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**Testimony before the
National Surface Transportation and Policy
Revenue Study Commission**

**How A Critical Commerce Corridors Program
Will Improve the Performance of Our
Transportation System**

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Madame Secretary, members of the Commission, I am very pleased to be here to testify on behalf of the American Road and Transportation Builders Association (ARTBA), the consensus voice of the transportation construction industry. I am Charles Potts, CEO of Heritage Construction & Materials in Indianapolis, Indiana. I am also the first vice chairman of the American Road & Transportation Builders Association.

ARTBA, which celebrated its 100th anniversary in 2002, has over 5,000 member firms and member public agencies from across the nation. They belong to ARTBA because they support strong federal investment in transportation improvement programs to meet the needs and demands of the American public and business community. The industry we represent generates more than \$200 billion annually in U.S. economic activity and sustains 2.5 million American jobs.

Thank you for the opportunity to appear before this field hearing of the National Surface Transportation Policy and Revenue Study Commission to address the critical topic of how to meet the nation's surface transportation needs.

Surface Transportation Needs

The challenges facing the nation's surface transportation network are vast and require thoughtful deliberation. In approaching any complex policy challenge, it is always appropriate to begin with an empirical analysis of the problem that is attempting to be solved. As such, I want to begin my testimony with ARTBA's analysis of the documented highway and transit investment needs from the U.S Department of Transportation's 2006 Conditions and Performance Report (C&P Report).

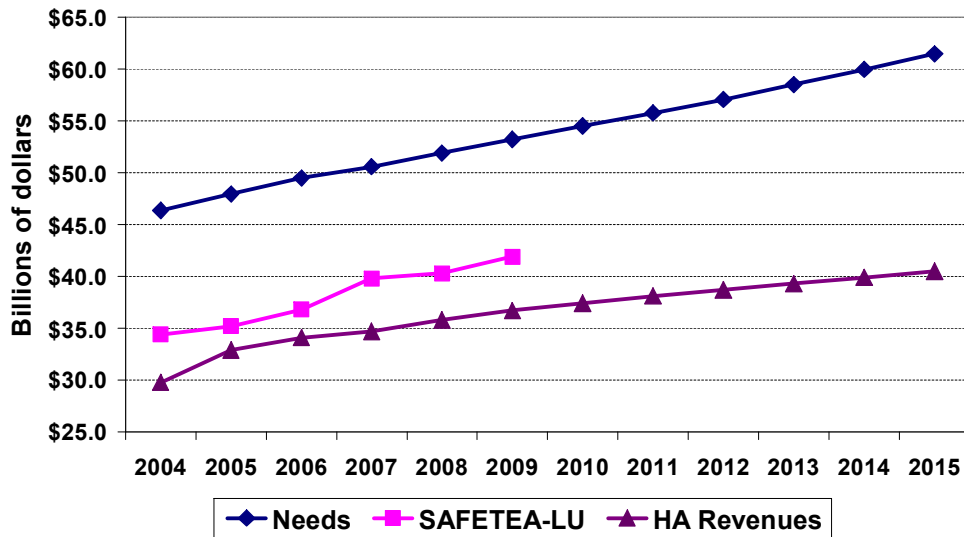
Highway Investment Needs

The information in this valuable biennial report can and should be used by the Commission to form the core of its funding recommendations to Congress for the next surface transportation authorization bill and beyond. But the report contains some serious shortcomings that must be rectified before the information can serve that purpose:

- The report emphasizes a definition of the cost to maintain current highway and bridge conditions that we, unfortunately, believe is the wrong metric for a policy objective. Under this scenario, physical conditions on highways and bridges would be maintained, but congestion would worsen, according to the report, because it would finance too little new highway capacity. On the contrary, the report shows an annual investment of \$89.7 billion in 2004 dollars would maintain congestion at its current level and improve physical conditions.
- The report does not tell the actual investment required each year to maintain conditions, but instead presents all amounts in "constant 2004 dollars". This assumes the dollar will maintain the same purchasing power in the future as in 2004. But rising construction wages and material prices mean state and local DOTs must spend more each year for the same amount of construction. The investment figures in the report thus must be adjusted to reflect rising construction costs. There is no comprehensive official measure of highway construction costs, so ARTBA uses the Consumer Price Index to translate the investment requirements into actual dollars.
- The report fails to identify the federal share of highway investment needs, instead focusing on the total investment required by all levels of government. In recent years, the federal share of capital outlays has averaged 43 percent. ARTBA uses this plus a margin for administration, research and the typical spendout to compute the federal share.

Applying these adjustments, ARTBA found that federal highway funding in the next surface transportation bill would have to start at \$54.5 billion in FY 2010 and grow to \$61.5 billion by 2015 just to maintain current highway physical and performance conditions. The U.S. Department of Treasury predicts Highway Account revenues will total \$37.4 billion in FY 2010 and grow to \$40.5 billion by FY 2015. This comparison is shown in Figure 1.

Fig. 1 - Highway Investment Needs Exceed SAFETEA-LU Funding and Highway Account Revenues



Three other aspects of the *Conditions and Performance Report* are also important for the Commission’s work.

- First, the investment requirements identified in the report focus on the existing highway and bridge system. The FHWA model can identify needed improvements and capacity additions to current corridors, but can’t identify the need for new “greenfield” roads. The need for new roads as the economy grows adds to the amounts in the report.
- Investment figures in the report assume an ideal list of highway improvements will be undertaken, based on the ratio of economic benefits to costs. But Congress and state/local DOTs factor other considerations into highway investment decisions, such as distributing highway funds equitably and earmarking funds for projects desired by constituents. Neither approach guarantees selection of the ideal set of highway improvements as identified by the model based on economic benefits. As a result, the real-world funding needed to maintain conditions will be above the levels shown in Figure 1.
- The report also suggests that investment requirements could be significantly reduced through an aggressive congestion pricing program, where state and local DOTs place tolls on roads and charge higher prices to use roads at peak travel times. While a theoretical possibility, implementing a national system of congestion pricing faces several practical obstacles. Although some metropolitan areas could clearly initiate such a program, other areas are statutorily precluded from implementing tolls on existing roadways and would require legislative action to move forward with such an initiative. In addition, it may be difficult for new congestion pricing initiatives to be implemented by the time the current highway and transit programs expire—a deadline necessary to reduce the federal government’s investment responsibilities shown in Figure 1 for the 2009 reauthorization bill.

Transit Needs

The 2006 C&P report calculates that all levels of government must invest \$15.8 billion in 2004 dollars each year to maintain current physical conditions and operating performance on the nation's mass transit systems. After incorporating projected inflation and applying the current federal share of transit investment, the C&P data suggest federal transit funding in the next surface transportation bill would need to be \$9.3 billion in FY 2010, rising to \$10.5 billion by FY 2015. By comparison, guaranteed funding for the transit program in SAFETEA-LU is \$10.34 billion in FY 2009, or slightly more than needed to maintain current conditions. It should be noted, however, that some of the SAFETEA-LU transit funds are for new transit systems, which are not included in the needs report. Moreover, the federal share of transit needs for FY 2010-2015 exceed projected revenues into the Mass Transit Account, which means additional revenues would still be required.

Short-Term Solution to Transportation Challenges

It will be impossible for the federal government to meet its highway and transit investment responsibilities in the next surface transportation bill without an increase in Highway Trust Fund revenues. As Figure 1 demonstrates, there will be an annual average gap of \$19 billion between available revenues and documented needs during the next reauthorization cycle.

ARTBA believes the short-term investment objective for the next reauthorization bill should be, at least, maintaining current conditions and congestion levels as quantified in the 2006 C&P Report. As such, supporting the projected outlays necessary to meet the annual investment needs would require increase in the federal motor fuels tax of about 8.5 cents per gallon at the start of FY 2010, assuming an 80-20 split of new revenues between the Highway and Mass Transit Accounts. The necessary increase would grow to about 10 cents per gallon in FY 2015. These increases would just fund total outlays over the six-year period, with the Account's balance growing a bit at the start and going back to zero by the end of the next authorization measure.

Madame Secretary, there are no easy answers to the nation's transportation challenges. As Commissioners review the short-term options available to generate the revenues clearly needed to prevent dramatic highway investment cuts and meaningfully address the needs of the nation's surface transportation network, all meaningful alternatives have political difficulties. There are also options available that have less political risk, but these options fall short of delivering comprehensive solutions. We urge the Commission to focus on alternatives that meet the nation's transportation needs and not perceptions about political reality.

Long-Term Challenges

The challenges facing the nation's surface transportation infrastructure system are indeed multi-dimensional. As described in the previous section, it is essential that increased Highway Trust Fund revenues are generated to begin addressing the nation's existing highway and transit needs in the 2009 surface transportation reauthorization bill. We must also launch a proactive strategy to meet the long-term challenge of freight movement. The interrelatedness of these two critical elements, however, cannot be overlooked—any attempt to address the looming growth of freight without addressing existing revenue shortfalls and system needs is destined to fail; and an exclusively short-term policy focus will certainly place the U.S. in a freight-related transportation crisis several years from now.

When American citizens and elected officials think about the nation's transportation challenges, the common focus is on congestion, public safety, and overall quality of life. These outcomes alone warrant dramatic upgrades to the nation's highway, transit and rail networks. What is often overlooked, however, is the role effective transportation systems play in a country's competitiveness

in the global marketplace. Transportation networks are the circulatory system of an economy and can enable, or impede, domestic and international commerce through the efficiency of freight transportation.

This undeniable fact is clearly recognized by the activities of certain U.S. major trading partners and competitors:

- In 2004, China announced the initiation of a 52,000 mile expansion of its National Transportation Highway System. It should be noted that in 2001, China's investment in highway infrastructure was 2.5 percent of the nation's gross domestic product (GDP). By comparison, U.S. highway investment in 2004 represented 0.65 percent of GDP.
- India has launched a \$50 billion upgrade for its 40,000 miles of expressways.
- The European Union (EU) in 2005 identified "30 Priority Axes"—critical transnational transportation improvement projects slated for \$300 billion in improvements. The EU also has set goals of expanding its highway capacity by almost 3,000 miles and rail network by nearly 8,000 miles by 2020.

These countries have made commitments to improving their surface transportation systems because they recognize the direct correlation between economic strength and the effectiveness of national infrastructure networks. It is logical to ask, is the U.S. responding in kind?

Constitutional Role

The U.S. Constitution provides a foundation for a strong and permanent federal role in surface transportation policy by giving Congress the responsibility of regulating commerce among the states and with other nations. A national, coordinated system of well-maintained highways and bridges with intermodal linkages must exist in support of interstate commerce and commercial export. The Constitution also requires the federal government to provide for the national defense. To meet this responsibility, the federal government must ensure that efficient transportation facilities are available to expedite emergency and military mobilizations.

The ability to move freight efficiently and securely and respond rapidly to national emergencies is largely dependent on the adequacy of the nation's surface transportation infrastructure network. It is imperative to recognize, however, these are true national challenges that require national solutions. In both freight movement and emergency preparedness, a systemic approach must be taken that transcends the borders of individual states or regions. While freight movement and emergency preparedness represent their own distinct challenges, developing an infrastructure network that allows the reliable movement of freight would provide the capacity and redundancy necessary for effective responses to national emergencies.

Void in Transportation Policy

There is currently no comprehensive national strategic initiative targeted at facilitating the efficient and secure movement of freight in the U.S. The scope of this challenge is beyond the ability of an individual state or local planning authority to address. While several programs have been created that are related to this challenge, such as SAFETEA-LU's trade corridor and projects of regional and national significance programs, they do not provide the comprehensive approach necessary to deliver a national freight movement system that will allow the U.S. to retain and improve its global competitiveness. The U.S. economy and business community require a surface transportation network that provides for the predictable and reliable movement of freight.

The development of a national freight strategy is more important now than ever. Between 1980 and 2004 U.S. vehicle miles traveled doubled, with truck travel increasing faster than automobile travel in recent years. At the same time, total lane mile capacity increased only six percent. The result is growing traffic congestion and bottlenecks at critical freight transfer points and in communities

across the nation. As we look to the future, the amount of freight tonnage shipped on roadways by truck is projected to double by 2035 and trucking's share of total freight tonnage is estimated to grow from 76 percent to 80 percent.

To better understand this boom in freight movement over the next 30 years and its specific impact, Chart 1 demonstrates the projected growth in truck traffic by state and the ultimate destination of these shipments. According to the latest data from the Federal Highway Administration's Freight Analysis Framework, the total value of freight shipments by the 50 states and the District of Columbia in 2002 totaled \$11.1 trillion. Of this amount, \$8.4 trillion was shipped solely via truck, accounting for 76 percent of all freight shipments. Nearly \$3.8 trillion in truck shipments (34 percent of all freight shipments) went to out of state destinations, of which \$2.2 trillion went to destinations in non-neighboring states.

By comparison, the total value of freight shipments by the 50 states and the District of Columbia is expected to more than double to \$29.6 trillion in 2035. Of the total value of freight shipments, \$21.7 trillion is expected to be shipped solely via truck, accounting for 73 percent of all freight shipments. Nearly \$10.4 trillion in truck shipments (35 percent of all freight shipments) will go to out of state destinations, of which \$6.0 trillion is projected to go to out of state destinations that are not neighboring states.

The Freight Analysis Framework data clearly demonstrate the dependence of shippers in one state on the highway network in other states. Correspondingly, this information also conclusively proves an efficient national system for the movement of freight is necessary.

New Course for U.S. Transportation Network

Recognizing this is a situation that can no longer be left unaddressed, ARTBA is proposing a new 25-year federal initiative focused exclusively on developing the surface transportation capacity necessary to facilitate the secure and efficient movement of freight. The "Critical Commerce Corridors" (3C) Program would be funded outside the federal gasoline excise by new freight-related user fees and potentially other mechanisms with resulting revenues statutorily "fire-walled" for use only on "3C" projects. This program would complement, not supplant, the existing core highway and transit programs.

This approach to transportation policy would enable a holistic surface transportation network to be developed that truly addresses the nation's varied mobility and economic challenges.

A consistent theme, if not goal, in the last three federal surface transportation program reauthorization bills has been to provide increased flexibility to states in use of their federal highway funding. The argument that state and local authorities—or even elected federal representatives—know best the unique transportation challenges and needs of their area and constituents and should thus have control in directing the application of federal highway funds can be powerful.

Sometimes, however, meeting national needs means allowing a federal role that uses funds collected from the citizenry as necessary to meet national objectives. While much of the current federal highway and public transportation programs are, and should remain, regionally focused and controlled, federal surface transportation program funds must not be considered entitlements. History has demonstrated it is entirely appropriate for the federal government to direct resources toward growing needs that are clearly in the national interest.

The Interstate Highway System would never have been built if each state alone had to pay for the segments running through it. The massive reconstruction and rehabilitation of the Interstate currently necessary—and the construction and maintenance of the "Next Generation" expansion of the U.S.

Chart 1: Estimated Value of Domestic Freight Shipments by Truck

	Value of domestic truck shipments-2002 (in billions)	Expected value of domestic truck shipments 2035 (in billions)	% of domestic truck shipments with out of state destination- 2035	% of domestic truck shipments to non-neighboring state destination - 2035	Expected increase in truck shipments to non-neighboring states, 2002 to 2035
Alabama	\$139.1	\$338.6	52.0%	49.0%	150.4%
Alaska	\$6.6	\$10.3	1.5%	100.0%	-9.6%
Arizona	\$105.5	\$270.6	26.3%	43.0%	143.3%
Arkansas	\$107.6	\$151.4	58.8%	45.9%	21.1%
California	\$779.6	\$2,599.8	32.5%	78.5%	353.4%
Colorado	\$110.6	\$288.4	27.3%	63.8%	154.8%
Connecticut	\$78.8	\$186.2	67.4%	56.1%	157.7%
Delaware	\$21.1	\$131.1	55.6%	92.4%	387.8%
District of Columbia	\$5.8	\$8.0	67.6%	41.0%	53.7%
Florida	\$350.0	\$840.1	13.2%	75.5%	79.5%
Georgia	\$277.4	\$645.0	53.7%	36.5%	100.5%
Hawaii	\$14.5	\$21.1	0.0%	0.0%	0.0%
Idaho	\$115.3	\$207.6	59.1%	50.8%	55.6%
Illinois	\$43.1	\$239.8	44.2%	34.6%	455.1%
Indiana	\$744.9	\$1,716.2	37.3%	50.9%	140.6%
Iowa	\$251.9	\$735.0	67.2%	56.0%	233.0%
Kansas	\$104.4	\$206.2	50.7%	47.5%	53.2%
Kentucky	\$175.8	\$954.6	77.9%	58.8%	554.8%
Louisiana	\$78.9	\$76.1	36.7%	50.5%	-14.4%
Maine	\$36.4	\$60.5	59.4%	84.5%	77.9%
Maryland	\$132.3	\$282.3	57.2%	33.9%	61.6%
Massachusetts	\$184.8	\$542.4	57.5%	60.5%	191.2%
Michigan	\$356.5	\$1,162.3	59.5%	68.2%	391.7%
Minnesota	\$161.0	\$548.8	46.2%	70.8%	314.5%
Mississippi	\$96.1	\$153.4	69.4%	56.4%	48.3%
Missouri	\$184.9	\$406.5	51.7%	41.1%	101.9%
Montana	\$17.6	\$47.5	16.3%	50.6%	95.7%
Nebraska	\$74.2	\$136.3	48.2%	59.0%	66.8%
Nevada	\$41.3	\$175.0	48.1%	32.8%	297.8%
New Hampshire	\$26.5	\$145.1	67.0%	49.3%	341.1%
New Jersey	\$252.0	\$640.3	85.4%	38.1%	96.8%
New Mexico	\$31.8	\$104.6	35.9%	29.1%	281.1%
New York	\$292.2	\$377.5	44.2%	61.2%	23.4%
North Carolina	\$336.2	\$601.3	51.8%	57.5%	80.4%
North Dakota	\$21.9	\$63.7	39.6%	41.8%	193.1%
Ohio	\$425.2	\$788.8	51.7%	59.2%	75.6%
Oklahoma	\$169.8	\$306.9	33.4%	27.4%	75.8%
Oregon	\$96.7	\$335.5	43.7%	23.3%	220.3%
Pennsylvania	\$346.9	\$593.8	59.4%	47.7%	64.2%
Rhode Island	\$18.9	\$47.0	76.2%	57.4%	159.0%
South Carolina	\$155.1	\$368.9	59.3%	53.7%	99.3%
South Dakota	\$28.4	\$74.4	51.1%	41.6%	175.5%
Tennessee	\$278.0	\$819.6	69.7%	69.6%	199.0%
Texas	\$515.7	\$1,893.6	32.6%	76.9%	435.1%
Utah	\$65.0	\$160.6	41.1%	71.9%	196.6%
Vermont	\$17.2	\$54.9	75.7%	39.1%	199.9%
Virginia	\$181.8	\$395.7	52.4%	47.8%	102.5%
Washington	\$120.7	\$225.9	22.6%	66.7%	68.4%
West Virginia	\$37.2	\$86.3	72.7%	44.4%	166.0%
Wisconsin	\$222.8	\$398.0	50.1%	56.3%	87.2%
Wyoming	\$11.0	\$30.1	43.7%	14.1%	73.4%
Total	\$8,446.8	\$21,654.0			

Source: ARTBA analysis of Federal Highway Administration's Freight Analysis Framework

surface transportation system that is necessary to keep America competitive during this century—will never be done if most federal highway funding remains “flexible” or earmarked.

Critical Commerce Corridor System

The first step in the implementation of the 3C Program is defining the system itself. By its nature, a network that enables the efficient and secure movement of freight will extend beyond the borders of any one state or region and have a national scope. As such, the federal government, and specifically the U.S. Department of Transportation, should have the lead responsibility for coordinating the process that defines the 3C System.

3C System Development Process

To be truly effective, however, the 3C System cannot be a top down directive from the federal government. It must have input and support from a wide variety of public and private stakeholders. Among the groups that must be intricately involved in identifying the 3C System are state departments of transportation, metropolitan planning organizations, the trucking and logistics industries, major port operators, representatives of international and domestic shippers, and the freight rail industry. Each of these sectors is either an owner or a major user of the nation’s current surface transportation network.

The federal government and other relevant stakeholders have advanced technology and data available about the movement of U.S. domestic and international movement of freight. The objective of this collaborative public-private process is to produce a comprehensive, empirical assessment of the nation’s current surface transportation freight network and what this system must become to provide the predictability and reliability necessary to ensure U.S. global competitiveness in the future.

Potential 3C System Segments

While it would be premature to suggest what this system should be at this point, the types of segments that would be potentially eligible for inclusion in the 3C network could include: designated trade corridors; international gateways; access routes to major ports and airports; roadways that carry, or are projected to carry, over-the-road truck traffic significantly in excess of their design specifications; the Interstate Highway System; intermodal connectors; and highway truck bottlenecks. It is important to note, however, the 3C System should not be limited to existing facilities, but also identify where new capacity is warranted.

Once the 3C System is identified, the stakeholders—particularly the U.S. Department of Transportation, state departments of transportation, and metropolitan planning organizations—should evaluate the cost of developing its various components. A cost assessment is necessary to provide both a realistic guide for future investments and an assessment of the amount of revenue that must be generated over the next 25 years. Generating a cost evaluation concurrent with the identification of the 3C System will help ensure the efficiency of the process and facilitate stakeholder support of the network that is being developed.

3C Program Financing

The utilization of user fees to finance surface transportation improvements has proven to be a reliable and equitable method to support the nation’s highway and transit infrastructure network. User fees, by their nature, ensure individuals or groups who derive the benefit from a service or product are responsible for its cost.

Currently, a series of highway user fees generate revenues that are deposited in the Highway Trust Fund to support the federal highway and public transportation programs. The user fee concept is also

well suited to support the new 3C Program. While existing user fees should be augmented and retained for their current purpose, a new freight-based user fee structure—perhaps including a dedicated increase in the federal diesel excise—should be developed to support a new national strategy to ensure the efficient and secure movement of freight. This is entirely consistent with the user fee concept, as those deriving the primary benefit from predictability and reliability of the 3C System—shippers—would pay for its development and upkeep.

New Freight-Based User Fee(s)

As part of the 3C System identification process involving appropriate stakeholder groups, the U.S. Secretary of Transportation should initiate a dialogue with private sector participants about appropriate methods to finance the system they are identifying. Again utilizing a public-private dialogue to develop a recommended financing structure would ensure the freight-based user fee mechanism is equitable, efficient, and will generate enough revenues over a 25-year period to cover the costs identified for the 3C System.

It should be emphasized that the financing structure for the 3C Program would likely require the creation of a composite structure consisting of several different freight-based user fees. It is unlikely that one fee could generate the revenues necessary or be applied fairly among various freight stakeholders. Such fees might include: a bill of lading tax; weight-mileage based user fee; a federal freight transaction fee paid by businesses moving freight by truck; national freight transfer station entrance/use fees; federal customs fees; additional federal user fees; federally-endorsed tolls where appropriate; or a mileage or fuel excise tax on truck travel in or on the 3C System.

Utilizing federal “freight shipment user fees” to finance the 3C Program would insulate it from the parochial political debate between states over who are “donors” and who are “donees” that has polarized federal surface transportation investment decisions in recent years. An effective freight based user fee should reflect the systemic benefits of the movement of freight in and out of the United States. These benefits do not start and stop at the borders of an individual state. Accordingly, the implementation of this type of financing structure would complement the 3C Program’s requirement for a national freight movement system.

Public-private partnerships and debt financing could also play roles in supporting the 3C Program. These financing mechanisms are well suited to high cost projects that carry heavy traffic flow—two consistent elements of freight capacity enhancement projects.

Protection of New User Fees

Finally, to ensure the integrity of both the core federal surface transportation program and the 3C Program, and their financing sources, a statutory “fire-wall” should be created between these two revenue streams. This would guarantee that no one aspect of the new comprehensive structure of the federal surface transportation program is being diluted to benefit a separate component. Allowing either the core highway or transit programs to be short changed would undercut the potential benefit of a new program to improve the flow of freight.

It should also be emphasized that creating a clear separation between these revenues would further ensure system users they will receive the benefits of the program they are financially supporting. The shipping and logistics community has long been frustrated by what they perceive to be diversions of financial contributions they make to the Highway Trust Fund to projects and purposes for which they derive no direct benefit. A separate freight program with its own separate financing source would guarantee these stakeholders are contributing to the aspect of the national transportation system they utilize. As such, the 3C Program would be an enhancement to the concept of a user fee financing mechanism that has been and should continue to be the foundation of federal transportation policy.

3C Program Administration

While the 3C Program must be a federally-led initiative, it must also be administered in partnership with state departments of transportation as they are the primary owners of the nation's roadway network. After identifying the segments that constitute the 3C System, the federal government should specify the types of projects eligible for 3C funds. Consistent with the goal of facilitating the secure and efficient movement of freight, the types of activities that should be eligible for 3C funds would include: capacity enhancements; lane widening; bridges and tunnels; technology applications and upgrades; system reconstruction; vertical integration; freight exchange centers (public private partnerships); and managed and truck-only lanes.

The development of a freight transportation network also has the potential to provide numerous ancillary benefits, particularly in the area of public safety. The separation of commercial and personal traffic through managed or truck-only lanes will improve both the predictability and reliability of travel and the level of safety for both forms of transport. Furthermore, the natural environment would be enhanced by reducing emissions generated from heavily-congested roadways. As such, the 3C proposal offers much more than solely improving the security and efficiency of freight movement.

Freight Rail

While both highways and rail are integral to the movement of freight, rail lines are privately owned and highway infrastructure is the responsibility of the public sector. As such, freight rail inclusion in the 3C Program should be contingent upon the creation and imposition of a user or beneficiary fee structure for freight rail shipments that would generate revenues commensurate with the benefits received from integrating freight rail into this system. Federal tax subsidies could potentially be used to leverage such revenues by supporting private investment in rail infrastructure that benefits the public as part of the 3C Program. Similarly, pipelines, electric utilities and other infrastructure networks should be integrated into the 3C System based on their willingness to financially support the program.

3C System Performance

The national and systemic scope of the 3C Program requires clear leadership from the federal government in the development of an integrated system focused on freight movement. In the current federal highway and transit program the leadership responsibility is primarily centered in state and regional transportation authorities. While states and localities must be active partners in the development and financing of the 3C System, increased federal oversight and direction is necessary. As 3C System users will be asked to financially support this network with the promise that it will yield improved reliability and efficiency in the movement of goods and services, these users must be provided concrete assurances these benefits will be delivered.

As such, the federal government's role in the administration of the 3C Program should be to ensure the integrity of the system's infrastructure is developed and maintained in a manner that yields a level of service classification of no less than "C." Roadways with a level of service of "C" are described by the Federal Highway Administration as "in stable flow zone, but most drivers are restricted in the freedom to select their own speed." This minimal requirement, which the federal government should assure is provided on projects receiving 3C Program funds, would furnish system users with tangible evidence of the potential return on their investment from this initiative. This commitment to a specified level of service in conjunction with the identification of the 3C System would also provide the general public with a clear and specific vision of what the 3C Program would deliver. Consistent with this goal, a major tenet of the 3C Program should be the distribution of

funds based on merit, and a definitive policy against earmarking funds for projects that do not meet the criteria described above should be established.

Project Delivery and Environmental Commitment

It should be recognized the delivery of the benefits promised by the 3C proposal requires more than defining a system and providing a source of revenues. It is essential for the administration of the 3C Program to ensure the timely delivery of projects. The amount of time it takes to complete surface transportation improvements is unacceptable and could be an impediment to delivering the benefits of the 3C Program. To further this goal, 3C projects should utilize best practices in environmental design and construction techniques. Furthermore, the 3C Program should demonstrate the surface transportation community's commitment to environmental stewardship by attempting to deliver projects and programs that improve not only transportation, but when reasonable and affordable, the natural environment as well.

3C Program Implementation Schedule

It is imperative for the 2009 reauthorization of the federal highway and transit programs to include a specific implementation schedule for the 3C Program. The growth of domestic and international freight movement demands immediate federal action. The parameters for administering the 3C Program should be included in the 2009 reauthorization measure to demonstrate the federal commitment to this initiative. The remainder of the implementation of the program should follow the model established in ISTEA for the National Highway System where Congress directs the Secretary of Transportation to develop a system for its review and subsequent action.

3C Program Implementation Timeline/Enforcement

The Secretary of Transportation should be required to bring together a group of public and private stakeholders to identify the components of the 3C System within 18 months after the enactment of the 2009 reauthorization bill. This process should also include a cost assessment for adding new segments or upgrading existing facilities. At the same time these groups are working to identify the 3C network and its costs, a dialogue should be initiated about equitable freight-based user fees that could be imposed to finance the system.

After development of a proposed 3C System is completed, within the specified time frame, the Secretary of Transportation should present the plan to Congress for approval. Accompanying the proposed 3C System should be recommendations for a package of freight-based user fees that would cover the identified costs of the system over a 25-year period. Congress should be required to approve legislation creating the 3C financing system within 24 months of enactment of the 2009 reauthorization bill.

While the vast benefits of the 3C System and its financing structure should be motivation enough to facilitate quick action on these measures, a specific penalty should be imposed to force compliance with these deadlines. One such action would be the withholding of funds for activities within the federal-aid highway program that have a role in the movement of freight (such as the Trade Corridor, Border Infrastructure, and Projects of Regional and National Significance Programs).

Transition to 3C System

As the 3C System is being identified and a transition strategy is developed, there will likely be areas of potential overlap between the core federal highway program and the 3C System. Participants in the U.S. Department of Transportation-led public-private stakeholder outreach process should give consideration to which components of the core highway program are more appropriately carried out by the 3C Program.

For example, the Interstate Highway System is a logical candidate for inclusion in the 3C network as it is the backbone of the nation's transportation network. Accordingly, the existing Interstate Maintenance Program's responsibility for supporting this system may no longer be a necessary part of the core federal highway program. Under this scenario, the responsibilities for upgrading the Interstate Highway System should be transferred to the 3C Program. Consistent with the bifurcated financing mechanisms for the 3C and core programs, however, the current Highway Trust Fund revenues allocated to Interstate Maintenance should be redistributed to other core highway and transit programs, while the new 3C revenue structure should support enhancements to the Interstate System. This same type of transition could occur for other parts of the core highway program deemed to be more appropriate for the 3C System, such as the trade corridor, border infrastructure, projects of regional and national significance programs, and portions of the National Highway System Program that are dedicated to freight movement.

If this type of practice were followed, a hybrid method of distributing 3C Programs funds would likely develop. Funds for improving the Interstate Highway System would logically continue to be dispersed to the states by formula. Funds for current discretionary activities would be distributed based on merit and a project's consistency with 3C Program goals. Figure 2 demonstrates how this new structure might be implemented.

Conclusion

Simply put, the "3C Program" is an entirely new approach to federal surface transportation policy. The result of this type of initiative would be a national strategy for dealing with the growing challenge of efficiently and securely moving freight. This is a challenge that is about more than congestion, bottlenecks and delayed deliveries. It is about securing America's place in the global competitive market. The 3C proposal is part of a complementary approach that would provide a holistic federal strategy to ensuring the U.S. surface transportation system provides the predictability and reliability the U.S. and world economies demand.

Madame Secretary, other member of the Commission, our nation's surface transportation infrastructure network is at a crossroads. We are facing major transportation challenges in the short- and long-term. Existing financing mechanisms are failing to keep pace with growing demands not because they represent an outdated or ineffective model, but because of purely political externalities. The hard reality remains that, no matter how it is structured, a solution to the nation's surface transportation challenges must include additional investment. Transportation infrastructure improvements cost money and the longer they are delayed, the more they will ultimately cost.

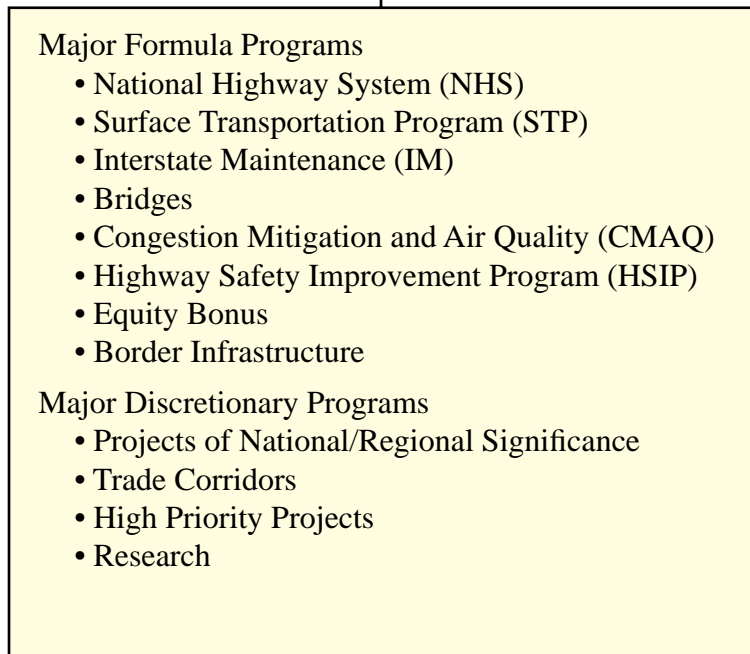
The nation's transportation challenges, however, are not insurmountable. We must utilize all available options to meet these needs and the federal government must play a leadership role, not only in promoting alternatives, but in delivering tangible resources and direction to meet the nation's surface transportation needs.

I commend each of you for devoting your time, energy and expertise to this monumentally important task. On behalf of all members of the American Road and Transportation Builders Association, we stand ready to assist you in fulfilling your mission.

Thank you again for the opportunity to appear before you today. I would be happy to answer any questions you may have regarding my testimony.

Figure 2 - Potential Evolution of Current Federal Highway Program Structure to Program with Critical Commerce Corridors (3C) as Major New Component

Existing “Core” Federal Highway Program



Potential New “Post SAFETEA-LU” Highway Program Structure

