

Coalition for America's Gateways and Trade Corridors

AECOM

Alameda Corridor-East
Project, San Gabriel Valley
Council of Governments

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

City of Industry

COMPASS – Community
Planning Association of
Southwest Idaho

Dewberry

Florida Department
of Transportation

Florida East
Coast Railway

Florida Ports Council

Florida Transportation
Builders' Association, Inc.

Freight Mobility Strategic
Investment Board
(Washington State)

Gateway Cities Council of
Governments

Great Lakes Dredge
& Dock Company

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

Port Authority of
New York & New Jersey

Port Houston

Port Newark Container
Terminal

Port of Hueneme

Port of Long Beach

Port of Los Angeles

Port of New Orleans

Port of Oakland

Port of San Diego

Port Tampa Bay

Port of Vancouver USA

Ports America
Chesapeake

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

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Executive Director

Chicago Metropolitan Agency for Planning

Board Member

Coalition for America's Gateways and Trade Corridors

REGARDING

Where's My Stuff?: Examining the Economic, Environmental,
and Societal Impacts of Freight Transportation

BEFORE

The House Committee on Transportation & Infrastructure's
Subcommittee on Highways and Transit

and

Subcommittee on Railroads, Pipelines, and Hazardous Materials

DECEMBER 5, 2019

I appreciate the opportunity to testify before two distinguished panels and thank the Subcommittee on Highways and Transit and the Subcommittee on Railroads, Pipelines, and Hazardous Materials for joining together on this important subject – after all, efficient freight movement requires multiple modes working together seamlessly and reliably. Improving the freight system to meet our growing freight needs is critical to our nation’s economic competitiveness. Thank you for your leadership, Chair Norton, Chairman Lipinski, Ranking Member Davis, and Ranking Member Crawford.

I am representing both the Chicago Metropolitan Agency for Planning (CMAP) and the Coalition for America’s Gateways and Trade Corridors (CAGTC), a diverse coalition of more than 60 public and private organizations dedicated to increasing federal investment in America’s multimodal freight infrastructure.

CMAP is the federally-designated Metropolitan Planning Organization for the northeastern Illinois counties of Cook, DuPage, Kane, Kendall, Lake, McHenry, and Will. We represent a region of nearly 8.5 million people, working closely with the region’s 284 communities to address transportation, housing, economic development, open space, environment, and quality of life issues. Our most recent plan, *ON TO 2050*, calls for bold steps toward a well-integrated, multimodal transportation system that seamlessly moves people and goods within and through metropolitan Chicago. To strengthen our economic competitiveness while improving quality of life, freight recommendations in the plan emphasize strategic investment in the freight network, improving local and regional truck travel, and mitigating the negative impacts of freight – congestion, safety, and air quality – on adjacent communities.

The CMAP region is North America’s freight hub. Six of the seven Class I railroads operate in our region, with one-fourth of the nation’s freight rail traffic and nearly half of all intermodal trains passing through Chicago. Approximately 18 million twenty-foot equivalent units (TEUs) of cargo moved through the region’s twenty rail-truck intermodal facilities in 2018, an increase of 52 percent since 2009.¹ In short, our region moves more freight than the busiest seaports in the country.

As national freight demands grow, so too does the stress on our regional infrastructure. In 2003, the nationally and regionally significant Chicago Region Environmental and Transportation Efficiency (CREATE) program was formed. This innovative partnership between the U.S. Department of

¹ Chicago Metropolitan Agency for Planning, *Chicago Intermodal Facility Lift Counts and Regional TEU Estimate*, November 2019. <<https://www.cmap.illinois.gov/mobility/freight/freight-data-resources>>

Transportation, the State of Illinois, Cook County, the City of Chicago, Metra, Amtrak, and U.S. freight railroads is a 70-project, \$4.6 billion plan to improve the efficiency and effectiveness of freight, commuter, and intercity passenger rail and to reduce highway delay in the Chicago region.

Chicago has been a national rail hub for almost 150 years. Every day nearly 500 freight trains and more than 760 passenger trains operate in the region. But the rail lines, built over a century ago, were not built for the volumes nor the types of freight being carried, turning Chicago into the nation's largest freight rail chokepoint. Rail congestion, resulting in delays and unreliable transit times, can be exacerbated by increased demand and severe weather. In 2014, for example, congestion in Chicago caused lingering service disruptions for farmers across the Upper Midwest. Revenues decreased due to increased transportation and storage costs and losses caused by spoilage.² CREATE aims to address such bottlenecks to increase the reliability and efficiency of the region's rail infrastructure. More than \$1.6 billion has been spent or committed, with an estimated \$3 billion needed to complete the full program. To date, federal sources have provided 40 percent of spent and committed funds.

CREATE includes 25 rail grade separation projects to reduce freight and motorist delay and improve safety. Although only seven of the separations have been completed thus far due to insufficient funding, the success of CREATE cannot be underestimated. Whereas it once took freight trains more than 40 hours to pass through the Chicago region, due to implementation of CREATE, this is down to 25-30 hours. With continued funding, delays can be further reduced.

Our nation's ability to move goods safely, reliably, and expeditiously keeps U.S. businesses competitive in the global marketplace and supports a higher standard of living for all. In 2015, this Committee created the first-ever dedicated freight program in the Fixing America's Surface Transportation (FAST) Act. The program began an important dialogue and has taught us much in the intervening years since passage. Most importantly, it brought into focus the incredible magnitude of freight needs across the country, setting the stage for the 2020 reauthorization. I urge you to make a robust freight program the hallmark of this upcoming reauthorization.

² U.S. Department of Agriculture, *Rail Service Challenges in the Upper Midwest: Implications for Agricultural Sectors – Preliminary Analysis of the 2013-2014 Situation*, January 2015.
<https://www.usda.gov/oc/economics/papers/Rail_Service_Challenges_in_the_Upper_Midwest.pdf>

All infrastructure investment has well-documented economic benefits, but freight infrastructure investment is inextricably linked to the long-term health of our national economy. The multimodal freight network directly supports 44 million jobs and impacts every American’s quality of life.³ Unfortunately, chronic underinvestment in our national transportation system has resulted in a “dysfunction tax.” U.S. companies spend around \$27 billion annually in extra freight transportation expenses due to congestion,⁴ and the total cost of congestion is estimated at \$1 trillion annually – roughly seven percent of U.S. economic output.⁵

Population growth will present capacity challenges across our multimodal system, which currently moves 55 million tons of goods daily, worth more than \$49 billion.⁶ That’s roughly 63 tons per person annually; meanwhile, the U.S. population is expected to increase by 70 million by 2045 to reach a total of 389 million people.⁷

But it’s not just population growth that is putting stress on our systems. Consumer demands have shifted dramatically over the last decade. Notably, the rise in e-commerce and quick delivery is shifting supply chains and requiring metropolitan areas to refocus their plans with these trends in mind. CMAP is currently undertaking a research project to better understand and respond to the impacts of growing e-commerce on the transportation system, land use, and fiscal condition of communities. We look forward to sharing the results of this project with the Committee next year.

Public investment in our nation’s multimodal freight infrastructure is chronically inadequate to meet the system’s demands. States and localities have attempted to increase their infrastructure funding – since 1993, 42 states have raised their own gas taxes.^{8,9} My home state of Illinois, for example, this year increased the gasoline tax by 19 cents per gallon and the diesel tax by 24 cents per gallon; both are now

³ 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>

⁴ 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>

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

⁸ Institute on Taxation and Economic Policy, *How Long Has It Been Since Your State Raised its Gas Tax?*, May 2019. <<https://itep.org/how-long-has-it-been-since-your-state-raised-its-gas-tax-0219/>>

⁹ Institute on Taxation and Economic Policy, *Most States Have Raised Gas Taxes in Recent Years*, June 2019. <<https://itep.org/most-states-have-raised-gas-taxes-in-recent-years-0419/>>

indexed to inflation. However, states and localities cannot, and should not, shoulder the burden of nationally-significant freight movement alone. Through the Commerce Clause of the Constitution, the Federal Government is tasked with supporting interstate commerce. More than 77 percent of U.S. freight crosses state lines, illustrating the need for a federal role in freight planning and investment.¹⁰ At its peak, the Federal Government provided 38 percent of public infrastructure funding, but that number has fallen to just 25 percent in recent years.¹¹ This places a strain on communities and local governments, many of whom have already raised user fees and are struggling to determine where to find additional funds.

While Congress and infrastructure advocates have contemplated a variety of federal funding solutions for transportation infrastructure, our group has coalesced around a waybill fee dedicated to freight infrastructure improvements, such as the one proposed by Congressman Lowenthal of this Committee. A waybill fee assessed on the cost of surface transportation movements would not skew the market for services and would grow along with the demand for freight transportation. Freight infrastructure needs are significant and continue to grow; CAGTC remains committed to exploring solutions that will provide robust and dependable funding.

Many of freight infrastructure's largest, most complex, and most desperately needed improvements cross local and state boundaries and occur where multiple modes come together. These instances frequently require a partnership at the federal level to untangle chokepoints that burden our communities and slow commerce.

The FAST Act created a number of much-needed tools to address the challenges described. The Nationally Significant Freight and Highway Projects Program, or INFRA program, is a competitive grant program designed to target investments in large freight and highway projects and contains criteria written into law that focus on goods movement infrastructure. The FAST Act also authorized the Consolidated Rail Infrastructure and Safety Improvements (CRISI) Program, which provides grants for projects that improve the safety, efficiency, and reliability of intercity passenger and freight rail systems.

¹⁰ 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>

¹¹ Council on Foreign Relations, *The State of U.S. Infrastructure*, October 2017. < <https://www.cfr.org/background/state-us-infrastructure>>

According to a 2019 study by the Congressional Research Service, “discretionary grants may be more effective in providing large amounts of federal funding for very costly freight-related projects, particularly those requiring interstate cooperation.”¹² Competitive grant programs such as INFRA and CRISI 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 typically 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. Through the INFRA grant program’s four rounds, USDOT awarded \$2,394,979,933 to projects with a strong freight component. Those monies combined with funds from various other sources to result in \$11,089,207,231 in total project investments – meaning 78.4 percent of funds came from sources other than the INFRA grant program.

Prior to joining CMAP, I was the director of planning and programming at the Illinois Department of Transportation (IDOT), responsible for long range multimodal planning and setting priorities for spending federal funds. I was at the table when IDOT and the CREATE partners were developing the INFRA application for the recently funded 75th Street Corridor Improvement Project (CIP). Recognizing the national significance of the CREATE program, USDOT awarded the 75th Street CIP, located on the south side of the City of Chicago, \$132 million through the INFRA program’s FY17/18 funding round. Historically, IDOT submitted several applications for USDOT’s competitive programs from across the state. What was different this time was that CREATE partners agreed to only submit one INFRA application from the region – everyone’s top priority. CREATE partners leveraged the federal INFRA ask with \$342 million in local funds to pay for the first portion of this project to separate several freight and passenger rail lines. While more funding is necessary to complete the project, this investment will ultimately improve the reliability and travel time for more than 200 freight trains, 30 Metra commuter trains, and 10 Amtrak trains daily. Benefits will begin to accrue upon completion of the first portion; however, \$474 million represents less than half the funds needed to complete the project. Completion of the full project will result in an anticipated \$3.8 billion of economic benefits.

¹² Congressional Research Service, *Freight Issues in Surface Transportation Reauthorization*, January 2019. <<https://fas.org/sgp/crs/misc/R45462.pdf>>

The INFRA program's ability to leverage federal dollars is impressive; but a small federal ask, or likewise, a significant private contribution should not be the primary considerations when deciding to fund a project. Perhaps more important are project outcomes – USDOT must consider the national benefits of a project, not just the source of the matching funds. Projects should first be evaluated on their ability to meet the program's goals, based on measureable and objective criteria defined by Congress. Just because a project requires less federal investment, does not make it the most valuable investment for the nation.

Complementary to the INFRA competitive grant program is the FAST Act's freight formula program, which allows state departments of transportation to target freight system improvements, like first and last mile connectors. Some states, such as California and Illinois, have distributed the federal freight dollars through a state-level competitive program.

To make the most out of FAST Act funds, IDOT developed a transparent, performance-based, competitive program to ensure the dollars allocated provided the greatest return on investment. One of the challenges the agency had to overcome was an internal one – changing the internal conversation about transparency and performance metrics related to programming. Would we get an unwieldy number of projects if we posted the project evaluation criteria, or would we get better projects? In the end, it was the latter. Of 23 projects selected, 17 went to local agencies, and the non-federal match across the program was 35 percent. \$17 million was awarded to intermodal projects that do not traditionally have access to federal funding sources.

In order to increase the flexibility afforded to state departments of transportation, we encourage Congress to eliminate the cap on non-highway projects, currently set at 10 percent of total funds, so each state can invest in its most pressing supply chain needs, regardless of mode. It should be noted, that even administered as a state-level competitive grant program, the formula program is not a replacement for INFRA, which funds nationally and regionally significant projects that frequently span multiple states and jurisdictions. As stated previously, such freight projects require a federally-administered competitive approach.

Recommendations

We need a strategic freight mobility program that prioritizes the current economic needs of our country while planning for generations to come. This campaign of strategic investment should expand capacity

and increase efficiency, regardless of mode or political jurisdiction. Without such a campaign, U.S. productivity and global competitiveness will suffer.

To address these needs, we respectfully ask that Congress:

Develop a national strategy that guides long-term planning: We need a national “vision” and strategy to shape and guide our freight infrastructure needs. Such a strategy should have active coordination among states, regions, and localities and should endeavor to anticipate freight needs extending over multiple decades to allow for a smooth path for free-flowing freight both today and into the future.

Planning tools, such as the National Freight Strategic Plan (NFSP), the National Freight Network, and the National Multimodal Freight Program, should account for resiliency, route redundancy, and shifting trade patterns. The NFSP would be enhanced by the inclusion of a comprehensive analysis of our system’s freight infrastructure investment needs, created with high-quality data sets. Currently, planning is often frustrated by incomplete and outdated publicly available data sets. Recognizing that developing this analysis is a challenge, due to factors such as mixed-use infrastructure and intertwined public and private infrastructure, it is nevertheless a critical tool.

An office of 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. Because the movement of goods spans different modes of infrastructure, specialized knowledge at the federal level is essential. An office of multimodal freight will allow experts in the unique operational and economic needs of each mode to work together to make the best investments in our system. Additionally, this investment strategy should include innovative and flexible approaches to structuring federal financial assistance in a manner that encourages private sector investment.

Provide sufficient levels of funding that are dedicated, sustainable, and flexible: 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. Funding should be based on revenue sources that are predictable, dedicated, and sustained. Because they are the primary beneficiaries of any system improvements, owners of goods should be part of the revenue user-base.

Existing programs available to freight infrastructure, like the INFRA competitive grant program, are oversubscribed. For example, in the combined FY17/18 round, the INFRA grant program saw \$12 in *unique* requests for every \$1 available. Currently funded at an average of \$900 million annually, given this level of oversubscription, CAGTC calls for an annual investment of \$12 billion in multimodal freight investment through a competitive grant program.

As we approach the FAST Act's reauthorization next year, we encourage Congress to not only increase the funding levels of both the freight formula program and the INFRA grant program, but to also eliminate the caps on non-highway spending under both 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.¹³ 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. Goals should include increasing national and regional 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. 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. The U.S. Department of Transportation's decision-making process should be made transparent to ensure the integrity of the evaluation process.

Form 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. We recommend that Congress consider establishing an advisory council made up of freight industry members and system users who could assist and partner with the U.S.

¹³ U.S. Department of Transportation, *Beyond Traffic*, February 2015.
<http://www.dot.gov/sites/dot.gov/files/docs/Draft_Beyond_Traffic_Framework.pdf>

Department of Transportation in order to optimize results from planning, coordination, and evaluation processes.

Provide oversight of existing freight programs: We recommend Congress 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 first round of the INFRA grant program and encourage Congress to continue such oversight to aid decision-making transparency and adherence to Congressional intent.

The FAST Act's freight programs are increasing the safety, efficiency, and reliability of our nation's goods movement system, but they are only a beginning. On behalf of CAGTC and CMAP, I encourage you to implement these recommendations to improve the nation's competitiveness and respond to a changing economy. I thank Members of the Transportation and Infrastructure Committee for their time and attention to this critically important topic.