been borne by our states and local agencies. Our communities also bear the physical and environmental impacts of goods traverse through our regions and states to national markets...*

*The economic output of the West Coast region and its role from a national perspective cannot be overstated. The West Coast's ability to compete in the national and world markets goes beyond its natural resources and technological capacities, but also demands an efficient transportation system that can deliver products reliably, cost effectively and on time. Faced with the need to expand capacity of the freight transportation system, the next authorization should create a dedicated freight program focused on sustaining the nation's economic vitality through investments in projects that help improve the flow of freight, connect markets and facilitate exports. To this end, the West Coast states request your support for incorporating these recommendations into a dedicated freight program as Congress works toward the next authorization of the Federal Surface Transportation Act.*

## **Global Perspective**

The U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, *Freight Transportation: Global Highlights, 2010* provides the following global overview of the Nation's freight transportation activity:

To move large quantities of goods across the country and around the world, Americans depend on the Nation's freight transportation system—a vast

network of roads, bridges, rail tracks, airports, seaports, navigable waterways, pipelines, and equipment. Today, U.S. households can buy fresh fruits and vegetables in mid-winter, expect fast and reliable next-day deliveries of Internet purchases, and use electronic appliances manufactured thousands of miles away, often in other countries. Because economic activities worldwide have become more integrated and globalized, more goods produced by U.S. factories and farms are bound for export, and imports originate from more than 200 countries. This pace of trade Americans have become accustomed to is made possible by the complex intermodal transportation network that blankets the country and links the United States with world markets.

The movement of international freight among nations relies on a complex array of long-distance transportation services. The process involves many participants, including shippers, commercial for-hire carriers, third-party logistics providers, and consignees. Moreover, global trade depends on seaport and airport services to move large volumes of merchandise over long distances via a variety of transportation modes. The interaction of these services and participants is vital to successful global trade.

In 2008, U.S. carriers received \$22 billion for commercial freight services provided to businesses in other countries. U.S. seaports and airports received \$36 billion for port services. U.S. firms paid \$45 billion to foreign carriers for freight services and \$27 billion to foreign ports for port services (US Department of Commerce Bureau of Economic Analysis 2009).

There are dynamic industry-wide changes that continue to influence and shape the global freight industry as worldwide international trade is transformed by the global economy. The principal forces that are likely to affect future international merchandise trade and freight movements include the following:

- changes in U.S. reliance on imported consumer products,
- China's expanded role in the world economy and global trade,
- fluctuations in fuel prices and transportation costs,
- environmental concerns, and
- a rise in Internet shopping and on-demand deliveries.

These global forces and the pace of U.S. reliance on imported consumer products may affect the movement of freight from, to, and within the United States. Increased freight movements resulting from future resumption of growth in worldwide merchandise trade could affect US freight gateways and the relative dominance of particular seaports, airports, and land border crossings.

## **Conclusion**

The concept of mobility is so fundamental to the American Dream, integral to our national character, and necessary to our economic wellbeing, that it is imperative that our surface transportation system, in all its varied modes, be the best in the world. The American people need it, demand it, and deserve it. The Commission believes that the Nation's leaders must provide it for them—free of parochial interests, cognizant of energy sustainability and environmental impacts, and providing for the needs of all who use it and depend upon it.

This will require a sea change in the way surface transportation is planned, funded, and delivered. It will require courageous decision making, financial innovation, and unity of purpose. Most importantly, it will require a return to a national vision of a system that is integrated in its network, varied in its modes, and dedicated to providing safe, efficient, and congestion-free movement of people and goods. The United States of America should do no less. (p.54) "Transportation for Tomorrow: Report of the National Surface Transportation Policy and Revenue Study Commission."