

NATIONAL SURFACE TRANSPORTATION  
POLICY AND REVENUE STUDY COMMISSION

LOS ANGELES, CALIFORNIA HEARING  
WEDNESDAY, FEBRUARY 21, 2007

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APPEARANCES

- 1
- 2
- 3
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- 17
- 18
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- 23
- 24
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Commission

Secretary Mary Peters  
Commissioner Frank Busalacchi

Commissioner Steve Heminger  
Commissioner Frank McArdle

Commissioner Matt Rose  
Commissioner Tom Skancke

Panel 1

Ray Burgett  
Tony Grasso

Gill Hicks  
Barry Sedlik

Jerry Tidwell

Panel 2

Genevieve Giuliano

Will Kempton  
Mehdi Morshed

Eugene Skoropowski  
Pete Speer

Public Comment

Wendy Greuel  
Brynn Kernagan

Jesse Marquez

I N D E X

1		
2		
3		
4		PAGE
5	Introduction of Commisssioners	4
6	Panel 1	14
7	Panel 2	99
8	Public Comment	172
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1 LOS ANGELES, CALIFORNIA, WEDNESDAY, FEBRUARY 21, 2007

2 1:40 P.M.

3

4 SECRETARY PETERS: I would like to begin by  
5 thanking my fellow Commissioners for the opportunity  
6 to be here with you. I think we've learned a lot and  
7 each of us may have a few words to say about that in  
8 just a moment here, but also to significantly thank  
9 our sponsors for their hospitality, our state and  
10 local sponsors who have helped put this Commission  
11 meeting together, as well as the very wonderful tours  
12 this morning -- Mayor Antonio Villaraigosa, the City  
13 of Los Angeles, the Los Angeles County Metropolitan  
14 Transportation Authority, the Los Angeles County and  
15 the California Departments of Transportation --  
16 excellent, excellent, excellent tours this morning and  
17 opportunities to interact with each of you and learn  
18 more about the transportation issues here.

19 As you know, the last authorizing act for  
20 surface transportation passed by the United States  
21 Congress, SAFETEA-LU, established the National Surface  
22 Transportation Policy and Revenue Study Commission to  
23 look ahead at the type of transportation systems we  
24 want in the future, how to pay for it, how the  
25 governance of that system should be structured.

1           So we have literally pages in the statutes  
2 and we have responsibility for looking through and  
3 reporting back to Congress and to the President at the  
4 end of our tenure, which should be the end of this  
5 calendar year.

6           But we have learned a lot. Everywhere we've  
7 gone we've had the opportunity to learn a lot. I  
8 think our charge is where we really want to  
9 communicate to you what we're looking to do, and that  
10 is to create and sustain the preeminent surface  
11 transportation system in the world. That is our goal  
12 that we want to accomplish as Commissioners.

13           There are twelve members of this Commission.  
14 We come from all backgrounds, the public and private  
15 sectors, federal and state government.

16           As Chairman of the Commission I can tell you  
17 that our discussions over the past nine months have  
18 been very robust and very thought-provoking.

19 California symbolizes the challenges that we face.

20           Think about the ways the country will change  
21 over the next 50 years. Think about what Los Angeles  
22 looked like 50 years ago and look at what it looks  
23 like today and you have an idea of what our challenges  
24 are going to be.

25           Our nation's population will grow by

1 60 percent. Freight transportation will increase by  
2 about two and a half times. Globalization and  
3 hemispheric trade will continue to transform the  
4 economy.

5           The Commission is looking for strategies to  
6 deal with these challenges, as well as long-term and  
7 sustainable financing options. And as part of our  
8 outreach effort the Commission is holding nine field  
9 hearings, including this one right here in the Los  
10 Angeles area.

11           In addition to today's hearing, some of the  
12 other Commissioners are holding hearings in Atlanta  
13 and then yet a third field hearing will be held in Las  
14 Vegas the end of this week.

15           I want to thank you all so much for hosting  
16 us here. You have done an incredible job. The tours  
17 this morning were very, very thought-provoking and  
18 good for us to see and experience the transportation  
19 challenges that you have here.

20           Before we go to our panel -- and I do  
21 appreciate you all being here as well -- I wanted to  
22 go to my fellow Commissioners and see if any of them  
23 would like to say anything in terms of opening.

24           Frank.

25           COMMISSIONER BUSALACCHI: Thank you,

1 Secretary Peters.

2 I just would like to echo your comments about  
3 the tours that we took here today. They have been  
4 very, very helpful, and I know that these things don't  
5 happen by accident. It takes a lot of hard work on  
6 the part of a lot of people.

7 And, you know, we've been going around the  
8 country and we've been doing these and we've been  
9 treated very well. We come here and it's just been  
10 amazing. And it sets up the hearing so well, because  
11 now we've seen the lay of the land. We know what --  
12 some of the things that we're going to be facing.

13 So I just want to thank all those that were  
14 involved in this and I appreciate your hospitality in  
15 having us here for this.

16 SECRETARY PETERS: Thank you.

17 Matt?

18 COMMISSIONER ROSE: Thank you, Secretary  
19 Peters. I just -- I also want to echo the  
20 accommodations have just been great.

21 When we talked where we were going to do  
22 field hearings I was really adamant, quite frankly,  
23 around Southern California because of everything we  
24 saw today.

25 And I really believe that Southern California

1 probably is the best example in the entire country of  
2 where the issue of the goods movement and passenger  
3 freight and highway congestion all comes together.

4           And it all is very well interlinked, if you  
5 will. And, of course, the citizens of California  
6 through many of the people we'll hear today have had  
7 very competent leadership in these areas and you all  
8 have done so much. I mean you really have -- are  
9 leaders in so many areas in terms of your thought  
10 around all these various issues.

11           We really come to listen not so much as to  
12 what the problems are, because we've got the problems.  
13 I mean, we understand them. We have read the  
14 testimony. What we're really interested in is what  
15 your ideas on solutions are.

16           I do believe if we can solve the issues in  
17 this area it can be a blueprint for the country. And  
18 you all have a great track record, whether it's the  
19 bonding package that the Governor just signed or the  
20 Alameda Corridor, which is certainly a world class  
21 goods movement corridor.

22           There are so many things this community, this  
23 region, has done. And so we're looking to not only  
24 learn from that, but then also to hear what else you  
25 need for the future.



1 SECRETARY PETERS: Matt, thank you so much.

2 I apologize for my informality in introducing  
3 my fellow Commissioners, but we have grown very close  
4 as we work together, so I will continue to be  
5 informal.

6 Tom?

7 COMMISSIONER SKANCKE: Thank you, Madam  
8 Secretary. I echo my colleagues' comments and I would  
9 like to thank you all for putting together such a  
10 great opportunity for us here in Southern California.

11 The hosts and the tours and all the things  
12 that have happened today have just been really  
13 overwhelming. When you see the size of the ships and  
14 what you've done with the Alameda Corridor and the  
15 amount of goods that are coming in and out of this  
16 port, it's truly overwhelming.

17 There are a couple of people I think that  
18 also need to be thanked from our Commission staff that  
19 sit back here and really help us make these things  
20 happen, and that is Susan Binder and Chris Bonanti,  
21 who are here on the Commission staff with us.

22 Chris has the opportunity and distinct honor  
23 of working putting these field hearings together,  
24 which is absolutely a full-time job. Particularly  
25 when you have to deal with Commissioners like myself

1 in these field hearings, it's a difficult task.

2           So, Chris and Susan, thank you very much for  
3 what you've done.

4           Transportation funding in this country has a  
5 funding shortfall. There is no question of that.  
6 We've heard a lot about the funding shortfalls, but  
7 transportation planning and transportation policy in  
8 this country also has a shortfall.

9           And I think that part of our problem that we  
10 have today in the funding actually comes from the  
11 policy. I have to work with policies, as most of us  
12 do in this room, that are passed by Congress. And I  
13 think that as we look at the policies and look at the  
14 vision for the future in transportation a lot of it  
15 revolves around that we know there is a funding  
16 crisis.

17           So I hope today that in reviewing some of the  
18 testimony we're going to get to some of these  
19 questions. And I echo what my fellow Commissioner  
20 Matt Rose said in that we're also asking you for some  
21 of the solutions. We cannot do this just the twelve  
22 of us. We need your involvement.

23           So, again, thank you for the opportunity to  
24 be here today and we look forward to hearing the  
25 testimony and the information you're going to present

1 us. Thank you.

2 SECRETARY PETERS: Thank you.

3 Frank.

4 COMMISSIONER MC ARDLE: Yes. I'd like to  
5 thank all of you for coming and taking the time to be  
6 here. This is extraordinarily significant for us. We  
7 are focusing, you know, on the change. I didn't know  
8 Los Angeles 50 years ago but I did know it 40 years  
9 ago and to see the changes that have occurred in  
10 Carson and along the Alameda Corridor kind of is  
11 perhaps a signal to what we can expect over the next  
12 50 years.

13 And we are focusing and I think it's very  
14 important, not only on the movement of people, but  
15 much more significantly on the movement of goods and  
16 what that portends for investment in an economy which  
17 could double in 50 years, which could add 50 percent  
18 of the population in 50 years, but can do so only if  
19 we invest wisely, well and quickly.

20 And so what you have to offer us is  
21 absolutely critical as we try to in fact set the tone  
22 for the next set of discussions about federal  
23 financing. Thank you.

24 SECRETARY PETERS: Thank you.

25 Steve.

1           COMMISSIONER HEMINGER: Thank you,  
2 Madam Secretary. And as the sole Californian on the  
3 Commission let me say to all of you: Welcome to the  
4 Golden State. And let me also, as you have, thank  
5 many of my friends at Caltrans, at the MTA here in Los  
6 Angeles, and the other hosts, such gracious hosts to  
7 us so far.

8           As we all know, California is a big state  
9 with big needs and, as our Governor is found of  
10 saying, big dreams. We're also a state that puts our  
11 money where our mouth is. And I know we can be pretty  
12 mouthy sometimes.

13           But we've been playing out our tour here  
14 while the state is allocating the first \$4.5 billion  
15 dollars of the transportation bond that our voters  
16 approved last fall, a \$20 billion bond, which I think  
17 is the largest bond sale in national history.

18           We also in just about every urbanized county  
19 here in California have at least a half percent sales  
20 tax, many of them have a full percent sales tax, some  
21 even more, dedicated to transportation.

22           We just saw this morning the Alameda  
23 Corridor, which is the product not only of federal and  
24 state assistance, but local fees that are generated  
25 here and used to pay back the debt for the project.

1 I think what we Californians seek in many  
2 respects is a new federal partnership where this level  
3 of self-help that I think we have in many respects  
4 pioneered is better leveraged and, frankly, better  
5 rewarded in the structure of the federal program.

6 One of the innovative features of the bond  
7 measure that did pass here in November was a  
8 \$1 billion program called State-Local Partnership and  
9 that program will specifically reward and leverage  
10 local self-help efforts in the localities and regions  
11 of California with additional bond resources.

12 And I think that could prove a model for a  
13 federal program that obviously needs to make  
14 improvements around the country, but also should  
15 acknowledge and reward states and localities that meet  
16 the federal government and the federal interest more  
17 than halfway, as we do.

18 So I look forward to the testimony and our  
19 continuing deliberations. Thank you.

20 SECRETARY PETERS: Steve, thanks so much.

21 And I also wanted to take this opportunity to  
22 thank the members of our audience who are here today.

23 We will have a public comment period at the  
24 end of the two panels and very much look forward to  
25 hearing from any of you who would like to give

1 testimony during that time.

2           I believe there are comment cards or sign-up  
3 cards available to you, and so if you would fill out  
4 one of those cards if you would like to speak to the  
5 Commission members at the conclusion of the two panels  
6 we would very much look forward to hearing from you as  
7 well.

8           Let me introduce now our first panel and I  
9 will introduce each of the speakers individually right  
10 before they speak. Each of our speakers is going to  
11 speak for approximately five minutes and then we will  
12 go through the entire panel, but then open up for  
13 questions.

14           And as you heard from several of the  
15 Commissioners, we've got a pretty good idea of what  
16 the problems are. We've had an opportunity to hear  
17 that. I am very, very interested in what you might  
18 have to offer in terms of solutions, where we should  
19 go in the future with the programs, what form those  
20 programs should take in the future.

21           And I think our first panel is spot on in  
22 terms of trade and commerce issues. Certainly we saw  
23 a lot of that today as we toured around the area.

24           But one of the things very important to me  
25 having the opportunity to serve you as the Secretary

1 of Transportation for the U.S. is to insure that the  
2 cost of transportation in America makes us as  
3 competitive as possible, because if we have higher  
4 transportation costs, we're driving with our foot on  
5 the brake, so to speak, and we're not being as  
6 efficient and effective as we can with our  
7 transportation systems, we in America cannot be as  
8 competitive as we must be in the global economy.

9           So I'm very interested in hearing from this  
10 panel and our first speaker is Barry Sedlik.

11           Barry was recently appointed by Governor  
12 Arnold Schwarzenegger as Acting Secretary of the  
13 Business, Transportation and Housing Agency on  
14 December 1st, 2006. Barry, congratulations.

15           PANELIST SEDLIK: Thank you.

16           SECRETARY PETERS: Prior to that time -- as  
17 Acting Secretary you have the responsibility, rather,  
18 for 13 departments of state governments, 42,000  
19 employees, including CalTrans, the Department of Motor  
20 Vehicles, Highway Patrol, Department of Corporations,  
21 Department of Financial Institutions, et cetera.  
22 You've got a lot of people that you have  
23 responsibility for, Barry.

24           And prior to this appointment Barry was the  
25 Chief Operating Officer -- I'm sorry -- was the

1 Undersecretary for Business, Housing and  
2 Transportation, where he appointed by the Governor in  
3 2004 and then just prior to that he was Chief  
4 Operating Officer for the Los Angeles Economic  
5 Development Corporation and President and Chief  
6 Executive Officer of the World Trade Center  
7 Association of Los Angeles and Long Beach.

8           Barry, I think you are uniquely qualified to  
9 speak to us today. Thank you for being here and  
10 welcome.

11           PANELIST SEDLIK: Well, thank you very much,  
12 Madam Secretary. Thank you, Commissioners.

13           On behalf of the State of California I want  
14 to welcome you here and certainly to extend thanks  
15 that you're taking the time and interest to learn  
16 about our transportation. Transportation issues is  
17 very important to us.

18           I think, as you said this morning, taking the  
19 tour of the Alameda Corridor, you not only had a  
20 chance to see the scope and complexity of our  
21 transportation system, but also the ingenuity of  
22 Californians to be able to develop projects like the  
23 Alameda Corridor.

24           So we're very excited about the future in  
25 terms of, as Commissioner Heminger mentioned, relative



1 to -- the people have put forward \$20 billion in trust  
2 for us to spend wisely. We solicit your help in that  
3 process to make sure that we could leverage those  
4 funds as much as possible and make sure that  
5 California is in fact the model for the rest of the  
6 country.

7           So we thank you again for you coming to  
8 California.

9           This panel, as you mentioned, is a kind of  
10 teaming up of the trade and commerce aspects of  
11 California transaction system. So I will give some  
12 very brief introductory remarks on how California fits  
13 into the rest of the country and then certainly as go  
14 through the panels we can go into more detail.

15           So let me briefly go through some of these  
16 key issues here. And, first of all, the question is  
17 is California a gateway. And I think the evidence  
18 points out not only that it is a gateway, but it is  
19 the nation's international trade gateway.

20           And we have several key factors that really  
21 make California unique in terms of the rest of the  
22 country. First of all is our location. No question  
23 being by accident on the Pacific Rim and the fact that  
24 global trends have emerged in terms of the business  
25 with Asia, very big factor in terms of the increases

1 in the transportation needs that we're seeing.

2           But also I think the key factor that makes  
3 California somewhat different from some of the other  
4 prospective ports of entry is the fact that we have  
5 such large local markets that make it attractive for  
6 shippers around the world to come to California to  
7 ship their goods here and then for this small  
8 incremental cost can ship the remainder elsewhere  
9 throughout the U.S.

10           So that's a very key piece of information in  
11 terms of from the shipping community as to why  
12 California will continue to be a point of reference  
13 for the future.

14           Also, we already, as you've seen this  
15 morning -- we do have a large goods movement  
16 infrastructure already in place that's been built up  
17 over last decades, very sophisticated, but built in a  
18 kind of a -- not from some grand scheme but just in  
19 response to the needs.

20           But supporting that infrastructure is also a  
21 tremendously talented supply chain industry, not only  
22 in terms of those that are directly involved in  
23 logistics, but the financing, accounting, legal  
24 aspects -- all the things that are needed to make  
25 California a unique asset to the country relative to

1 being able to move goods, to do the merchandising and  
2 the other aspects that make this industry a very  
3 important piece not only for the California economy  
4 but for the nation's economy at large.

5           Now, I just wanted to briefly go through and  
6 just, for those of you who are not from this state, to  
7 recognize that California, while we talk about a  
8 ubiquitous \$1.3 trillion economy, California is not  
9 just one economy. It is a collection of regional  
10 economies, each one bigger than many states across the  
11 country.

12           And each of these various regions -- and this  
13 is a particular breakdown used by the California  
14 Economic Strategy Panel that defines key industry  
15 clusters across the state, each of those industries  
16 are focused, as Madam Secretary, you've talked about,  
17 in terms of competitive advantage: What are the key  
18 things that we have here that we can compete in a  
19 global economy.

20           And I just have a quick follow-up slide that  
21 kind of breaks down some of those key industries  
22 within each of those sectors. Now, that's a mix  
23 there. There are some service industries in there,  
24 but still while many people believe that manufacturing  
25 is dead and gone, manufacturing is still very big in

1 California. We still very much can be competitive and  
2 in very key industries, and as a consequence we do  
3 need a world class transportation system in order to  
4 make sure that these industries can stay that way.

5           Now, in order to do that, what we've seen --  
6 and we've spent over two years in developing on the  
7 goods movement side a collections of meetings with  
8 stakeholders of all involved in the goods movement  
9 industry as well as the environmental and community  
10 interest to understand how all these various pieces  
11 work together -- and what we've been able to do is to  
12 identify four key corridors within the state primarily  
13 fixed on goods movement.

14           And, frankly, this is somewhat new in the  
15 sense that in the past all transportation was lumped  
16 together, goods movement kind of seen as just one more  
17 piece of the transportation puzzle. But we've now  
18 broken this out to see what are the specific needs not  
19 only from the industry standpoint, but also the  
20 environmental and community aspect, because we  
21 recognize that unless we can solve the environmental  
22 and community interests, no matter how much money we  
23 have in terms of bond money, the communities are not  
24 going to let us spend it unless we address seriously  
25 those issues that are before them.

1           As we've seen this morning, California  
2 certainly has a -- is a major artery for the  
3 distribution of goods by rail. And there's a lot that  
4 needs to be done. But more than importantly is that  
5 while we're focused on the rail side we are the heart  
6 of the nation's distribution by truck. And there's  
7 many reasons for that.

8           But as I mentioned, because we do have all  
9 this distribution and other capabilities, the goods  
10 that come in here only a small fraction go out  
11 directly without being repackaged in some sense. And  
12 I will show you that in a minute.

13           But the point of it is we do a lot of value  
14 added to those goods. That's why we need both rail  
15 and truck in order to make our overall system work.  
16 So being able to accommodate the growing volumes that  
17 we're going to be presented with creates this  
18 conundrum of how do we handle both the mitigation we  
19 need for the existing system, as well as accommodating  
20 the future for an expanded rail capability.

21           Now, very briefly, this is a slide that  
22 shows -- that was prepared by the -- for the Southern  
23 California Association of Governments and what it  
24 shows is that there is about half, about 48 percent,  
25 of goods go to and from California basically through

1 the state. But it's that additional 28 percent  
2 that -- where the value added is happening is a very  
3 critical piece. And you couple with that the other  
4 24 percent that's the local piece, that presents kind  
5 of a completed picture of all the various aspects that  
6 have to work hand in glove in order to be competitive.

7           If in fact we take out some of the other  
8 pieces, any one of those pieces taken out changes the  
9 whole scale and the whole economies of the entire  
10 system and that has ramifications for the entire  
11 country.

12           Now, for example, this slide here was  
13 prepared several years ago. The Alameda Corridor  
14 Transportation Authority is updating this information.  
15 But without going into the details, because of lack of  
16 time, clearly what goes on in California has impacts  
17 across the entire country. And what this slide shows,  
18 these are the dollar values that we have been able to  
19 trace that have come through not only the Ports of  
20 L.A. and Long Beach but also the San Diego border  
21 crossing and the Port of Oakland.

22           So all of those collectively are contributing  
23 to the entire nation. So what goes on here does  
24 seriously impact the rest of the country. So while we  
25 are doing our best to be able to handle our problems

1 ourselves, as was mentioned, we certainly are  
2 contributing to the whole national infrastructure, and  
3 that's where we need to work together.

4           Then, finally, we are expecting tremendous  
5 growth and as you'll hear from some of presenters  
6 these numbers have already been considered way too  
7 conservative. We're seeing already, on a January to  
8 January basis, tremendous increases from last year and  
9 while there's all kinds of articles that say trade may  
10 be leveling off, we certainly don't see the evidence  
11 of that.

12           And we need to be prepared for this and just  
13 can't sit by and say that ultimately this will take  
14 care of itself. We have to be pro-active. We have to  
15 work on this collectively. We have to address the  
16 environmental and community issues.

17           But the thing is we can do it. We know what  
18 is before us. We've identified projects -- for  
19 example, in the Goods Movement Action Plan we  
20 originally identified an inventory of \$47 billion  
21 worth of projects. We've narrowed that down to about  
22 down a \$10 billion short list. We're assuming that in  
23 there is a 4 to 1 one match on our bond monies, but  
24 that still is only a down payment.

25           And we know we need lots to do but we

1 certainly need to be launched in the right direction.  
2 We need to make sure that we spend this money wisely,  
3 that we maintain the public's confidence, we are doing  
4 projects that improve the environment, help these  
5 communities become more liveable and, from the  
6 shippers' standpoint, improving their speed to market.

7           All of those things we need to do and we need  
8 to do them concurrently. It's a tall order but we're  
9 up for it and certainly enlist your help in  
10 identifying the specifics.

11           The rest of our panels today and tomorrow  
12 will talk about a lot of those details that we have  
13 been thinking about here for a long time.

14           So with that I'll conclude my opening  
15 statement and turn it over to our next speaker. Thank  
16 you very much.

17           SECRETARY PETERS: Barry, thank so much for  
18 your comments. Very well said. You've done a good  
19 job of talking to us about how California has value as  
20 an international gateway and certainly on some of your  
21 slides pointing out how important that is and how much  
22 of that trade flows across our country.

23           Our next panelist is Gill Hicks with Gill  
24 Hicks and Associates. He also is the Chair of the  
25 California Marine and Intermodal Transportation System



1 Advisory Council and has a lot of experience in terms  
2 of working with freight.

3           In fact, you were an instructor, I believe,  
4 at the Global Logistics Specialist program at Cal  
5 State Long Beach as well, Gill.

6           In addition to his job, clients have included  
7 the Ports of Long Beach, Los Angeles, Hueneme,  
8 Southern California Association of Governments and the  
9 Transportation Authority, City of Chicago, a lot of  
10 very important clients to have under your belt there.

11           Gill, turn it over to you for next five  
12 minutes and you're going to talk about national  
13 freight policy as a tool for economy growth.

14           PANELIST HICKS: Thank you, Madam Chairperson  
15 and Members of the Commission. I really appreciate  
16 the opportunity to talk to you today.

17           CALMITSAC is a voluntary organization of  
18 about 30 members from various sectors of the goods  
19 movement arena from industry, government and academia.  
20 We're dedicated to improving the marine transportation  
21 system in California, which includes not only the  
22 ports and harbors, but also the railway and highway  
23 networks serving those harbors.

24           We're also a member of the National MTS  
25 Advisory Council and also of the West Coast Corridor

1 Coalition, which includes Alaska, Washington State,  
2 Oregon and California.

3           We share some of those same goals and  
4 objectives to improve the gateways to the West Coast  
5 and mitigate the environmental impacts of goods moving  
6 in those areas.

7           We are about to publish our updated report on  
8 the marine transportation system in California and one  
9 of the sections in that report deals with  
10 infrastructure requirements.

11           As you can see, the need is enormous, with  
12 \$20 billion dollars worth of programs and projects  
13 identified, the lion's share of which is in Southern  
14 California. Interestingly, the distribution of need  
15 by region is quite proportional to the volume of cargo  
16 flowing through those three separate regions.

17           Through the various treaties that the U.S.  
18 government has negotiated, such as NAFTA, CAFTA, and  
19 the negotiations in the World Trade Organization it's  
20 very clear that the U.S. policy is to reduce barriers  
21 to trade wherever possible.

22           That's a good thing in terms of improving the  
23 economy and jobs in the region and in the nation as a  
24 whole, but it essentially has created an unfunded  
25 mandate in that the federal government has not come

1 forward with the requisite funding to compensate these  
2 regions, these gateway regions, for the  
3 disproportionate cost in terms of environmental  
4 mitigation and infrastructure development throughout  
5 the areas.

6           So essentially we believe strongly the  
7 federal government needs to pay its fair share and  
8 establish appropriate levels of federal funding  
9 support and to provide the flexibility in the use of  
10 transportation funds.

11           So we strongly endorse the Coalition for  
12 America's Gateways and Trade Corridors call for a  
13 predictable and dedicated infrastructure funding  
14 level. We would urge this Commission to very much  
15 include that goal as one of your top priorities.

16           California, as Barry has indicated, has  
17 pledged its fair share. There's \$19.9 billion worth  
18 of general obligation bonds now available for  
19 transportation improvements, 2 billion in trade  
20 corridors, 1 billion for trade-related emissions  
21 reductions, et cetera.

22           You'll be hearing later on today and tomorrow  
23 from other self-help counties who have taxed  
24 themselves to provide transportation projects and also  
25 the ports are heavily investing in facilities and

1 mitigations as well.

2           But recognizing the limitations in federal  
3 and state funds, other self-help public/private  
4 funding arrangements will also be necessary -- in fact  
5 will probably be the only way to complete the  
6 financing for some of these critical projects.

7           We've heard a lot about PPP and private  
8 ownership of facilities. We believe those may be  
9 viable in certain instances, particularly when there  
10 is legal authority to do so with various states.

11           But other equally viable public/private  
12 arrangement, such as was done with the Alameda  
13 Corridor -- it is a publicly-owned right of way but  
14 with private sources of funding brought to bear -- we  
15 feel that those other viable mechanisms ought to be  
16 given serious consideration as the private ownership  
17 approach.

18           The private sector needs to pay its fair  
19 share too, clearly, and what we need to do there is  
20 develop some negotiated regional fees. We believe  
21 that fees need to be negotiated region by region,  
22 where they are necessary, where they are appropriate,  
23 and basically that's what we're talking about.

24           Next slide here.

25           What we're asking for is a regionally

1 negotiated set of fees with cargo or container as the  
2 source of those fees and we believe that those regions  
3 that have successfully negotiated those kind of  
4 arrangements need to be rewarded by receiving higher  
5 priority in the allocation of scarce federal and state  
6 resources.

7           There are certain steps that are needed in  
8 terms of negotiating those arrangements. I'm not  
9 going to read through all of these but clearly the  
10 most important ingredient is consensus on what to do.  
11 Private sector is also very keen on funding firewalls  
12 and sunset clauses and other measures to reduce risk  
13 of their investment.

14           And one way to reduce their risk is to have  
15 agencies that have very good cost and schedule control  
16 track records be responsible for those projects.

17           In conclusion, we feel that these negotiated  
18 plans of finance need to go forward. There is also a  
19 tendency to try to do everything for everybody. We've  
20 got to select a few success stories and concentrate on  
21 them and all sectors must contribute and we've got to  
22 negotiate these plans of finance, these pie charts of  
23 sources of finance. And we look forward to working  
24 with you in the future.

25           SECRETARY PETERS: Gill, thanks so much for

1 your testimony today. I appreciate you being here  
2 also.

3 Our next panelist is Jerry Tidwell, Senior  
4 Vice-President of Supply Operations for Safeway  
5 Corporation and Jerry's going to talk to us about some  
6 fundamental principles for solutions.

7 And, Jerry, as I said, is the Senior  
8 Vice-President for Supply Operations for Safeway where  
9 he supervises the support of all Safeway's twelve  
10 retail operating areas, which serves 17 warehouses and  
11 a transportation logistics center.

12 He also oversees Safeway's ocean freight  
13 through third party operators' manufacturing  
14 operations for the company's 31 processing facilities  
15 for its private label merchandise and also represents  
16 Safeway on the board of the Milk Processor Education  
17 Program in Washington, D.C.

18 Jerry has been with Safeway since 1999, where  
19 he was overseeing the grocery business unit and later  
20 became Vice-President for dairy and beverage  
21 operations. Los Angeles native -- Jerry may be one of  
22 the few folks who can claim that -- began his career  
23 right here in 1976 with the Royal Crown Cola Company  
24 after graduating from Long Beach State University.

25 Jerry, you've probably seen a lot of changes

1 in Los Angeles over this period of time.

2 PANELIST TIDWELL: That I have.

3 SECRETARY PETERS: And we certainly look  
4 forward to hearing from you as you talk to us about  
5 the solutions. Thank you.

6 PANELIST TIDWELL: Madam Secretary and  
7 Members of the Commission, thank you for the  
8 opportunity to appear before you today. I welcome you  
9 to my hometown and it's going to be a pleasure to talk  
10 a little bit about some of the challenges facing  
11 manufacturing and retail businesses operating in one  
12 of the most congested areas in our nation.

13 Safeway is best known as one of the largest  
14 food and drink retailers in the United States. With  
15 over 1760 neighborhood grocery stores in the United  
16 States and Canada and approximately \$40 billion in  
17 sales, Safeway is one of the largest food retailers in  
18 North America.

19 But what few people realize is that Safeway  
20 is also a major manufacturer of food produced at our  
21 31 manufacturing plants and also one of the largest  
22 distribution logistics and transportation companies in  
23 the U.S. as well.

24 With 1761 stores, there's approximately  
25 12,000 employees that operate our logistics business.

1 We run a little over 3000 tractors and a little over  
2 8000 trailers on a daily basis to get goods to our  
3 stores.

4           We understand this week's hearing will be the  
5 only visit for the Commission to visit California, but  
6 as such I'd like to focus my remarks strictly on the  
7 California business, where in California we have over  
8 500 stores, which is roughly one third of Safeway's  
9 total business.

10           The stores are supplied in California through  
11 three of our busiest distribution centers in  
12 California. There is one in Northern California, one  
13 in Southern and one in Central California.

14           Our distribution center in Northern  
15 California is roughly 2 million square feet under one  
16 roof. It is of the largest distribution centers in  
17 the country. And from our Northern California  
18 distribution center we supply 167 Northern California,  
19 Nevada and Hawaii stores, and the Hawaii stores are  
20 supplied via ocean freight.

21           Our distribution center in Tracy operates  
22 24 hours a day every day of the year for 52 weeks out  
23 of the year. It ships over 40,000 SKU's on  
24 approximately 400 truckloads on a daily basis.

25           In addition to the distribution logistics



1 operation I've just described, there are -- seven of  
2 our 31 manufacturing plants are located in California,  
3 four of them in Northern California and three of them  
4 in Southern California.

5           These particular manufacturing plants all  
6 receive commodities and goods via rail, whether it's  
7 liquid sugar for carbonated soft drinks, flour for  
8 backed goods, fresh vegetables for processing.

9           Through the infrastructure within the state  
10 those products are produced for our stores and for  
11 export to the Pacific Rim to many of our public and  
12 international customers.

13           To deliver the very freshest products to our  
14 customers, Safeway invests tens of millions of dollars  
15 on an annual basis in new transportation, for  
16 refrigeration, information technology, logistics and  
17 equipment yearly. And all of that investment is made  
18 within our distribution centers and within our plants  
19 .and most all of these investments have to clear a  
20 rigorous investment hurdle.

21           But the return on these investments in  
22 distribution and logistics are handicapped by the  
23 transportation infrastructure and the lack of  
24 reliability through the freeway network through which  
25 we transport our goods.

1           Let me share with you two specific examples.  
2 Delivering milk to Hawaii. Earlier I mentioned that  
3 our products sold in Hawaii are shipped through our  
4 Tracy distribution center. One highly perishable  
5 product, fresh milk, is shipped directly from our  
6 San Leandro milk plant to the Oakland Port for  
7 shipment to Hawaii.

8           Now, because there's 21-day shelf life on  
9 milk, 20 percent of the shelf life is used up in the  
10 transportation of the milk from the port to Hawaii,  
11 what we attempt to do is to ship each truckload  
12 90 minutes before the ship sails after -- immediately  
13 after it's processed to go the ten miles to the Port  
14 of Oakland.

15           But not all the trucks make it. Occasionally  
16 we will get some trucks that will be hung up in  
17 traffic and can't make it to the port with the ten  
18 miles along that Interstate 880 and can't get there  
19 because of traffic. And every time that happens  
20 there's several thousand dollars in demurrage charges,  
21 not to mention the rework and the waste and not to  
22 mention the lack of milk to sell to our customers in  
23 Hawaii.

24           About 6500 truck loads on a annual basis  
25 don't make it that ten-mile journey. Last year it was

1 not unusual for our trucks to be hung up for hours at  
2 a time within the Freeway 880 and it continues to get  
3 worse instead of better.

4           Additionally, let me share with you the  
5 issues we work around. Time stops within our  
6 distribution center. Additionally we -- because many  
7 of the localities that we deliver to are on time  
8 stops, we'll actually add incremental trucks that are  
9 less than fully loaded to make sure we can work our  
10 way through the infrastructure to get where we need to  
11 go.

12           So instead of using the most efficient  
13 payloads, the most efficient routing systems, we are  
14 actually adding more trucks to the freeway, actually  
15 burning more fuel in order to get products delivered  
16 to our stores on a timely basis and meet our  
17 obligations around curfews and time stops.

18           So as we look across the infrastructure  
19 within Northern California, private industry can  
20 invest tens and tens of millions of dollars within the  
21 organization and within their private facilities to  
22 upgrade logistics to make it more efficient to be able  
23 to dispatch on time, to dispatch and send things  
24 anywhere we want them to go, but it's only as good as  
25 the infrastructure that connects it all together.

1           So from a private industry standpoint we  
2 would highly recommend that we take a look to rebuild  
3 the infrastructure to allow goods and tractors and  
4 trailers in that process to flow through the systems,  
5 to be able to flow through the congested metropolitan  
6 areas, to be able to get where we need to go on time  
7 and in an efficient manner. Thank you.

8           SECRETARY PETERS: Thank you, Jerry. Thank  
9 you so much. Great testimony there too. Look forward  
10 to a Q and A with you as well.

11           Our next speaker is Ray Burgett, who's the  
12 Director of the International Logistics and  
13 Transportation for Pier 1 Imports, and Ray has served  
14 has served in this position -- let's see. I'm sorry.

15           Prior to joining Pier 1 Mr. Burgett was  
16 Director of Distribution and Transportation for Zenith  
17 Electronics and held similar positions in the past  
18 with Sara Lee Corporation and Amway Corporation. He  
19 began his career with Ryder Logistics and has been in  
20 the industry for over 30 years.

21           So, Ray, you've seen a bit of logistics in  
22 your time in the industry as well.

23           PANELIST BURGETT: Oh, absolutely.  
24 Absolutely.

25           SECRETARY PETERS: Look forward to your

1 testimony as well.

2           PANELIST BURGETT: Madam Secretary, Members  
3 of the Commission, thank you. My remarks represent  
4 many, many retailers, many of them much larger than  
5 Pier 1 and some of them the size of Pier 1. So I am  
6 going to read these remarks and endeavor to get them  
7 under the five-minute time limit.

8           I'd like to thank you for giving me the  
9 opportunity to come before you today in Los Angeles to  
10 present a vision for the future of intermodal freight  
11 movement in this country on behalf of both Pier 1  
12 Imports and the Waterfront Coalition.

13           The fact that we're in Los Angeles today is  
14 important. The Ports of San Pedro Bay together  
15 comprise the nation's busiest and premier intermodal  
16 freight gateway. Thousands of companies similar to  
17 Pier 1 Imports all over the United States rely on  
18 traffic coming through these marine terminals to offer  
19 a wide range of products to American consumers.

20           I am sure that the Commission has been  
21 presented with a variety of statistics that prove that  
22 these ports, roads, highways and rails that serve them  
23 are quickly nearing capacity. I don't want to  
24 summarize these numbers because I'm sure that you'll  
25 all have heard them. However, these statistics are

1 telling because they do confirm the immediacy of the  
2 problem, which is rapidly becoming a crisis.

3           Congestion caused by inadequate capacity to  
4 handle freight, both imports and exports, could at any  
5 time cripple the American economy. Most companies,  
6 including Pier 1, rely on speed of delivery of  
7 products to reduce overall costs and deliver a wide  
8 range of products at competitive prices to our  
9 customers while also expanding and offering employment  
10 opportunities in all facets of our operations.

11           It is important to note here that speed is  
12 the critical variable. Bottlenecks in this intermodal  
13 delivery system here in Southern California as well as  
14 across the country increase everyone's costs.

15           Cargo delays that slow down the system  
16 require companies to add inventory to ensure that  
17 store shelves are replenished. An increase in  
18 inventory also results in more goods traveling at any  
19 one time through the system on the ships, trucks and  
20 trains. These added costs, both inventory carrying  
21 costs and transportation costs designed to keep  
22 products on store shelves, inevitably lead to increase  
23 in costs paid by our customers.

24           With this kind of inefficiency and waste in  
25 mind, it's not surprising that former Secretary Mineta

1 estimated that congestion costs the American economy  
2 \$200 billion each day.

3           To provide efficient transportation which  
4 benefits all interest groups and, more importantly,  
5 all Americans, a comprehensive national freight policy  
6 is long overdue. In fact, last year former  
7 Secretary Mineta announced such a policy, which we  
8 believe represents a giant leap forward.

9           The policy enshrined in "The Framework for a  
10 National Freight Policy" recognizes both the private  
11 sector and the government share in the responsibility  
12 to solve this capacity crisis. Transportation  
13 providers and users must make changes to the way they  
14 do business to make better use of existing  
15 infrastructure.

16           The private sector must invest in portions of  
17 the freight system in their control as well. The  
18 federal government also maintains an enormous role in  
19 the process by funding the maintenance and expansion  
20 of important roads and highways and providing national  
21 leadership.

22           However, this document is only a starting  
23 point to address freight mobility in this country.  
24 Let me give you our vision of the future for moving  
25 intermodal commerce.

1           First, transportation providers, their labor  
2 partners and customers need to make better use of  
3 existing infrastructure by adopting changes to the way  
4 we do business. We cannot solely build ourselves out  
5 of this crisis. Shippers and transportation providers  
6 will need to move more freight during non-traditional  
7 hours through congested corridors.

8           Already here in Southern California we are  
9 dispatching truck-borne cargo through marine terminals  
10 at night when trucks do not compete with commuters,  
11 which reduces congestion.

12           A similar program exists in New Jersey  
13 through Maher Terminals. Other stakeholders in  
14 congested regions should consider doing the same.

15           Transportation providers that own chassis  
16 should move towards the adoption of port-wide or  
17 regional chassis pools. Pooling this equipment  
18 reduces the number of chassis needed while freeing  
19 scarce real estate to store more containers.

20           Successful chassis pool programs have been  
21 established in marine terminals in Virginia, other  
22 East Coast ports, as well as in many intermodal rail  
23 yards across the nation.

24           Private stakeholders can also work together  
25 to spread out vessel arrivals at marine terminals.



1 Addressing the vessel bunching problem will help to  
2 evenly distribute the volume of containers throughout  
3 the week as opposed to an inflow of cargo on only a  
4 few days a week.

5 I'd like to inform the Commission that thanks  
6 to groups like the Waterfront Coalition we are working  
7 with our industry partners to make sure that these  
8 business practices become a reality.

9 However, business practices alone will not be  
10 able to solve this capacity. Portions of the freight  
11 system in the hands of both the private sector and the  
12 government must be expanded and expanded as soon as  
13 possible.

14 One of the essential modes of the freight  
15 system in this country is owned and controlled by  
16 private interests -- the railroads. Many intermodal  
17 shippers are experiencing costly rail delays, given  
18 the growing inadequacy of key segments of the network.

19 Today, Class I railroads are trying to grow  
20 their network as quickly as possible by constructing  
21 and expanding rail yards, purchasing new equipment and  
22 locomotives and laying new track.

23 Given the railroad's enormous capital costs,  
24 they are having quite a difficult time locating  
25 additional resources to make these much-needed

1 investments. Here the federal government can lend a  
2 helping hand. We would urge the Commission to  
3 seriously consider endorsing attempts to offer  
4 investors in freight rail infrastructure a tax credit  
5 to help reduce these high capital costs needed to gain  
6 access to Wall Street funds.

7 I appreciate the opportunity to provide this  
8 testimony to the Commission and look forward to your  
9 questions. Thank you.

10 SECRETARY PETERS: Ray, thank you so much. I  
11 appreciate your testimony here today as well.

12 We will now go to our last panelist on this  
13 group. This is Tony Grasso, who is the Executive  
14 Director of the San Bernardino Association of  
15 Governments. He's also the Chair of the Regional  
16 Transportation CEO's.

17 In addition to serving as the Executive  
18 Director of the SANBAG Association he has also served  
19 as Vice-President and Chief Operating Officer for the  
20 Associated General Contractors of California, where he  
21 was the primary agency liaison to the State of  
22 California for transportation issues.

23 He will continue to participate on the  
24 state's Design Sequencing Peer Review Committee and  
25 the CalTrans Project Delivery Advisory Council. He

1 has significant experience in the transportation field  
2 as well.

3           Tony, welcome. We look forward to your  
4 remarks.

5           PANELIST GRASSO: Thank you, Madam Secretary  
6 and Members of the Commission, for the opportunity to  
7 be here today. I am proud to be part of this panel.

8           I got the easy task of talking about funding  
9 options to sustain global competitiveness and I'll try  
10 to do that in five minutes.

11           California's infrastructure capacity crisis.  
12 When discussing trade infrastructure in Southern  
13 California, one must look at the total system. This  
14 includes the ports, rail, highway infrastructure,  
15 transloading facilities, including logistics  
16 technology, intermodal facilities and grade  
17 separations.

18           In the future these are likely to be joined  
19 by inland ports, shuttle trains, dedicated truck lanes  
20 and even new, cleaner modes not in use today.  
21 Focusing on an isolated portion of the entire system  
22 only adds to the strain on the other components.

23           The consequences? Infrastructure capacity  
24 shortfalls will bury trade-related congestion and  
25 pollution. Local commerce, which shares much of the

1 infrastructure used by international trade, will be  
2 adversely affected too. If trade-related job growth  
3 is restricted by capacity constraints it will hurt our  
4 Southern California economy as well as the national  
5 economy.

6           Trade growth is so large that Southern  
7 California must add capacity. Today we are -- roughly  
8 30 percent of the goods entering the U.S. come through  
9 the Ports of Los Angeles and Long Beach and they are  
10 destined for local markets.

11           Another 25 percent make a first stop in the  
12 region as part of some value-added activity before  
13 moving on. The rest moves more or less to  
14 destinations elsewhere in the other 49 states.

15           With trade expected to triple in the coming  
16 decades, Southern California would find itself out of  
17 capacity even if the ports are restricted to only to  
18 deal in California-bound trade.

19           Building infrastructure in is an investment  
20 in liveability and prosperity. Investing in trade  
21 infrastructure makes sense on two fronts. First, the  
22 negative impact to the local community -- congestion  
23 and air pollution -- must be solved or the rewards of  
24 trade will be a bitter fruit truth indeed.

25           Second, building trade infrastructure is an

1 investment in the future prosperity of the state, the  
2 region and the entire nation.

3           Part of the solution, we believe, is  
4 providing adequate infrastructure capacity for goods  
5 movement through Southern California and is expected  
6 to cost in excess of \$30 billion, but will generate  
7 major economic, environmental and congestion relief  
8 benefits.

9           Studies yield some of the following findings:  
10 Somewhere in the neighborhood of a \$200 container fee  
11 collected at the ports and, importantly, invested in  
12 an expanded goods movement infrastructure would  
13 increase the volume of jobs creating transloaded cargo  
14 throughout the Southern California region.

15           I think we would ask there be some policy  
16 discussions about how -- that would be enabling to  
17 allow that to happen. A dedicated truck lane could  
18 yield a significant return on investment from the  
19 system to justify user toll fees and speed and  
20 reliability going up many times.

21           Container fees could partially or totally  
22 offset the cost of building an estimated \$3.4 billion  
23 needed rail improvements and would yield quite  
24 significant improvements in the rail system's speed  
25 and reliability.

1           Some of the conclusions we'd like to present:

2 The local market in Southern California has greatly  
3 influenced trade in the region. Moreover, the scale  
4 of Southern California's infrastructure, which is  
5 clearly under strain, dwarfs that of the rest of the  
6 West Coast.

7           Together the ports of Los Angeles and Long  
8 Beach are the third busiest container facilities in  
9 the world, handling more than one-third of all the  
10 U.S. container traffic and more than three-quarters of  
11 all container traffic on the West Coast.

12           Only Southern California has both the dock  
13 side and land side potential to accommodate the retail  
14 industry's shift to even larger container ships and  
15 the capability to meet these demands.

16           Clearly we are not merely coming here asking  
17 the federal government with our palm out for a  
18 hand-out. We are requesting collaborative efforts  
19 with the federal and state governments with regional  
20 interests to finish the definition and begin timely  
21 implementation of the nation's significant freight  
22 strategy, relying on a combination of negotiated  
23 private sector contributions, federal, state funding  
24 to accomplish both our infrastructure and  
25 environmental objectives.

1           We support the principles with respect to the  
2 to establishment of a dedicated freight trust fund.  
3 The cost of goods movement should support some  
4 portions of the costs of expanding related needed  
5 infrastructure.

6           All potential funding mechanisms and funding  
7 sources should be considered and based on benefit.  
8 Funding should be predictable, dedicated and  
9 sustained. Funds should be available to support  
10 projects of various sizes and scope but with special  
11 priority for projects of national significance.

12           Funding distribution should be based on  
13 objective merit-based criteria, with higher cost  
14 projects subject to more stringent evaluation than the  
15 lower cost. Funding distribution should be based on  
16 objective merit-based criteria. The funding should be  
17 linked to projects in a manner similar to the Full  
18 Funding Grant Agreement to insure once a project is  
19 approved it would fund it all the way through.

20           Funds should be available on a pay-as-you-go.  
21 In addition we would urge Congress to move forward  
22 with these hearings to document the public support for  
23 such a trust fund.

24           The Commission -- we ask the Commission to  
25 place the dedicated freight fund as a top priority,

1 U.S. Department of Transportation to initiate a  
2 national freight benefit study and the Government  
3 Accounting Office to assess the potential for portions  
4 of future growth of customer fees to be assigned to  
5 the trust fund.

6           We have come together in partnership here in  
7 Southern California with the U.S. Department of  
8 Transportation, U.S. EPA's and California and our --  
9 California -- our county transportation commissions to  
10 develop a multi-county goods action plan. We are  
11 ready, willing and able to be your partners here and  
12 hope to move forward. So at this time thank you for  
13 your time and I guess we will all address questions.

14           SECRETARY PETERS: Tony, thank so much. I  
15 appreciate your testimony as well.

16           We have just up to one hour now for questions  
17 from the Commissioners to the panelists and we  
18 appreciate your participating in this part of the  
19 session as well.

20           And, Tony, again, if you're more comfortable  
21 staying there, please do. And I do apologize that we  
22 didn't have a long enough table there to get everyone  
23 together, but it would have been a little crowded  
24 there.

25           PANELIST GRASSO: Well, it's nice to be



1 taller than the rest of the panel.

2           SECRETARY PETERS: There you go.

3           Accordingly, Tony, let me address the first  
4 question to you and, if I could, go down to each of  
5 the panelists.

6           If there were a single thing that the federal  
7 government could do to make freight and goods movement  
8 more efficient in the State of California, in  
9 particular in this area, what would that one thing be?

10          PANELIST GRASSO: Well, I think a recognition  
11 of the impact of the national economy and the freight  
12 movement throughout the United States. The economic  
13 benefit is elsewhere in a lot of what we talked about  
14 today, but the infrastructure burden and the quality  
15 of life burden we bear here in California is  
16 disproportionate to -- we accept the burden while the  
17 rest of the United States bears the benefit.

18          And we get some economic benefit out of this,  
19 but a good portion of what we move here through goods  
20 is moving to other states. And so I guess I would  
21 suggest we need to come together with policy  
22 discussions about how as the United States we all  
23 embrace the need to move goods through the Southern  
24 California region to those other states. And I hope  
25 we have that opportunity to continue those

1 discussions, because to go about this 50 states, one  
2 on top of another, fighting for whatever's right,  
3 nothing's right.

4           SECRETARY PETERS: Tony, thank you.  
5           Barry?

6           PANELIST SEDLIK: Certainly I would concur  
7 with that. I think one of the things that we've  
8 noticed over the last two years as we've looked at  
9 various funding mechanisms is always the threat of  
10 violating Interstate Commerce laws and doing something  
11 different in California than elsewhere.

12           And so having a national, consistent, unified  
13 national freight policy would be very important and in  
14 terms of recognition of freight as a separate  
15 component of the country's transportation system.

16           But it's not only on the freight side. I  
17 think also we have to recognize in terms of  
18 regulations that, for example, California has no  
19 jurisdiction over locomotives or ocean carriers and as  
20 a consequence things that are needed to be done really  
21 need to be done at the federal or in some instances at  
22 the international level.

23           So these are things that the states shouldn't  
24 have to be in a position to do, things that are really  
25 in the domain of the federal government. Having a

1 unified freight policy and a stable funding are really  
2 key to building the kinds of systems that we need.

3           SECRETARY PETERS: Barry, thanks so much. I  
4 guess I should have said at the onset that you could  
5 say, "Do nothing," in terms of what the federal  
6 government should do if we're interfering with what  
7 you're doing today. So let me make sure that you have  
8 that option as well. Thank you.

9           Gill.

10          PANELIST HICKS: At the risk of being  
11 somewhat redundant I really want to re-stress the fact  
12 that the federal government needs to provide a  
13 dedicated and predictable freight infrastructure  
14 funding program.

15          And those regions that are successful in  
16 negotiating public/private funding arrangements should  
17 be rewarded in terms of receiving higher priority for  
18 federal funds.

19          SECRETARY PETERS: Thank you, Gill.

20          Jerry?

21          PANELIST TIDWELL: Again, I would concur with  
22 everything said thus far but I would recommend that  
23 the federal government look at the problem as an  
24 integrated system. It's really only as good as the  
25 bottleneck that slows it down.

1           And I realize there's a number of  
2 interdepartmental -- and whether it's state or local  
3 or federal, you know, comes under that -- you know,  
4 that -- their jurisdiction. Still yet they all have  
5 to connect together and work correctly for the entire  
6 system to work.

7           THE COURT: Thank you. And Ray?

8           PANELIST BURGETT: I would agree with the  
9 other panelists for the need of a national freight  
10 policy. I think it's very important that we realize  
11 that there is an impending crisis in Southern  
12 California and we shouldn't just rely on the people of  
13 Southern California to fix the problems of the -- for  
14 the rest of the country.

15           I know the railroads and a lot of the  
16 trucking community and even the retail segment, we  
17 support a lot of the programs that are going on. When  
18 PierPass was established we all stepped in and  
19 supported that.

20           I can say from the part of Pier 1 95 percent  
21 of our containers move at night and only the ones that  
22 we have to move during the day are we moving during  
23 the daytime.

24           If the ports were more productive and there  
25 was greater use of on-dock rail -- I think a lot of

1 the things that we need to do both from productivity  
2 and capacity problems need to be addressed when we put  
3 together this national freight policy. Thanks.

4 THE COURT: Ray, thank you.

5 Tom has a follow-up to the question I had and  
6 then, if I could, I will go down the line and give  
7 each Commissioner an opportunity to ask questions and  
8 we'll rotate until we exhaust the hour or earlier.

9 Tom?

10 COMMISSIONER SKANCKE: Thank you, Madam  
11 Secretary. That was an excellent question and frankly  
12 I apologize for stepping in front of you but I do it  
13 often.

14 If you could create that policy -- this is a  
15 really good discussion. You guys deal with this every  
16 day here. Nevada, you know, we get 85 percent of our  
17 goods from I-15 out of the port.

18 What would that freight policy look like if  
19 you guys could create it? And -- not in the next  
20 hour, but I mean give us some suggestions of what that  
21 freight policy would look like.

22 What are the components of how you would  
23 construct that?

24 PANELIST SEDLIK: If I could take one crack  
25 at that, I think one of the things that we're seeing,

1 especially if we're going in the direction of  
2 public/private partnerships, is we have to have better  
3 ways to parse out public and private benefit.

4           And so to the extent that there are things  
5 that provide general public benefit then that is  
6 something that the public should be willing to pay  
7 for. But for those things that clearly benefit the  
8 direct user, the beneficial cargo owner, whether it's  
9 improved velocity throughput or reliability, those are  
10 things that provide value to their operation.

11           So having ways to split that as opposed to  
12 having to wait to get some ruling from the IRS as to  
13 what is the correct split, having some kind of broad  
14 guidelines as to how to parse out those benefits I  
15 think could go a long way to ascertaining what that  
16 system should look like.

17           SECRETARY PETERS: Other members of the  
18 panel, if you have comments, please jump in here.

19           And then we'll go back to Frank Busalacchi.

20           COMMISSIONER BUSALACCHI: Thank you, Mary.

21           I have a question for each one of the  
22 panelists and then a quick follow-up, if I could.

23           You know, we have been going around the  
24 country and the main thing coming up is these vast  
25 needs that we have. And of course we toured Southern

1 California today and it just all gets magnified even  
2 more so.

3           So, you know, my question to each one of you  
4 is: Do you feel that the federal role as it exists  
5 now is sufficient? Do you think that the federal  
6 government could do less, or do you feel that the  
7 federal role should increase in light of these massive  
8 needs and what's going on, particularly in this area?  
9 That's my question.

10           PANELIST GRASSO: I think one of the things  
11 that the federal government can help with is, as was  
12 mentioned before, there are so much components of the  
13 goods movement not connected at any point. They're  
14 regulated by different organizations or entities. And  
15 if we can unite them so that the benefit gained in any  
16 one area is recognized elsewhere -- the ports are  
17 regulated by one area. The goods movement some other.  
18 We are responsible for some of the infrastructure.  
19 All working separately to try to solve a problem.

20           So to bring everybody together to recognize  
21 that systematic approach to how we fix that is a good  
22 idea.

23           I'm not sure how we get there but if you look  
24 at -- say I'm in the middle of the United States and I  
25 want to buy a television. That television comes from

1 the other side of the Pacific Rim, comes into our  
2 ports. It's offloaded there. It may go to some  
3 transloading center, which we will bear that burden  
4 here in Southern California, off that transloading  
5 center either to rail or trucking and gets to some mid  
6 United States place where they sell it.

7           The cost benefit and the tax benefit probably  
8 happens there; the burden happens here. So if we can  
9 bring those kind of discussions about where the  
10 benefit happens and how it got there, the relation  
11 back to the infrastructure support, that would help as  
12 well.

13           PANELIST BURGETT: I would like to say also I  
14 think the role of the federal government should be  
15 more of an organizing and getting all the parties  
16 together to come up with the ideas, not necessarily to  
17 legislate the process but to make sure that every  
18 stakeholder is involved and that everybody's heard and  
19 that the policy that comes from this benefits all  
20 Americans.

21           PANELIST HICKS: I believe one other thing is  
22 that in addition to providing this dedicated freight  
23 funding program, expedited NEPA reviews is clearly  
24 going to be very important for our projects.

25           I think the federal government needs to be



1 less process-oriented and more product-oriented, and  
2 product meaning the projects, getting things built and  
3 finding ways to do things concurrently rather than  
4 sequentially over time.

5           There's always lots of rules and steps: You  
6 have to do this before you do that and then you do  
7 that. There are ways we could do things concurrently  
8 and, of course, design/build is one way of doing  
9 things concurrently and speeding up time of project  
10 delivery.

11           So these kind of things I think would be  
12 helpful, but again rewarding us for bringing these  
13 self-help arrangements to the table I think is  
14 important.

15           PANELIST SEDLIK: I think one other aspect is  
16 of course on the funding side itself and one of the  
17 things that we are trying very hard to do here in  
18 California, especially with this current set of bonds,  
19 is to fund projects on merit.

20           And so we're trying to keep away, out of the  
21 earmarking process, and really look at what -- if  
22 we're trying to reduce congestion, what are the  
23 projects that provide the most congestion relief. If  
24 we're trying to move goods, what are the ones that are  
25 going to reduce the bottlenecks the most.

1           So the more we can have a funding process  
2 based on need as opposed to Congressional district,  
3 that will certainly go a long way in making sure or at  
4 least moving in the direction that we have a  
5 connected, integrated system that is going to perform  
6 at a high level relative to the amount of investment  
7 that's put in it.

8           PANELIST TIDWELL: Yes, and I will just say  
9 finally it's -- I think, as everybody knows, it's an  
10 exceptionally complex problem. I think the federal  
11 government can be that conduit that holds everything  
12 together. Then also I think the federal government is  
13 in a position to prioritize where the greatest needs  
14 are.

15           And I realize that opinion can vary. But  
16 then again from an infrastructure, from a payback  
17 standpoint, from building the business case on what  
18 should be first and what should be completed first, I  
19 think the federal government can play a critical role  
20 in facilitating and helping to get the -- the major  
21 priority projects completed.

22           COMMISSIONER BUSALACCHI: Okay. Just one  
23 quick follow-up for Mr. Tidwell. You know, I think  
24 you've got a pretty sizable trucking operation.

25           PANELIST TIDWELL: Yes, sir.

1           COMMISSIONER BUSALACCHI: In looking at the  
2 amount of trucks coming in, it's amazing. And, you  
3 know, some of the newer regulations that are coming  
4 down for drivers, do you anticipate this being a  
5 critical issue in this area? I mean, should we get to  
6 a situation where all -- you know, all of a sudden  
7 overnight a lot of these people are not qualified to  
8 drive and could that affect this operation in this  
9 area even more if that were to happen?

10           PANELIST TIDWELL: Well, from an industry  
11 standpoint -- it doesn't necessarily affect Safeway  
12 from a --

13           COMMISSIONER BUSALACCHI: I understand that.

14           PANELIST TIDWELL: But from an industry  
15 standpoint that is becoming a critical need. It's  
16 hard to get drivers. It's hard to retain them.  
17 It's -- any way you slice it -- it sounds like it's an  
18 easy job: You just get into a truck and you drive  
19 from Point A to Point B. But the reality is you're  
20 away from home for a long time and it's a hard job.

21           So I guess the answer to your question is  
22 that, yes, there is a shortage of drivers. It's  
23 becoming more critical as time goes on. Within the  
24 regulatory environment I think much of it is needed;  
25 however, the reality of it is that it's still --

1 because of the length of time that people spent on the  
2 road, the distances, the way that you're away from  
3 home base, it is becoming much, much more difficult to  
4 retain these types of folks.

5           COMMISSIONER BUSALACCHI: Thank you.

6           PANELIST SEDLIK: To briefly follow up on  
7 that, I think a key issue that we're facing here at  
8 the ports is the specific plight of the drayage driver  
9 as opposed to the drivers that are working in fleets  
10 like Safeway's.

11           And to the extent that the TWIT car that's  
12 coming down will likely have a major impact, namely,  
13 some sizable fraction -- we don't know what size, what  
14 fraction of that population will not be able to stand  
15 the scrutiny of being able to demonstrate legal  
16 residence and so on -- It's going to be a big factor  
17 in terms of the fraction of drivers that we're going  
18 to be left with.

19           Ultimately we know the shippers are  
20 ultimately going to pay to have qualified drivers  
21 driving safe, efficient, and emission-friendly trucks.

22           The problem is the path, how do we get there.  
23 And do we need to call out the National Guard as a  
24 consequence of maybe a driver shortage or can we,  
25 knowing that this is on the horizon -- can we approach

1 this in a more orderly fashion so we get the -- we  
2 prepare for this in a way so we can make it a smooth  
3 transition.

4           We can make this attractive. We can have  
5 those rates move up sooner than later so that the  
6 kinds of investments that are needed to modernize  
7 these vehicles to meet these very stringent emission  
8 guidelines are attractive to prospective investors, as  
9 well as from the drivers' standpoint those  
10 owner/operators that are backbone of the drayage  
11 fleet, the drayage operation, that they can make a  
12 living doing this type of work.

13           So those are things we know right now and the  
14 public is only going to say -- question why didn't we  
15 think of this beforehand because we -- all the  
16 information is already on the table.

17           This is something we have to find a path to  
18 get there in a smooth path, not a chaotic one. And if  
19 we can't do that, shame on us.

20           SECRETARY PETERS: Let's move now to  
21 Commissioner Rose.

22           COMMISSIONER ROSE: Okay. Just a thought.

23           First, you know, this is the second hearing  
24 I've been to in the field and two for two we come into  
25 this thing thinking it's all about highways and

1 passengers and all we have talked about is freight  
2 mobility.

3 I guess we can say that, you know, freight  
4 mobility is driving the passenger piece, but I think  
5 that's a -- that's instructive.

6 The second issue, somebody mentioned, you  
7 know, that funding ought to be based on need rather  
8 than Congressional districts. So is that like the  
9 Highway Trust Fund?

10 PANELIST SEDLIK: Well, we're just talking --

11 COMMISSIONER ROSE: Gill, do you think the  
12 Highway Trust Fund works?

13 PANELIST HICKS: Well, with --

14 COMMISSIONER ROSE: With 6,000 earmarks?

15 PANELIST HICKS: No, I think -- you're  
16 talking about earmarks. No, I don't think earmarks  
17 works to our advantage. I mean, a perfect example is  
18 what happened in Alaska, the bridge to nowhere and --

19 COMMISSIONER ROSE: Right.

20 PANELIST HICKS: -- there's another example  
21 in the State of California, which I won't mention, but  
22 there is one county that got a disproportionate amount  
23 of money for its need in our opinion.

24 But, again, it comes down to politics. We  
25 need a more sensible way of allocating scarce

1 resources by need and the measurement of need needs to  
2 include a measurement of the cargo volumes flowing  
3 through each of these gateways.

4           As I indicated earlier, in California alone  
5 the gateway volumes are pretty much proportional to  
6 the total dollar need in those regions, which is a  
7 coincidence, frankly, in the terms of the way it came  
8 out, but it's intuitively logical that that's the way  
9 it should be.

10           So those kinds of factors need to be  
11 considered and not just who happens to be chairman of  
12 what committee.

13           COMMISSIONER ROSE: So is there another trust  
14 fund that you could point to that's working well?

15           PANELIST HICKS: The real difficulty, and  
16 particularly from industry's perspective, there is no  
17 trust in trust funds, because the money gets  
18 collected, it's overcollected and underspent. The  
19 Harbor Maintenance Tax is a perfect example of that,  
20 Inland Waterways Fund.

21           I'd be concerned about any new trust funds,  
22 particularly unless there are some real safeguards  
23 embedded within it so the funding is used for its  
24 intended purposes and not banked for fiscal purposes  
25 in balancing the federal budget.

1           It really needs to be used for its intended  
2 purpose. That's why we're recommending fee structures  
3 that are regionally negotiated with firewalls and  
4 sunset clauses and the fees that you collect are for a  
5 designated list of projects that government and  
6 industry can sign off on.

7           COMMISSIONER ROSE: So you'd be okay with,  
8 you know, Southern California charges \$200, Amarillo,  
9 Texas, charges \$25 dollars, Kansas City charges \$75,  
10 Chicago charges \$100, Pittsburgh charges \$75? I mean,  
11 just let every region kind of --

12          PANELIST HICKS: I think the problem with  
13 charging one national fund is you're going to have  
14 misuse of those funds and it will be bureaucratized to  
15 death and we won't have an efficient allocation of  
16 expenditure of these funds.

17          I don't endorse a \$200 fee or any arbitrary  
18 number of fee.

19          COMMISSIONER ROSE: That wasn't your number.

20          PANELIST HICKS: Right. That happened to be  
21 a number in some study --

22          COMMISSIONER ROSE: Right.

23          PANELIST HICKS: -- that talked about what  
24 threshold there might be for diverting. But any kind  
25 of fee negotiation should be built up project by



1 project and implemented only when there is a real  
2 project ready to be funded.

3           You don't want to collect a fee now for a  
4 project that may not even be ready for ten years,  
5 because then you get into trust fund problem of no  
6 trust in the funds.

7           Any fund that we have, our fee structure has  
8 to be accountable to the payers of that fee and so --

9           COMMISSIONER ROSE: Yeah. I think that  
10 therein lies the big challenge we all have. I mean I  
11 think the Alameda Corridor we can all look at a real  
12 success story, but that is literally the only one I  
13 know of.

14           And I would just push back on the panel a  
15 little bit more. What I heard a theme of everybody  
16 here saying, "Well, the federal government can solve  
17 our problems. The federal government is the best  
18 example to know where the real needs are."

19           You all do more in Southern California. If  
20 you were waiting for the federal government to come in  
21 and solve these issues around mobility, you wouldn't  
22 have gotten any of this stuff accomplished.

23           And with respect to the secretary and with  
24 respect to the D.O.T., I just think you all -- I think  
25 when you all are saying that, you're kind of looking

1 for manna from heaven to come and save you.

2           But locally you all will know where these  
3 issues need to resolve much better than the federal  
4 government will. And so I would just -- I want to  
5 push back, and if you guys think, no, he's wrong, he  
6 doesn't know what he's talking about, well, a lot of  
7 people say that about me, so I'll accept that.

8           But I just think you guys are going -- are  
9 pushing the wrong rope here.

10           PANELIST HICKS: Commissioner Rose, I think  
11 you're right about our knowing the needs better, but I  
12 also think federal government has to be a partner in  
13 the funding for these things. Clearly, because of the  
14 national benefit that Barry and Tony talked about,  
15 clearly a fairness issue needs to be brought into  
16 play. So the federal government needs to be a  
17 partner.

18           But, no, I think expecting a truckload of  
19 money from the federal government coming our way is  
20 simply naive or for them to even know where to  
21 remediate the bottlenecks.

22           COMMISSIONER ROSE: Okay. The last two  
23 things and then I'll shut up. One, I think you all  
24 owe it to yourselves to make sure you do understand  
25 the economic benefit from two issues.

1           One is that as these big ships, these 10,000  
2 TEU ships show up, that ship, you know, they leave  
3 40 percent of the stuff in California and 60 percent  
4 of the stuff goes out of California, you all are  
5 getting the lowest transportation for that 40 percent  
6 of the goods that are staying here because of the  
7 critical mass of the boat that comes in.

8           And I didn't hear anybody saying, "Yep, we  
9 are getting some advantage for that."

10          And, second, just the economic leverage in  
11 terms of jobs and commerce, you know, just seeing  
12 the -- as I've seen the trip so many times, the  
13 warehousing, the truck drivers, all those things, it's  
14 got to be a huge piece.

15          I mean, I've heard your mayor say it's bigger  
16 than Hollywood in terms of commerce. And I just hope  
17 that you all will take both those into account.

18          Given both of those, I believe at the end of  
19 the day that the cost of this traffic is probably not  
20 bearing -- it is disproportional and -- but I'd ask  
21 you to look at both of those issues as well.

22          And I think that, you know, from my  
23 perspective, two of you really hit on some sort of a  
24 trust fund or some sort of funding mechanism. I would  
25 just again ask you to really think about collecting

1 this money and then who's going to determine how it's  
2 allocated, what the levels of need are and how it's  
3 allocated, how we assure that it really does go to  
4 freight mobility.

5           And then the last point, again, you kind of  
6 push back on the federal government in terms of  
7 environmental issues and things like that. I think  
8 the role of feds can be to help streamline some of  
9 these processes, but, quite frankly, most of the  
10 issues within the state are more stringent than any of  
11 the fed guidelines anywhere.

12           And I'm a poster child of somebody who's been  
13 trying to build a project here for seven years that  
14 would do nothing but take trucks off the 710 and I'm  
15 not stopped because of federal issues. I'm stopped  
16 because of the state issues.

17           So I'm just asking for you to kind of think  
18 about that and at the end of the day, Barry, I think  
19 the market will sort all this stuff out in regard to  
20 your truck driver issue and clean trucks and  
21 everything and, you know, I think you guys ought to  
22 stand for trucks that are licensed, with roadability,  
23 drivers that have qualifications, and at the end of  
24 the day, you know, Pier 1 and others are going to pay  
25 more to move the stuff around, but if that's really

1 something that the state wants to stand for, the  
2 market will sort all that out.

3           PANELIST SEDLIK: First of all, if I could  
4 address a few of your points. We clearly understand  
5 the value of what logistics and goods movement means  
6 to this state. One out of seven Californians is  
7 employed in this industry. It's a tremendous economic  
8 boon and benefit for all of the state and helping the  
9 competitiveness of all our other industries.

10           It's extremely important. But the problem is  
11 we can't bear that entire cost all ourselves. And so  
12 we are not looking to be bailed out by the federal  
13 government. We're looking to have some type of fair  
14 share type of allocation.

15           We believe, and in the process that -- the  
16 voters put forward \$20 billion, 3 billion for people  
17 and 1 billion specifically for goods movement and air  
18 quality related things. We've identified the  
19 projects. We've gone through them. We think we have  
20 a pretty good list. We think we know what those  
21 demands are.

22           We now are in the process of making a  
23 significant down payment on that investment. But  
24 that's not going to be enough. We're going to need  
25 some ongoing mechanism to make this work.

1           So we're not looking for a bailout from the  
2 federal government. To the contrary, we think we can,  
3 in your words, identify where those best projects are,  
4 but we need some mechanism to make sure that we're not  
5 subsidizing the rest of the country.

6           That's the key thing we need to find. And we  
7 certainly want to keep the retailers here. I am  
8 appalled that 6500 trucks can't get to the port for a  
9 for a 10-mile drive. We need to find a way to get  
10 that fixed.

11           So we need to address these issues but we  
12 need to do it in a comprehensive, not a piecemeal way,  
13 and have the federal government take on the  
14 responsibility of doing something to contribute to the  
15 issue that California is -- the benefits it's  
16 providing to the rest of the country, albeit we are  
17 benefitting from the economics that having this  
18 logistics industry based here provides.

19           So we definitely see it as a partnership. We  
20 need to do our piece. We are taking the lead in that.  
21 We need to have others step up to the plate to do  
22 their fair share.

23           PANELIST GRASSO: May I respond to that as  
24 well?

25           SECRETARY PETERS: Yes, sir. And then we're

1 going to move down to Commissioner Heminger.

2           PANELIST GRASSO: I think what we're  
3 asking -- you're the National Surface Transportation  
4 Policy and Revenue Committee. The revenue portion's  
5 got to be based on a policy discussion. The typical  
6 traditional thinking doesn't get us there. We've seen  
7 this in other trust funds.

8           Bringing the partners together to work this  
9 out in a policy discussion is where we need to be,  
10 where we can establish criteria, return to the most  
11 needed sources bearing the most burden and have that  
12 recognition and all the partners be at the table to do  
13 that.

14           But it's got to be driven by policy. If we  
15 go by traditional appropriation processes then we have  
16 a 50 -- well, yeah, a 50-state fight over who gets  
17 what.

18           California has been a donor state in the  
19 Highway Trust Fund forever and ever and we bear that  
20 burden. If we set that the right policy, it ought to  
21 flip the other way, where we are a recipient state  
22 because of the burden we bear in air quality  
23 congestion, infrastructure improvement constantly  
24 needing to happen.

25           So it's got to start with a policy but we'd

1 like everybody to be at the table so we are asking  
2 this Commission then to bring -- to help us to bring  
3 policy together that the Congress can embrace.  
4 Otherwise it's a fifty person -- a fifty-group  
5 dogfight for that half dollar.

6           SECRETARY PETERS: Okay. I'm going to move  
7 down to Commissioner Heminger and then come back to  
8 this side of the table.

9           COMMISSIONER HEMINGER: Thank you, Madam  
10 Secretary. I was going to ask about container fees  
11 but I knew Commissioner Rose would beat me to the  
12 punch.

13           I did want to engage just one point he made,  
14 though, before asking my question, because he's made  
15 it repeatedly and it's a good one, and that is, you  
16 know, the earmarking we've seen in the highway  
17 program.

18           And I think one thing to note about it is  
19 that it has exploded almost in proportion to the  
20 distance that we've traveled from the original  
21 purposes of the program, which was to build the  
22 interstate system.

23           And I think in large respect one of the  
24 reasons this Commission was created was to discern  
25 whether or not there are federal interests that aren't



1 being served by the program and when the program could  
2 be redirected towards those interests.

3           And I think it's not necessarily being a  
4 Pollyanna to suggest that if in fact there were more  
5 defined and discrete purposes for the federal program  
6 there might be a little less earmarking.

7           I think right now the Congress doesn't know  
8 what the program's about and so it's sort of every  
9 member for him or herself.

10           Mr. Grasso, I wanted to read a sentence from  
11 your written statement and then ask the panel about  
12 it. And it says, "The deleterious impacts on the  
13 local community must be solved or the rewards of trade  
14 will be bitter fruit indeed." And I think that's very  
15 well said.

16           And I would like, if you could, maybe  
17 starting with Mr. Sedlik, address this question that I  
18 know has been so salient here in Southern California,  
19 and maybe in at least three ways.

20           One of them is a sense of scale. You know,  
21 the Prop 1 B bond here in California has 2 billion for  
22 trade and 1 billion for mitigation. So that suggests  
23 that the mitigation has to be of a pretty large scale.

24           Secondly, in terms of scope, what sorts of  
25 projects are we talking about when we talk about

1 community protection, environmental protection in  
2 making these important improvements?

3           And, thirdly, getting back to the issue that  
4 several of my colleagues have raised, and I know  
5 Commissioner Skancke feels the strongest about,  
6 perhaps, and that is finality. You know, once the  
7 mitigation bargain, if you want to call it that, has  
8 occurred, how do you make sure the project gets  
9 delivered and you still don't have someone fighting a  
10 rear guard action to keep it from occurring?

11           So, Mr. Sedlik, I know you've thought a lot  
12 about this question and we really, I think, could use  
13 your guidance on it.

14           PANELIST SEDLIK: I appreciate that greatly.  
15 As you saw one of my slides, we define these four key  
16 corridors for the state where the preponderance of --  
17 relative to goods movement where the biggest flows  
18 are. And that's both rail and for truck.

19           And all the studies we've seen clearly  
20 demonstrate this nexus that those communities that  
21 align those corridors are suffering  
22 disproportionately.

23           Clearly there has to be environmental  
24 improvements made, and not only for the growth, but to  
25 the extent that -- mitigation is needed to the extent

1 that they are already bearing a disproportionate  
2 burden.

3           Now, what kind of mitigation is required?

4 There has been on the environmental side on the -- our  
5 project we had a joint effort between two agencies,  
6 Business, Transportation and Housing and California  
7 Environmental Protection Agency and they identified  
8 somewhere in the range of between 6- and \$10 billion  
9 worth of environmental mitigation needed. A lot of  
10 that is in terms of emission control relative to  
11 diesel locomotion, whether that be for trains, cargo  
12 handling equipment, the trucks themselves or the ships  
13 at sea.

14           So there's a whole series of environmental  
15 mitigation that has been proposed. Some may currently  
16 not be cost effective, but at least there is a variety  
17 of measures that have been proposed and our goods  
18 movement plan identified 200 overall specific actions  
19 and a large series of environmental mitigation  
20 measures.

21           But that would also include, for example,  
22 grade separations and we think grade separations are a  
23 tremendous source of being able to provide relief to  
24 communities, because it's not only the emissions but  
25 that congestion, it's the horns from the trains at

1 every intersection creating noise 24 hours a day.

2 All of those things can be greatly mitigated.

3 And to your point of getting finality, grade

4 separations work. We know that once they're in, the

5 traffic flows better, emissions are down and there is

6 less community disruption.

7 And that's where we're focusing our efforts

8 to get grade separations, primarily the Alameda

9 Corridor East as a very high priority to spend those

10 dollars there first.

11 Other kinds of mitigation that's needed in

12 the communities has to be with operational concerns.

13 We need to have better enforcement so trucks are not

14 operating or running through residential neighborhoods

15 at all hours, that the trucks are not parking in these

16 areas, that containers are left abandoned.

17 All of these things are things that can be

18 done but need to have a concerted effort to help the

19 communities with enforcement and for whatever reasons

20 that they are not capable of dealing with those kinds

21 of issues.

22 Also the Homeland Security pieces we need to

23 address. There is a hundred million in our bond

24 measure to address those pieces.

25 So we think there are things that can be done

1 that do get finality relative to addressing this  
2 mitigation. It is going to be an ongoing battle,  
3 though, and that's why we have come up with this  
4 notion of what we call simultaneous and continuous  
5 improvement.

6           We need to address this as you would in any  
7 business that is trying to be competitive and world  
8 class, to have a constant feedback loop there to see  
9 what works, what doesn't, and provide incremental  
10 improvement but not to the extent where there's never  
11 a solution, never finality.

12           We certainly want to learn from the kinds of  
13 measures that are out there, sound walls and other  
14 things that can work, and at some point we have to  
15 say: Enough is enough.

16           So that is one of the things that in order to  
17 have the trust and confidence of those that would pay  
18 fees is to have that demarcation, that whatever set of  
19 mitigations are defined, when these projects are  
20 built, that there is a means for them to be  
21 implemented, to be monitored, and to make sure that  
22 they are effective, but when they are, that's it and  
23 we're done until the next project.

24           So it's got to be a interim process but it  
25 has to also have a degree of finality to it so that

1 there's not just a demand as an endless sink of funds  
2 to address all the communities' ills.

3           We need to be able to identify those things  
4 that are related to the movement of goods and the  
5 impact that it creates, but we can't use that to solve  
6 all the problems that the communities have.

7           So that's the only way we can do that is by  
8 bringing the communities in. They have to be part of  
9 the process, It can't be imposed on them. They have  
10 to be at the table.

11           We have done that for two years now. We  
12 still have a ways to go in that regard, but by  
13 bringing them in, identifying what the projects are,  
14 what the mitigation measures that they feel  
15 comfortable with, that go with that, have an upfront  
16 agreement and then that's what we implement and that's  
17 what we go with.

18           COMMISSIONER BUSALACCHI: Just throw one more  
19 idea out there and then others can join in. We heard  
20 today about the Alameda Corridor, about local  
21 residents being involved in the construction of the  
22 project through apprenticeship programs and the like.  
23 Is that another potential strategy?

24           PANELIST HICKS: Absolutely. In fact, part  
25 of our goods movement action plan does have a whole

1 work force development component to it, to find ways  
2 to direct training programs into the goods movement  
3 area from these affected communities, because one of  
4 the things that we see is that in the logistics  
5 business there are career ladders and there is the  
6 capability for people who would otherwise be stuck in  
7 low-paying jobs to gain more skills and move up.

8           And we've seen examples of that. The  
9 Governor has an initiative on career technical  
10 education. There is going to be an institute  
11 established specifically for logistics in Southern  
12 California as a start. We have many of the community  
13 colleges involved in it already.

14           So we see that as a great gain, because we do  
15 recognize there is economic benefit. We need to  
16 translate that benefit down to the communities so that  
17 they see the benefit and the residents there are able  
18 to get the jobs that are right in their own backyards.

19           PANELIST GRASSO: May I respond to that  
20 question? That's critical. The community will buy  
21 into that. I would ask our partners in the -- my  
22 background from the construction trade unions to step  
23 up to the plate on that as well and create more  
24 openings in pre-apprenticeship, apprenticeship  
25 training programs today to deliver what we need

1 tomorrow.

2           The work that is done in transportation  
3 construction, infrastructure construction, is highly  
4 technical trade construction. Someone as a beginner  
5 is going to have difficulty stepping into that and  
6 fitting into the process.

7           So we need to expand our training process to  
8 have people be journey-people in a couple of years,  
9 not bring them in at entry level, because that won't  
10 get us where we need to go in the long run.

11           So our friends in the trade unions need to  
12 come up and play with us there and expand their  
13 openness.

14           PANELIST TIDWELL: I would just like to  
15 comment that there's a number of both public and  
16 private organizations both in Southern California and  
17 Northern California working on these problems jointly,  
18 trying to figure out how you can move things in and  
19 out of these municipalities seamlessly.

20           And in many times whether it's curfews, it's  
21 time stops, you're trying to get your trucks in and  
22 out of a neighborhood store or out of a neighborhood  
23 shopping mall, there are -- many municipalities have  
24 worked around that through shipping at night,  
25 commuting, having trucks and trailers and containers