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NATIONAL SURFACE TRANSPORTATION POLICY  
AND REVENUE STUDY COMMISSION

Memphis Field Hearing

The Peabody Hotel

149 Union Avenue

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1           CHAIRMAN PETERS: Good  
2 morning. Welcome everyone. And thank you so  
3 much for being here to one of our important  
4 field hearings as part of the National Surface  
5 Transportation Policy and Revenue Study  
6 Commission. I have to tell you, we have not  
7 come up with a good acronym for that. We're  
8 calling ourselves the National Surface  
9 Transportation Committee. I'm very pleased to  
10 call this meeting, this field hearing and the  
11 Commission to order. And as we begin, I will to  
12 add a great thanks to our co-hosts,  
13 particularly, the Memphis Regional Logistics  
14 Counsel and the Memphis Regional Chamber of  
15 Commerce. We very much appreciate your  
16 hospitality. You have been very wonderful,  
17 wonderful hosts. And I am indeed delighted to  
18 be here.

19           When I was sworn in as  
20 Secretary of Transportation last month, I told  
21 President Bush that we would not shy away from  
22 meeting difficult challenges head on. And that  
23 means finding ways to make travel safer, to  
24 improve the performance and reliability of our

1 nation's transportation network, and to bring  
2 what I like to call 21st century solutions to  
3 bear to today's transportation challenges. The  
4 work of this Commission is going to be pivotal  
5 for us in meeting those challenges.

6           The Commission was created in  
7 a Bill that we call SAFETEA-LU, which was the  
8 last transportation reauthorization completed in  
9 the summer of 2005 which President Bush then  
10 signed into law in August of '05. We have been  
11 charged as a Commission with examining the  
12 future needs of our nation's surface  
13 transportation system. And we have been asked  
14 to explore both short and long-term alternatives  
15 to replace or supplement the fuel tax as a  
16 principle revenue source to support the highway  
17 trust funds over the next 30 years. I truly  
18 believe that what we have is a once in a  
19 generation opportunity to take a fresh look and  
20 to craft contemporary solutions for our nation's  
21 transportation needs. And if we do our job  
22 right, and I am confident with the skill and  
23 capability of my fellow Commissioners that we  
24 will do that, our work will likely prove as

1 far-reaching as the efforts of the Quake  
2 Commission whose report led to the creation of  
3 the interstate highway system 50 years ago.

4           During my confirmation  
5 process, I heard very loud and clear from  
6 members of the Congress. They recognize that  
7 our current system is under incredible stress  
8 and they're very interested in working with the  
9 Commission. And that's what we learned from the  
10 path of today and the field hearings we're  
11 having as well as our deliberation. They want  
12 to know what we're going to recommend, because  
13 they want to use the work of this Commission to  
14 inform their decision in the next transportation  
15 reauthorization process which will come very  
16 soon by 2009 when we do it again.

17           To the work of this  
18 Commission, our timely report is going to be  
19 very important to that process. Our efforts  
20 will have a strong influence on the policy and  
21 the funding options that will keep America  
22 powerful, productive and prosperous. Our  
23 Commission has been hard at work since May  
24 participating in teleconferences and meetings in

1 Washington DC. But what we're doing here today,  
2 I think, is one of the most important tasks that  
3 we have as a Commission, and that's to listen to  
4 the people who are actually using, building,  
5 maintaining, operating our nation's roads,  
6 bridges, transit systems. But it's important  
7 how those systems interact with other modes of  
8 transportation.

9           And I have to tell you that  
10 being here in Memphis gives us a real life  
11 opportunity to see this at work. And hearing  
12 from most of you in those regions is going to be  
13 very important to our work. There is no one  
14 better equipped to decide how to include the  
15 system, no one has a greater stake in the system  
16 than the folks who are here to address us today  
17 and the people who live and work in this  
18 region.

19           The best ideas usually do not  
20 begin in Washington. In fact, I had a colleague  
21 who once told me that Washington is 42 square  
22 miles surrounded by reality and the rest of the  
23 nation. And I sometimes think that is true. So  
24 it's very, very important that we get out and

2 area to learn what the innovative ideas and  
3 enterprising business solutions that you're  
4 already trying. We want to find ways to  
5 strengthen the nation's transportation system,  
6 because as we all know, it is critically  
7 important to our productivity as a nation, but  
8 also to the quality of life of every community  
9 that we serve with this transportation system.

10           And so, we are holding a  
11 series of public meetings across the country,  
12 listening and learning from those on the front  
13 lines who are out there using those systems  
14 every day to help us shape better the policies  
15 and programs for the future of America. We have  
16 already been to Dallas, Texas and to Portland,  
17 Oregon. And today we are holding two hearings  
18 simultaneously. Our vice chairman Jack  
19 Schenendorf and half of the Commission are in  
20 New York City today and they'll be sharing what  
21 they learned with us just as we will share with  
22 them what we learn from you here today. And  
23 we're very much looking forward to your  
24 testimony.

2 because the visionary leaders have built this  
3 area into such an important transportation hub  
4 and the regional cooperation that we see evident  
5 here. And I have to tell you that Steve was  
6 very influential coming to us in making this  
7 decision and very influential in my decision to  
8 come here. Steve, thank you for your good  
9 recommendations.

10           And we're particularly  
11 interested in the strong network of railroad and  
12 roadway connection to the City's port and  
13 airport. You really do have it all here in this  
14 region and the interaction of the various modes  
15 of transportation. And to do so as well as  
16 you've done is a great interest to us. You've  
17 helped position this region to be a great power  
18 house, a transportation logistic center.  
19 Anchored by FedEx and the international port of  
20 Memphis, which is one of the largest, I believe  
21 the third largest, if I remember  
22 correctly inland port -- the fourth largest, I  
23 was going to move you up -- in the United  
24 States. And Memphis is a major and growing

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1 distribution center, our most important incite  
2 into the role of transportation logistics in

3 today's global economy. Memphis is also a  
4 gateway to the delta region and a major stop  
5 along the high priority I-69 trade corridor.  
6 And like so many communities across America,  
7 Memphis is also struggling to deal with  
8 congestion. A problem that results in more than  
9 17 million hours of delay here every year.

10           Today's hearing will help my  
11 fellow Commissioners and I enhance our  
12 understanding of the transportation challenges  
13 this region faces. But more importantly, we're  
14 looking for your input and your ideas about how  
15 to tackle these problems. We very much  
16 appreciate all the panelists having prepared  
17 testimony that we have had an opportunity to  
18 review and the opportunity to interact with you  
19 this morning. We've seen how you have applied  
20 leading edge transportation approaches here in  
21 Memphis to create a vibrant economy. And now  
22 we're hoping the nation can benefit by our  
23 deliberations here today and learn from you to  
24 find the right solutions to keep passengers and

1 freight moving not only through Memphis but  
2 throughout our country and around the world.

3 I thank you all so much for  
4 being here. I would like to give Steve Odland  
5 an opportunity to say a few remarks, and Pat as  
6 well, and then we'll commence the hearings.  
7 Thank you so much.

8 COMMISSIONER ODLAND: Thank  
9 you, Madam Secretary. I would just like to  
10 welcome everybody this morning. We are only a  
11 partial Commission, and so we will only have  
12 half the questions that we would normally have.  
13 But thank you for coming. The Bill that was  
14 passed by Congress was, I think, pretty  
15 visionary. It was after a 50-year period when  
16 our country saw one of the greatest economic  
17 surges ever in the modern history of mankind.  
18 And I don't think I'm overstating that. And you  
19 have to wonder how much of that was fueled by  
20 the transportation system that was created both  
21 with the interstate highway system and all the  
22 other surface transportation systems that were  
23 built over the past 50 years. But I think that  
24 Congress adequately recognizes that the system

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1 must be visionary in its scope and that it is  
2 key to providing a vigorous economy going  
3 forward.

4           It's no secret that the United  
5 States today is competing with other foreign  
6 nations, namely China, India, and other  
7 regions. And that we must, in order to preserve  
8 our economic dominance and in the best interest  
9 of this country, we must have a future seeing  
10 surface transportation system.

11           So today I'm hoping that we  
12 will hear about some of the challenges, but also  
13 some of your recommendations for solutions.  
14 Because what we will be tasked with -- listen, I  
15 think we have every problem there is codified in  
16 Washington. We know all the problems. The  
17 issue is, what do we do about it. So we are  
18 tasked with coming forward with this strategic  
19 plan for the next couple of generations. So,  
20 hopefully, in your prepared remarks, but also in  
21 your unprepared remarks, if you have anything  
22 that could help us in this task, it will be  
23 great to hear from the visionary leaders here.  
24 We're here because this is America's

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1 distribution center and we're looking forward to  
2 your recommendations. Pat.

3           COMMISSIONER QUINN: Thank

4 you, Steve. Just a couple of things. I  
5 certainly welcome -- it's a great welcome for us  
6 and great welcome to all of you. Thank you for  
7 being here this morning. I happen to come from  
8 the other end of Tennessee, Chattanooga, but  
9 it's nice to have it in the area and to have it  
10 in the state. But certainly, you know, as the  
11 secretary has described, our mandate -- and  
12 Steve kind of described some of the issues, you  
13 know, incredibly daunting tasks and we do need  
14 your help and -- because it has to be forward  
15 thinking solutions. I also happen to, along  
16 with US Express Service as chairman of the  
17 America trucking Associations. And when you  
18 look at the freight forecast movements, the  
19 freight for both truck and rail and move this  
20 nation's economy and, you know, the gridlock  
21 that we are in and what we are headed for, we  
22 have to have forward thinking solutions and we  
23 have to have them quickly. Not just -- we have  
24 to have some long-term ones, too, but we need

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1 some short-term ones and they've got to come  
2 now.

3 So what we hope here today  
4 will be extremely helpful going forward. And

5 I'm just very heartened by what I see here, the  
6 number of people interested in it. Because,  
7 truthfully, whatever recommendations this  
8 Commission ultimately makes, the step that has  
9 to happen and can't come from just us, is the  
10 sell or the, you know, getting the public  
11 acceptance of what our recommendations and the  
12 importance of recommendations down the road. So  
13 the job does not stop at just giving us your  
14 ideas here today. It is continuing to take  
15 opportunities to help people understand that our  
16 transportation system in this country is, not  
17 only is in crisis, but it's headed for a  
18 catastrophic crisis unless we take some really  
19 forward thinking actions to solve problems that  
20 are facing it.

21           CHAIRMAN PETERS: Pat, thank  
22 you so much. Commissioner Matt Rose will be  
23 joining us a little later in the day. And  
24 Commissioner Thompson sends his apologies. An

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1 unavoidable conflict came up and did not allow  
2 him to be here today, but we assure you we will  
3 share with him all that we learn here today in  
4 our deliberations.

5           We have four very excellent  
6 panels set up, and about an hour and a half for  
7 each of those panels. So what I would like to  
8 do is, introduce all four panels, if I may at  
9 the onset, and go in order in which I introduce  
10 you in terms of your presentation.

11           Fellow Commissioners, I think  
12 if there's some burning question, we may stop  
13 and take questions during the presentation, but  
14 by and large, we're going to try to hold our  
15 questions until the end of the panel so we can  
16 have a very good deliberating session. And we  
17 want you to ask questions of us as well. If you  
18 have issues that you would like us to answer  
19 that have relationship to what you're testifying  
20 about, please do so as well. It's the  
21 interaction that we're hoping to achieve at our  
22 hearing today.

23           I'll start with Doug Duncan,  
24 President and CEO of FedEx Freight. Doug has

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1 received a strategic direction FedEx segment,  
2 the primary fronting operations for FedEx. The  
3 Mr. Duncan's transportation experience spans 25  
4 years before joining FedEx Freight in February  
5 of 2001. He served for two years as the

6 president and CEO of Viking Freight, now FedEx  
7 Freight West, where he played a key role in  
8 Vikings profitability and in the development of  
9 business strategy.

10 Born in 1951 in Hampton,  
11 Virginia, he earned a Bachelor's degree from  
12 Christopher Newport College in 1972, and he  
13 currently serves on Board of Directors and the  
14 executive committee of the American Trucking  
15 Association. Doug, welcome and thank you.

16 Tim Yatsko is Senior VP and  
17 Transportation for Wal-Mart. Tim started with  
18 Wal-Mart in 1990 and served in various positions  
19 in the private truck fleet, including the  
20 Director of private fleet operations, Vice  
21 President for administration and logistics for  
22 Wal-Mart Direct Imports. Tim was promoted to  
23 Senior VP of Wal-Mart Transportation in January  
24 of 2004. Prior to joining Wal-Mart, Tim served

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1 as a captain in the US Army from 1983 to 1990.  
2 He serves as a member of the Arkansas Truck  
3 Association Board.

4 Born in Pennsylvania, Tim grew  
5 up in up state New York and graduated from Union

6 College with a degree in economics. Tim,  
7 welcome and we're very pleased to have you here  
8 today as well.

9           John Moore, one of our hosts  
10 and who's been very gracious to us here, is  
11 President and CEO of Memphis Regional Chamber.  
12 In his role as President and CEO of Memphis  
13 Regional Chamber, John is focused on the growing  
14 economy, growing work economy, providing first-  
15 class business services for the Chamber Members  
16 and business professionals communicating the  
17 positive attitudes doing business in Memphis and  
18 Shelby County, Tennessee. Before joining the  
19 Chamber in September of 2005, John worked for  
20 Northwest Airlines as Vice President for state  
21 and local affairs for 14 years. John, you  
22 certainly honed your skill over that time,  
23 especially during that period in the aviation  
24 industry. And he was also manager of the

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1 national and corporate sales in Dallas, Texas  
2 and later as Regional Vice President for sales  
3 and administration in Memphis. He has spent  
4 over 13 years with Trans World Airlines as well.  
5 Mr. Moore received numerous awards for his  
6 leadership which have benefited the Memphis

7 community.

8           A native of Saint Louis, Moore  
9 earned a Bachelor of Science degree from the  
10 University of Missouri, Saint Louis, and a  
11 double major in marketing and finance. John,  
12 thank you again for your hospitality and welcome  
13 to the panel.

14           And Pete Johnson, Federal  
15 Co-Chair of the Delta Regional Authority. Pete  
16 Johnson is the Co-Chair of the Delta Regional  
17 Authority which serves a 240 county area in an  
18 eight state region. He was confirmed by the  
19 United States Senate in September of 2001.  
20 Johnson began his career in banking with various  
21 financial institutions, and later in his career  
22 he was elected Mississippi state auditor in 1989  
23 and served as Mississippi's state director at  
24 the Farmer's Home Administration.

17

1           Johnson attended the  
2 University of Mississippi receiving a Bachelor  
3 of Business degree in 1971 and is also a  
4 graduate of the LSU School of Banking of the  
5 South. He obtained a Doctorate degree from the  
6 former Jackson School of Law and the Mississippi

7 College Law School. Pete, welcome as well.

8 Doug, if you would like to

9 begin, please.

10 MR. DUNCAN: Thank you very

11 much. It's delightful to be here and to

12 participate and to offer our comments. To give

13 you a perspective on the infrastructure system,

14 I really have to relate it back to our

15 customer. The logistics professionals that

16 have, over the past 10 years or so, really

17 implemented what I call fast cycle resistance.

18 Everybody calls it a different name, quick

19 response, just in time, JIT, but it's basically

20 a compression of the supply chain in taking

21 inventory out of the supply chain so the goods

22 and freight are delivered absolutely when it's

23 needed, and there's, basically, no safety

24 stock.

18

1 And these logistics

2 professionals have done a wonderful job. Over

3 the last 20 years, the logistics cost as a

4 percentage of GDP has declined every year. And

5 by my calculations, they're saving today about a

6 half a trillion dollars with logistics cost in

7 that improvement. Inventory sales costs have

8 come down year after year and is their lowest  
9 level ever. And that requires absolutely  
10 on-time trucking service or transportation  
11 service which these supply chains have come to  
12 rely on. And, of course, being the intermediary  
13 that delivers a network to that supply chain,  
14 we're really starting to see a real collision  
15 course between these rapid supply chains and  
16 aging infrastructure that is lacking investment  
17 and innovation to support that into the future.  
18 I'm afraid if things don't turn around soon,  
19 we'll begin turning the clock back on many of  
20 the improvements that these supply chains have  
21 made and begin to restrain commerce instead of  
22 support commerce.  
23 I think the research is pretty  
24 clear. Even the past secretary Manetta

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1 estimated that the gridlock and congestion in  
2 this country saps our economy by about 200  
3 billion dollars a year. Looking forward 20  
4 years from now, you're going to have 70 percent  
5 more freight vehicle traffic on the highway.  
6 And you add to that the additional passenger  
7 cars and the picture you need to paint for

8 yourself is that we'll all be sharing the same  
9 roads we occupy today with twice as many  
10 vehicles. And I think that picture can tell you  
11 exactly what we're up against.  
12           So we've got to attack the  
13 problem. And it would be easy as a trucking  
14 company to say, the way to do it is highways, so  
15 it's much more involved than that. This is a  
16 transportation network in this country. And I  
17 think the solutions have to address it that  
18 way. We have to look at the highway issues, we  
19 have to look at the rail issues, we have to look  
20 at the ports, and certainly that's going to be  
21 an important part of it, transit system. But  
22 even the interim locks and dams systems is  
23 important. I get questioned a lot about that as  
24 I make those remarks of where do locks and dams

20

1 come into play in the fast cycle logistics. But  
2 imagine, if you will, what a major lock or dam  
3 failure on the Mississippi River, what traffic  
4 would divert to the highways and the rails and  
5 the catastrophic that that would happen.  
6           So we have to address, I  
7 think, this entire transportation network as a  
8 system. And I think it's going to have to be a

9 coordinated effort across all of these modes to  
10 find the right connections and the right systems  
11 in order to provide the nation and the supply  
12 chain, the transportation system it needs. I've  
13 heard you refer to it as like the power grid.  
14 And I think that's a great way to look at it.  
15 It should be a seamless network that when we  
16 turn the switch on, it works just like our power  
17 grid does. And I think that's the way we'll  
18 need to approach the transportation system and  
19 the collective approach and collaborative  
20 approach across all modes for the future going  
21 forward. And that's a difficult thing to do.

22           But I think to set that tone  
23 and to start that off is we need a national  
24 transportation strategy and a policy which we're

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1 hopeful will come out of this group. Obviously,  
2 when we developed the need for this new  
3 infrastructure, there's going to be a bill to  
4 pay. And I think we all recognize that. It's  
5 going to take more revenues. And I would hope  
6 that we would address those revenues to being  
7 had in the most efficient manner.

8           We have a fuel tax system

9 today that is in place. That fuel tax can be  
10 raised to generate revenues, and every dollar  
11 raised can go to transportation infrastructure.  
12 I don't think it's too good to go down the path  
13 of more tolls, more toll ways, more government  
14 toll ways which require more bureaucracy and  
15 more administration to administer those funds  
16 when we already have an efficient mechanism to  
17 raise those revenues. I think several of the  
18 states have already reverted to privatization of  
19 some of the highways, selling or leasing  
20 highways for -- to outside interest, private  
21 equity, to gain funds for other sources. I  
22 think many people are fearful of that approach.  
23 But I would say that's an approach we probably  
24 ought to leave on the table until we see what

22

1 the Bill is and what we have to do to fund these  
2 projects. And that one has some possibilities  
3 and I think we should look at it.

4           So I appreciate the  
5 opportunity to provide the testimony. I look  
6 forward to your questions, but I really hope  
7 this panel will come up with a very good  
8 transportation system approach, not just one  
9 mode or another. Thank you.

10 CHAIRMAN PETERS: Thank you so  
11 much Doug. Tim.

12 MR. YATSKO: Madam Secretary  
13 and Commissioners, Wal-Mart stores appreciates  
14 the opportunity to be here today and participate  
15 in this critical discussion. The transportation  
16 infrastructure of the U.S. is vital to the  
17 success of Wal-Mart, and we believe for the  
18 nation's economy. The transportation and  
19 logistics industry today is focused on four  
20 things. Transportation infrastructure,  
21 efficiency and speed of product close to  
22 optimize in-stock, safety and security, and  
23 environmental sustainability. Wal-Mart works  
24 with and on all four of these each and every day

23

1 and really sees them all as one challenge.  
2 Wal-Mart's logistic network  
3 completes 117 distribution centers ranging from  
4 800,000 square feet to over 4 million square  
5 feet. These distribution centers serve all of  
6 our regional grocery, fashion, specialty, and  
7 Sam's Club needs. After delivering from a  
8 distribution center to a store, our 8,000 truck  
9 drivers change from delivery mode to supplier

10 pick-up mode and move products back to the  
11 distribution centers from our suppliers. We  
12 believe our logistics network is one of the most  
13 efficient in the country.

14           As a transportation  
15 organization, Wal-Mart has successfully dealt  
16 with congestion for years. As in all things, we  
17 do in logistics, we seek to optimize the  
18 productivity of our assets, trucks trailers,  
19 distribution centers before we build or buy  
20 more. Perhaps these contingencies and  
21 litigation practices that we have executed can  
22 lead to ideas on what we need to do to improve  
23 infrastructure U.S..

24           Some of the things we do,

24

1 operate pick up and delivery and consolidation  
2 operations in or just outside the metro areas  
3 enabling deliveries to be made in stores in  
4 off-peak hours, extensive trailer pulls to  
5 enable drop and hook delivery versus live  
6 unloading and loading. And that keeps our  
7 productivity of our tractors high. Adjusting  
8 driver and delivery schedules, night versus day,  
9 weekend versus weekday. Adjusting supplier  
10 pick-up schedules, making truck versus rail

11 decisions based on congestion opportunities.  
12 And also, implement strategic direction that  
13 helps us move around congestion.  
14           One example would be our  
15 import/export strategy we implemented in the  
16 late '90s. We began to experience an influx of  
17 imports into our network from overseas into Los  
18 Angeles in the late '90s. The congestion in LA  
19 began to impact our ability to flow goods to our  
20 stores so we split our shipments through the  
21 Panama and to the Gulf ports and to the east  
22 coast ports to avoid some of the congestion in  
23 LA. This strategy has been very successful for  
24 us neutralizing cost and positioning merchandise

25

1 closer to the stores.  
2           Going forward, we'll continue  
3 to implement innovations to facilitate smooth  
4 ambient supply chain for our customers.  
5 Specifically, we plan to reduce the number of  
6 trucks and trailers on the road in metropolitan  
7 markets during peak hours, keep our trucks safe,  
8 fuel efficient and environmentally friendly, keep  
9 our networks flexible to change as congestion  
10 and conditions change, and compensate for rail

11 shortfalls which shifts the supplier shift  
12 points so that we can use trucks to move that  
13 cargo.  
14           In addition, a few specific  
15 initiatives we're currently working on, remain  
16 governed at 65 miles per hours on trucks,  
17 optimizing the use of longer hired acute  
18 trailers and double trailers where allowed.  
19 Reducing packaging across all product lines at  
20 Wal-Mart to reduce the number of trucks we have  
21 to have on the road. Utilizing hybrid diesel  
22 and engine recovery process to eliminate  
23 emissions, and certainly assisting and advising  
24 state and national associations seeking other

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1 practices.  
2           While we believe Wal-Mart's  
3 associates and logistics networks can deal with  
4 the challenges and the future transportation  
5 development, we also believe we can work  
6 together with the others in the industry,  
7 members of Congress and government officials, to  
8 develop solutions for the challenges together.  
9 Thank you again for allowing us to participate  
10 today.

11           CHAIRMAN PETERS: Tim, thank

12 you so much. We appreciate you being here as

13 well. John, please.

14 MR. MOORE: Secretary Peters,

15 Commissioners, staff members and public guests,

16 on behalf of the Post, the Memphis Regional

17 Chamber, who represents over 2,400 businesses

18 and employ over 230,000 workers, Memphis

19 Regional Logistics Counsel we thank you for

20 selecting Memphis for this important field

21 hearing and the opportunity to provide input for

22 our nation's transportation policy for the next

23 generation.

24 We're joined today by many of

27

1 our regional leaders behind me and whose

2 businesses and the communities greatly depend on

3 your wisdom and future actions as you gather

4 testimony of these procedures.

5 A few years ago, FedEx

6 commissioned a landmark global study, the first

7 of its kind, to identify the types of

8 infrastructure available in our nation's -- and

9 what was needed to increase access. Access

10 revolves around three functional variables:

11 times, place, and information. Access is

12 critical for economic survival and growth.  
13 According to this study, access to reliable  
14 transportation and real time information has  
15 enabled new supply chain models that  
16 dramatically increase efficiency and agility,  
17 thus lowering business costs and increasing  
18 profitability. The study shows that those  
19 countries with a high level of access produce  
20 higher per capita incomes, stronger innovations  
21 and larger market growths.  
22           As labor costs and other  
23 factors have shifted manufacturing in other  
24 countries, we have gone from a combined

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1 import/export trade of \$84 billion in 1970 to  
2 over 2.6 trillion in 2005. Trade has nearly  
3 tripled since then and represents a record 21  
4 percent of our gross national product. And this  
5 figure is rising at an annual growth rate of  
6 nearly 20 percent. Our region wants to increase  
7 our nation's access to trade and commerce by  
8 supporting both production and consumption.  
9           As America's distribution  
10 center, Memphis is in a position to take on an  
11 even stronger role in the future of our nation  
12 as North America's logistic center. We are the

13 center of a tri-state metropolitan statistical  
14 area. We're often referred to as the capital of  
15 the Delta. Our entire region includes 52  
16 counties and approximately 52.5 million people.  
17 We connect the nation as the nexus for  
18 Interstate 40 east and west and Interstate 55  
19 north and south. And soon Memphis will be able  
20 to connect nations with the completion of I-69.  
21 From our front door we can reach more major  
22 metropolitan markets overnight by truck than any  
23 other city in the country, and two thirds of the  
24 nation's population is within a days drive.

29

1 As one of our nation's largest  
2 inland ports, we maintain our historical  
3 position of continued river trade and  
4 transportation of raw material and agricultural  
5 goods on the Mississippi River. In 2004, 2.5  
6 billion tons of material moved by water in and  
7 out of the United States. And of that figure,  
8 31.7 percent of all water-born commerce in the  
9 United States traveled on the Mississippi  
10 River. The economic impact of the international  
11 port of Memphis is approximately \$5.5 billion  
12 annually in our local economy. Memphis is home

13 to the busiest cargo airport on earth. And we  
14 have been for that -- we've held that  
15 description for more than a dozen years.  
16           We're recently cited by  
17 Dr. John Casarda, world-wide recognized expert  
18 on aviation and logistics as the only city in  
19 America to come close to being what he terms an  
20 airtropolis. And we will continue to strive to  
21 enhance that distinction. We regularly host  
22 elevations and international trade and airport  
23 officials who come to Memphis with hopes of  
24 emulating our progress in their own countries.

30

1 The private sectors recognize our outstanding  
2 attributes in this investment capital to develop  
3 our assets.  
4           We are the world headquarters  
5 for FedEx and 40,000 of their employees call  
6 Memphis home. Memphis is the third largest hub  
7 for UPS. Memphis has the largest logistics work  
8 force in the country. An estimated one in four  
9 people working in our community works directly  
10 or indirectly in transportation or logistics.  
11 Earlier this year we were pleased to announce  
12 Canadian National Railroad is investing more  
13 than \$130 million in Memphis for a new

14 intermodal and rail yard facility. This will be  
15 also used by CSX Railroad. And the importance  
16 of this investment is the construction of the  
17 new port Prince Rupert Sound in Canada which is  
18 expected to open in two years. This port is  
19 closer to Asia than any other port, including  
20 Los Angeles, and will offer less congestion.  
21 This new port is expected to be a very desirable  
22 alternative for bringing goods into North  
23 America through Memphis' intermodal complex.  
24           The BNSF Railroad has also

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1 invested more than \$50 million in a new  
2 intermodal facility in Tennessee that will  
3 triple the lift capacity to approximately one  
4 million lifts per year. And right across our  
5 great Mississippi River, Crittendon County,  
6 Arkansas, the Union Pacific Railroad constructed  
7 a Greenfield intermodal facility.  
8           We have a transportation  
9 infrastructure of more than 100 million square  
10 feet in industrial space tailored to the big box  
11 industrial market. Memphis is providing a vital  
12 role in our nation's economy in global trade.  
13 We have built access by providing reliable

14 transportation, but more must be done to keep the  
15 demands of our nation and our growing trade.  
16 Specifically, we need to continue the  
17 designation of the national high priority  
18 corridors and secure the resources and funding  
19 needed for these critical corridors. We believe  
20 that Interstate 69 is certainly one of those  
21 corridors. This interstate will connect North  
22 America with our nation's manufacturing  
23 corridor. This interstate needs to be completed  
24 without delays. It should be a national

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1 priority in its funding streamline to ensure its  
2 completion.

3           Secondly, we ask you to  
4 develop an intermodal seismically designed  
5 Mississippi River bridge. A feasibility study  
6 completed by Wilbur Smith and Associates in  
7 March of 2006 for a new Mississippi River  
8 intermodal bridge determined that bridges in  
9 Memphis would be destroyed by a national  
10 disaster such as an earthquake or a terrorist  
11 event, 23 million cars, 11.3 million trucks, and  
12 1.6 million rail cars would have to be rerouted  
13 annually. The adverse economic impact to the  
14 region could amount to over \$4.2 billion.

15           Also, a mechanism to fund the  
16 rail infrastructure component of the bridge is  
17 essential. Under current practice, the  
18 railroads would have to have the entire  
19 financial obligation to construct any rail  
20 bridge. And currently, there is limited  
21 incentive since the current structures are  
22 adequate for their use today. There is a  
23 national interest not only to move freight more  
24 efficiently, but in the event of disaster, the

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1 national freight network would be seriously  
2 jeopardized.

3           Memphis has and is continuing  
4 to form alliances with critical links in the  
5 supply chain on both coasts and  
6 internationally. The State of Tennessee has  
7 recently completed the long range transportation  
8 plan that is guiding strategic decisions for  
9 investments and transportation infrastructure.  
10 Our regional logistics counsel is also engaged  
11 in a regional infrastructure to treat strategic  
12 plans for the three state area. We suggested  
13 the developmental of a national intermodal great  
14 plan that considers all the roads, ports,

15 railroads and airports in the national  
16 framework. To take what we and other multi-  
17 state regions are doing and apply it at a  
18 national level, this would need to include both  
19 public and private facilities since the  
20 railroads and many of the port operations are  
21 private.

22           Within this national  
23 intermodal freight plan, a federal priority  
24 should be placed on bilateral negotiations with

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1 bordering members to promote coordination of  
2 freight movements, new opportunities to alleviate  
3 congestion, and to produce efficiencies for the  
4 supply chain. This is particularly true with  
5 Panama regarding the expansion of the canal  
6 system in Canada regarding Prince Rupert Sound  
7 and Mexico regarding Interstate 69 and other  
8 land routes from the Pacific to the gulf coast  
9 states.

10           We place these opportunities  
11 and challenges before you today. We pledge our  
12 support and our assistance as you continue this  
13 vital process for our nation. I appreciate you  
14 giving us the opportunity to speak and also for  
15 selecting Memphis for this very important field

16 hearing. Thank you.

17           CHAIRMAN PETERS: John, thank

18 you so much. Pete, please.

19           MR. JOHNSON: Good morning,

20 Secretary Peters and Commission members. At the

21 beginning of my remarks I have submitted in

22 writing in the entirety of my remarks and would

23 ask the Commission to include those as part of

24 the record. I will be giving you an abbreviated

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1 statement this morning and ask that the entirety

2 of the record be provided to you.

3           CHAIRMAN PETERS: We will do

4 so, sir.

5           MR. JOHNSON: First of all,

6 welcome to Memphis, the distinguished members of

7 the panel, and I want to thank our hosts, the

8 Memphis Regional Chamber of Commerce. The

9 hospitality that you are experiencing here today

10 is not the exception in the Mid-South area, this

11 is the rule. This is typical southern

12 hospitality. And I want to thank John Moore and

13 his staff for their providing all the things

14 that we need to help make this hearing a

15 success. John, thank you very much.

16 I think, Secretary Peters,  
17 that you probably stated it best in your  
18 swearing in remarks most recently when you said,  
19 we all know that America's continued economic  
20 vitality and ability to compete in a global  
21 economy depends on dynamic and well-performing  
22 transportation systems. It couldn't have been  
23 better said. You also said, that at the top of  
24 the list always is making travel safer. But we

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1 also want to improve system performance and  
2 reliability and to find the 21st century  
3 solutions for our 21st century transportation  
4 problems, and do to everything we can to ensure  
5 that our skies, highways, ports and rails are  
6 free from traffic congestion. And we've heard a  
7 lot about congestion today, I'm sure you'll hear  
8 a lot more about that.

9 Well, I can assure you, as  
10 Secretary of Transportation and this Commission,  
11 that the Delta Regional Authority shall work to  
12 its fullest ability with you and the Department  
13 of Transportation and other partners to see and  
14 to ensure that America has the best  
15 transportation network in the world. To the  
16 Commission I will say, as you conduct your

17 exhaustive research and compile your list of the  
18 many problems we face, coupled with the  
19 opportunities and solutions available to our  
20 national transportation system, you will hear a  
21 great deal about congestion relief, facilities,  
22 China, competitive advantage factors, funding,  
23 national high priority corridors, and many more  
24 subjects.

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1           With the few moments I have  
2 remaining here today, I would like to touch on  
3 just a few of these. Congestion relief, as you  
4 know, will improve safety and distribution  
5 reliability with all modes of transportations  
6 and in all contexts, particularly, as enumerated  
7 in the Congressional Relief Commission.  
8 Reducing the nation's congestion and the more  
9 than 3.5 billion vehicle hours wasted annually,  
10 as estimated by the Texas Transportation  
11 Institute, is an absolute necessity to the  
12 nation's logical systems.

13           As Dr. Jane Wine (spelled  
14 phonetically), FedEx's chief economist, has  
15 stated, in the global economy, the concept of  
16 distance is no longer a factor in decision-

17 making. What matters is time. And to the  
18 best -- to best compete, our nation must reduce  
19 the lagging dollar wasting time. We've heard  
20 about facilities and we will hear more today.  
21 Facilities and the higher leveraging thereof are  
22 key components to the matrix of our  
23 transportation component and the domestic context  
24 and in addition to their traditional facilities

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1 we always consider, such as highways, airports,  
2 seaports, and railways. And I would also add,  
3 other key consolidation distribution modes and  
4 systems for our consideration, such as  
5 intermodal facilities, short sea interstate  
6 commerce, and inland ports.  
7           In terms of the global  
8 perspective, I think that the ultimate reality  
9 will be, and each continent will have only the  
10 merest number of such global hub facilities  
11 needed to best achieve the lowest transportation  
12 cost and the quickest deliveries possible. The  
13 Mid-South Logistics Industry centered here in  
14 Memphis is uniquely positioned to be one of  
15 those global hubs to not only connect this part  
16 of the nation, but to connect the logistics of  
17 industries around the world. We've heard so

18 much about China and we will continue to hear a  
19 lot about China. And Fred Smith of FedEx has  
20 said it very well, he said, China is not only  
21 the economic base center for Asia, it is the  
22 beginning and the end of the supply chain for  
23 the world. We know from Nippon Associates in  
24 regard to Shanghai Air Freight to the U.S. is

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1 expected to grow 10 percent per year, while air  
2 freight in Europe is expected to grow nine  
3 percent, and Inter Asian Air Freight about eight  
4 point five percent. Additionally, Global  
5 Insights Industry analysts predict cargo from  
6 Asia alone will grow more than 320 percent in  
7 the next 15 years.

8           We've seen a number of issues  
9 that have come before us. But the one that  
10 jumps out to us the most in this region is one  
11 of transportation and surface transportation.  
12 Specifically, I-55, I-69 and I-40. We support  
13 very strongly the continuation of I-269 and the  
14 connection of those corridors with I-269  
15 currently connecting U.S. 69 in Tunica,  
16 Mississippi with Memphis, all the way to I-55.  
17 And then I-55 to I-40 on the northeast side of

18 Memphis. We would also suggest that our nation  
19 look at another connector between I-55, I-69,  
20 and I-40 which would connect these three  
21 interstates and help to relieve an enormous  
22 amount of congestion that is currently passing  
23 through Memphis.

24 In summary, the Delta Regional

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1 Authority closes with addressing the concerns I  
2 have just spoken about. Through the developmnet  
3 of the Delta Development Highway System modeled  
4 after the Appalachian regional commission's  
5 highly successful transportation plan, we  
6 believe that such a plan will not only  
7 contribute to the region's overall economic  
8 development, but it will make significant value-  
9 added contributions to the region's logistical  
10 connections within the region itself and to the  
11 nation and the world. Toward these ends, I  
12 would concur with David Huntington, the  
13 President and CEO of the Tennessee Trucking  
14 Association, that while there are variations of  
15 the Just In Time delivery theme, they all share  
16 a common thread. None of it works without a  
17 reliable highway system. And when the highway  
18 system breaks down, these types of strategies

19 cannot continue and our economy suffers as a  
20 result.

21           The positive economic impact  
22 of this regional plan is undeniable. It is  
23 estimated by Wilbur Smith and Associates that  
24 when fully implemented, the Delta Development

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1 Highway System will have an economic impact on  
2 the region of over 130,000 full time equivalent  
3 jobs. Nearly \$3.5 billion in additional income  
4 annually. Of these total impacts, 1.1 billion  
5 in income is attributed to the increased travel  
6 efficiencies, and the remaining 2.4 billion is  
7 attributable to the regional economic  
8 development that will be experienced or  
9 increased in the business area and in the  
10 attraction for additional businesses.

11           There's another very good  
12 reason the Delta -- for a Delta Development  
13 Highway System. Professor Ron Couch, a highly  
14 respected statistician and director of the  
15 Kentucky Data Center at the University of  
16 Louisville has projected that almost all of the  
17 population growth in the United States is  
18 occurring in the southeast due to increasing

19 domestic migration and the southwest due to  
20 foreign immigration. People are moving to the  
21 southeast, and specifically, the mid-south for  
22 jobs and quality of life. And those two  
23 attractions, jobs and quality of life, will be  
24 the better -- will be better maintained and

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1 better able to grow with less congestion, safer  
2 travel ways, in our region. A well thought out  
3 Delta Development Highway System will  
4 significantly improve the efficient use of our  
5 taxpayer dollars, contribute to our homeland  
6 security objectives. and prepare our nation for  
7 the unprecedented growth and prosperity we  
8 expect.

9           Again, thank you very much for  
10 the opportunity to appear before you. We  
11 appreciate the chance to tell our story in this  
12 region and look forward to answering any  
13 questions that you might have.

14           CHAIRMAN PETERS. Thank you so  
15 much. And let me thank all the panelists. Both  
16 your written testimony and what you have  
17 presented today is very helpful to us as we  
18 tackle the issues that are before the  
19 Commission. I will open it up now to my fellow

20 Commissioners for questions.

21           COMMISSIONER QUINN: John, I  
22 have a question that you referred to with the  
23 rail lift capacity at BNSF, which is regional  
24 and is a motor carrier of the Memphis area that

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1 takes place to and from the rail. Has there  
2 been consideration given, you know, as this lift  
3 capacity that also infrastructures supporting it  
4 that goes to and from, particularly, you know,  
5 any additional lanes across the Mississippi on  
6 the bridges or anything? Because those are the  
7 bottlenecks again that, you know, you increase  
8 the capacity, here you have to increase it  
9 overall to be efficient. And I didn't hear  
10 anything about that. And I don't know, I'm just  
11 asking the question.

12           MR. MOORE: Yes, Commissioner  
13 Quinn, that would be included in our regional  
14 infrastructure study and what we hope to gain  
15 from that is what would be an appropriate road  
16 structure to decrease congestion and to manage  
17 the increased demand that we foresee with this  
18 lift capacity.

19           COMMISSIONER QUINN: Because

20 bridges are bottlenecks.

21 MR. MOORE: They are. And I

22 hope in my lifetime there won't be an

23 earthquake, but we do need a seismically

24 appropriate bridge that can handle rail and

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1 additional automobile traffic and that would be

2 additional capacity to the bridges we have today

3 and also provide a safety margin for us as well.

4 COMMISSIONER ODLAND: Doug, I

5 was particularly interested in your comments

6 about finance and the gas tax and tolling. We,

7 you know, sat in Washington through hours and

8 hours of expert testimony and the whole

9 financing issue. And almost universally, people

10 have told us that the gas tax is not a good

11 mechanism to go forward with, which is precisely

12 opposite from what you said. And so, there's a

13 big move and we're being pushed to do more

14 tolling and we've heard lots of testimony and

15 smart tolling and every conceivable technology

16 for doing that. So maybe you could help us by

17 elaborating more on why you think that the gas

18 tax is a more efficient method.

19 MR. DUNCAN: Well, the fuel

20 tax is in place today. So all the mechanisms to

21 collect and administer the funds are there. So  
22 you could put twice as many funds through that  
23 mechanism and you won't raise the cost of  
24 administration one nickel. Which means all of

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1 those dollars can go to the projects they were  
2 intended to.

3           The only comments that I have  
4 gotten back in Washington is, while that's not a  
5 good mechanism is raising taxes is not a  
6 political good thing to do for anybody inside  
7 the beltway. So their preference would be to  
8 call it a user fee and make it tolls and user  
9 fees, but it's still a tax. I mean, if you tax  
10 the trucking industry, you're taxing the  
11 economy. If you tax the transportation system,  
12 you're taxing the economy. So I would just hope  
13 that we would have the political will, if you  
14 will, to let's go about the financing of  
15 America's infrastructure in the most efficient  
16 manner and not do it simply so we can call it  
17 something else and it becomes a political issue.

18           COMMISSIONER ODLAND: Has  
19 FedEx done any studies of what impacts toll that  
20 is in place today has on time and speed and so

21 forth? And how does it interfere with your

22 operations?

23 MR. DUNCAN: Well, toll roads,

24 obviously, slow down the traffic and create

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1 congestion in themselves. Now, to their credit,

2 many of the toll ways today are using electronic

3 means to collect those tolls. But that's still

4 investment in technology to collect and

5 administer the funds that, frankly, I would say

6 are not needed. We have a mechanism to collect

7 the funds and distribute the funds and it's

8 called the fuel tax.

9 COMMISSIONER ODLAND: Has

10 FedEx done any studies on what -- you know,

11 economically on what kind of increases in the

12 fuel tax the economy could bear or the private

13 sector would be able to absorb and still operate

14 efficiently?

15 MR. DUNCAN: Well, the

16 customers we serve would tell you we can't

17 absorb any. You know, Tim is not going to give

18 me an increase in what he pays simply because we

19 would like to do it. But, you know, the reality

20 of it is, if Wal-Mart, a great customer, calls

21 today and asks for service and we tell them it's

22 going to cost a little more, they're going to  
23 get mad at us. But if they call today and I  
24 simply say, I can't serve you today because of

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1 congestion and gridlock, they would be furious.  
2 So it's a matter of which do you want.  
3           We have to improve the  
4 infrastructure in this country to keep  
5 supporting the great economy that we have and  
6 the great companies we have like Wal-Mart. And  
7 there is going to be a cost to it. You know, I  
8 don't think there's any question about that. I  
9 think the key, though, is let's go about it with  
10 the most effective and most efficient way to  
11 fund those projects. And let's not play games  
12 as well and use tax and user fee or a tax  
13 increase. Let's call it what it is and deal  
14 with it on a financial basis and get the most  
15 bang for our dollar as we invest in this  
16 infrastructure.

17           COMMISSIONER ODLAND: Tim,  
18 what's your point of view on all those issues?

19           MR. YATSKO: Well, I'm not  
20 going to get mad at Doug, I can tell you that.  
21 But I will challenge him to offset in some other

22 part of the operation in terms of efficiency.

23 And we have not done any analysis on the

24 different revenue mechanisms for funding. I

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1 would tell you, we expect it to be a combination

2 of the mechanisms in the end. And we do, you

3 know, the gas tax as support of a bond at the

4 state level makes sense to us, you know, to pay

5 off a bond. We -- but we would -- the thought

6 we have is again, like we looked at a

7 distribution center, let's optimize the box

8 before we add to it or rebuild a new box. And

9 make sure we're optimizing the current

10 infrastructure before we start building more.

11 And then when we do build more, let's look at

12 the projects individual funding to see what makes

13 sense.

14 But that's our encouragement.

15 Because we think there are ways to optimize the

16 current infrastructures. And there may be some

17 hard things and may be some easy things. But we

18 encourage the Commission to take a look there as

19 well before we start building.

20 CHAIRMAN PETERS: Steve, if I

21 can maybe continue my question and I would ask

22 the panel members to come in as well. But

23 there is an increased incident of alternative  
24 fuel hybrid fuel vehicles in the vehicle fleet,

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1 mostly in the passenger car and light truck  
2 categories today. And we see more and more of  
3 the biodiesel, the convenience of other -- other  
4 fuels coming in. I had an opportunity yesterday  
5 to sit in on a meeting with the big three  
6 automakers and the president. And one of the  
7 things that they said to us is, that as early as  
8 2012 half of the fleets produced by those  
9 companies could be alternatively fueled.

10           That is my concern with  
11 continuing that along with the sole dependence  
12 on the fuel tax is that those revenues simply  
13 will not be there or that all the users of roads  
14 will not realize payments that will come from  
15 alternative fuel vehicles, a significant number  
16 of alternative fueled vehicles that are likely  
17 to be in the fleet in the future. I would ask  
18 all of the panelists, please, to comment on  
19 those issues and how viable you then see the  
20 fuel tax mechanism in the future.

21           MR. JOHNSON: If I may  
22 comment, there's great danger in generalizing

23 when you talk about using fuel tax as a sole  
24 source for financing roads and bridges and even

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1 chosing to elminate because of the congestion,  
2 that you might have a brief congestion with toll  
3 bridges. I think that there are times that each  
4 one will serve their purpose very well.

5           But the concern -- I think  
6 your concern is a legitimate concern. And, of  
7 course, that will get where we're looking to  
8 produce a great deal of biofuels in this region  
9 because this is an agricultural region. And it  
10 is a concern to us.

11           I mentioned earlier in my  
12 remarks a connector between I-55, I-69 and  
13 I-40. The significance of that connector is  
14 that it would essentially complete the four lane  
15 from Atlanta, Georgia to Little Rock, Arkansas,  
16 and then into the southwest. And we have an  
17 enormous amount of congestion that we currently  
18 see coming through I-240 and the Memphis area.  
19 That would require a four lane bridge across the  
20 river. And when you start looking at the cost  
21 of a four lane bridge, you can't help but ask  
22 yourself, can we finance that through our normal  
23 financing mechanisms, or should we use some type

24 of innovative financial improvement like the user

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1 and the construction and building of the Saint  
2 Lawrence seaway.

3           And I think as we look up and  
4 down the Mississippi River, that's something  
5 that we should look at very carefully and I  
6 believe we have already done that to some  
7 extent. But being able to finance the --  
8 something of that size, we should put everything  
9 on the table. And I'm not trying to eliminate  
10 anything, but I do think that if we're going to  
11 look at the next 15 to 20 years that that --  
12 that the fuel tax is not going to be a primary  
13 source of revenue for us.

14           CHAIRMAN PETERS: Thank you.  
15 Other panelists?

16           MR. YATSKO. Madam Chairman, I  
17 might just suggest you also look at -- it's a  
18 good thing, by the way, to get everybody to  
19 hybrid vehicles, that would be a great thing for  
20 the country, but perhaps you look at a sales tax  
21 on those new vehicles that's diverted to divide  
22 with the gas tax as well. It could be a  
23 possibility.

24 CHAIRMAN PETERS: Thank you.

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1 Others?

2 MR. MOORE: It would seem to  
3 me that any biofuels would be pumped at normal  
4 filling stations and that somehow it would be  
5 classified as a fuel after all and would be  
6 taxed as a fuel. Do I misunderstand -- are  
7 you --

8 CHAIRMAN PETERS: John, in  
9 many cases it can be done. However, in the case  
10 of ethanol, for example, until fairly recent  
11 legislation, ethanol was not taxed because there  
12 was -- it was believed to be an incentive that  
13 more people would produce ethanol and use  
14 ethanol, and therefore, it was not taxed. And  
15 recently, in legislation just prior to that Act,  
16 that was corrected. But as we see other  
17 experimental or other alternative fuels out  
18 there, I could see Congress perhaps wanting to  
19 incentivize the development of them as well and  
20 to do so by not taxing them at the same rate  
21 that the bills are taxed today.

22 MR. YATSKO: Madam Chairman, I  
23 want to clarify, too, I assume you were taking  
24 about the electric --

1           CHAIRMAN PETERS: I think  
2 that -- I personally see ethanol maybe as being  
3 a bridge mechanism that will get us into  
4 something different in the future. And also  
5 discussions have been among those of us in  
6 Washington about the use of corn to produce  
7 ethanol. I mean, it's the predominant way of  
8 producing ethanol today, but there are other  
9 uses of corn, some of which is animal feed. And  
10 so the price of corn has went up quite  
11 substantially based on the demand for ethanol  
12 and what effect does it have on other economies,  
13 other segments of our economy such as  
14 agriculture.

15           And so, I think we have to  
16 look at this holistically. But I tend to see  
17 ethanol as a bridge mechanism as opposed to the  
18 ultimate. And I do see hybrid vehicles,  
19 electric vehicles, and other things probably  
20 will be more predominant in the near future.

21           MR. DUNCAN: You know, I would  
22 simply add that I would -- we need to go about  
23 the most efficient way to gain the revenues.  
24 That's my biggest issue. I think today the fuel

1 tax is the way to do that. But I would say that  
2 it has to be nationally directed. This has to  
3 be a national transportation plan and not one  
4 that is managed by state by state revenue  
5 sources. I mean, we cannot ask California to do  
6 all the work for the Asian ports with what's  
7 going on in California. That has to be  
8 nationally directed with the connector roads and  
9 rails and everything else to support that. So  
10 let's just go down the most efficient ways to  
11 raise the revenues. But let's direct it  
12 nationally so we spend it where it gets the most  
13 bang for the buck.

14           CHAIRMAN PETERS: Let me take  
15 on that question and ask others to comment on  
16 that. During the so-called interstate era, the  
17 federal government played a very important role  
18 in the collection of fees and distribution of  
19 those fees to build the interstate highway  
20 system. And I think that was very likely a very  
21 appropriate role for the federal government to  
22 take during the development to serve individual  
23 states, per se, that serve the entire nation.  
24 In the future, we're not going to be necessarily

1 building the interstate, but we absolutely must  
2 maintain and continue to operate that. But I  
3 don't see us building another interstate, if you  
4 will.

5           But we've all talked about  
6 very important projects that are regional  
7 projects, port projects, that should not  
8 necessarily fall to a certain state to fund  
9 that. How would you just oppose the  
10 relationship between federal, state, local,  
11 regional government and the private sector in  
12 the future? Should we do it as a federal system  
13 and guarantee the interstate system or should it  
14 be something different?

15           MR. DUNCAN: Well, I'll  
16 start. I think it has to be federally  
17 directed. The states, obviously, are the ones  
18 that construct the highways and the  
19 infrastructure. But I think the priorities have  
20 to be nationally set. The port of Long Beach is  
21 a great example. You just can't build many more  
22 lanes of traffic in Los Angeles. It's a  
23 physics problem. It isn't one of what we would  
24 like to do or want to do. So it has to be a

1 coordinated effort with rail linkages and  
2 highway linkages so that we can most effectively  
3 use ports of Long Beach and other ports. And  
4 I'm not restricting that. But we can't just  
5 allow the port of Long Beach and LA County to  
6 deal with all of the issues with this major port  
7 that's going to be crucial to all of us in our  
8 economy.

9           So while the states have an  
10 important part of this and the regional part of  
11 it is hugely important, this national plan and  
12 national policy has to be directed federally, I  
13 believe. And then I think the states can play a  
14 big part in executing that strategy.

15           CHAIRMAN PETERS: Thank you.

16           MR. MOORE: Madam Chair, I  
17 would agree. And that's why the Memphis  
18 Regional Chamber recognizes that we do have a  
19 national infrastructure to complete that plan.  
20 Because we are facing some physical challenges  
21 in land and the ability to expand current  
22 structures of our intermodal complexes. So  
23 we've got to figure out where all the relief --  
24 where the relief can exist and how the flow can

1 be improved across the nation, and also  
2 understand that the demand -- the future demand  
3 and where the key -- where the hot points are  
4 going to be regionally around the country.

5 CHAIRMAN PETERS: Thank you.

6 COMMISSIONER ODLAND: Can I  
7 follow-up on the comments related to the water.  
8 You know, if the supply chain is going to begin  
9 and end in China, or that direction in some air  
10 freight -- but it's mostly come over water,  
11 right -- so we're restricting Long Beach today,  
12 we've got some congestion in the port of Oakland  
13 and San Francisco. So everything is pushing  
14 north about the port of prints.

15 I guess the question is, where  
16 is it going in terms of the ship sizes, and how  
17 is that going to -- you know, how is the Panama  
18 Canal going to handle the super freighters, and  
19 where do you see things shaking out here?  
20 Because if it's inhibition, you've got to drop  
21 everything in the west coast and then get it  
22 across the one. But if these ships are going to  
23 get bigger and bigger and it's all standard size  
24 containers and so forth, you know, there's a

1 point of limitation here. So I'm sure your  
2 companies have done some long-term strategic  
3 forecasting here. Where do you see the vehicle  
4 sizes going and changing over time and what  
5 impact is that going to have on the  
6 infrastructure? Whomever wants to answer.

7           MR. YATSKO: I can speak to  
8 the Wal-Mart network. We -- as I mentioned, we  
9 diverted around LA back in the late '90s. We  
10 saw a lot of product coming through there. But  
11 our strategic direction is to continue to divert  
12 away from the west coast and go through the  
13 Panama with smaller ships and to, for example,  
14 ports like Houston, maybe new ports in the  
15 future that don't have deep water to handle the  
16 deep ships anyway. But we can pull that product  
17 in closer to our distribution points and it's a  
18 cost neutral situation.

19           COMMISSIONER ODLAND: But the  
20 big ships are the ones that are going to be  
21 increasing, right? So, you know, how are you --  
22 what are you doing to get it in smaller ships,  
23 are you breaking it somewhere?

24           MR. YATSKO: Yeah. I mean,

1 there are smaller ships, and there will be  
2 smaller ships available. It won't just be the  
3 8,000, 10,000 ships. But those are perfect for  
4 landing in LA and the west coast, Seattle,  
5 Tacoma.

6 COMMISSIONER ODLAND: So your  
7 view is that it actually is going to go to  
8 smaller ships?

9 MR. YATSKO: For our network,  
10 we'll use the smaller ships to go through the  
11 Panama. We'll see what happens in the Panama,  
12 if they expand. That will be a long-term  
13 project. At that point, those larger ships will  
14 probably end up going to the east coast.

15 COMMISSIONER ODLAND: Do you  
16 see anything anywhere in between getting -- you  
17 know, Long Beach is jammed, but somewhere else  
18 where you can take big ships through and across  
19 in greater numbers than the smaller ships?

20 MR. YATSKO: Well, the big  
21 ships can move through the Suez on the east  
22 coast as well. So it just depends on the ports  
23 you're using in your network. But we see that  
24 as fairly fluid at this point.

1           MR. DUNCAN: We're seeing that  
2 today in ports like ports in Virginia. The big  
3 rise in traffic there is acutally Asian traffic  
4 coming through the Suez Canal, which is not the  
5 most efficient way. So again, we're  
6 backtracking on the supply chain with the  
7 improvments that we've made simply because of  
8 the infrastructure. You know, you only have to  
9 turn the mirror and look at China to see what's  
10 going to happen with container trade. They just  
11 built a new port to -- and to use the deep water  
12 draft vessels. In Shanghai they had to build  
13 the port on the island 20 miles offshore and  
14 build a six lane bridge 20 miles to accommodate  
15 it. And that port will handle over a million  
16 containers a year. So that --

17           COMMISSIONER ODLAND: I just  
18 saw that. So I'm wondering whether your visions  
19 for the future for our country include something  
20 like that which is -- operates as sort of a  
21 master break off facility for goods coming from  
22 China?

23           MR. DUNCAN: You know, the  
24 models and the research are pretty clear. We

1 can predict that there is a percentage of those  
2 million containers that leave Shanghai that are  
3 going to come to American shores. So we can  
4 project out. And what are the ports  
5 capabilities going to be and can we handle them,  
6 or are we going to wind up with ships anchored  
7 offshore in Long Beach again waiting to get a  
8 birth into the port?

9           You know, this -- the  
10 projections of surface transportation for this  
11 country are known. I've been through multiple  
12 hearings like this with different industry  
13 groups, the Transportation Research Board,  
14 American Trucking Research Institute. They've  
15 all done the modeling and they can show you  
16 where the choke points are going to be in this  
17 country 20 years from now. So it's not a matter  
18 of we don't know what the problem is. It's a  
19 matter of addressing what the problem is. And  
20 we know where -- I don't have it -- but it is  
21 known where those containers will naturally come  
22 for the most efficient transportation network  
23 from Asia and other countries.

24           COMMISSIONER ODLAND: And

2 what's the solution, Doug?

3 MR. YATSKO: Well, I just  
4 agree with Doug. I do agree with Doug, and if  
5 you want to put more through the LA port, you've  
6 got to expand the productivity one way or the  
7 other, and then in tandem expand the real  
8 capacity. You've got to do both.

9 COMMISSIONER ODLAND: And  
10 then, John, on the Mississippi, is there any --  
11 you know, how do you see, you know, the water  
12 freight changing?

13 MR. MOORE: We've already seen  
14 an increase because of this use of the Panama  
15 Canal and the shipments coming from the port in  
16 New Orleans. We'll see that continue to  
17 increase. And then, as I've mentioned, Port of  
18 Prince and Prince Rupert Sound will provide an  
19 incredible amount of capacity. And there  
20 already are, you know, Class 1 rail lines that  
21 connect with that port. So we're going to see a  
22 considerable amount of growth and container  
23 shipments along that corridor and it will come  
24 down through Memphis.

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1 So, you know, I think what

2 we're going to see is probably because of the  
3 increase and capacity, we're going to see an  
4 increase in the number of rail cars and we'll  
5 probably see an increase in the number of the  
6 delays on the freight system, unfortunately. So  
7 any way you look at it, wherever it comes in,  
8 we're going to see continued congestion.

9 I would like to also point out  
10 that there are other countries that view this  
11 whole issue of access that I mentioned in my  
12 comments as critical to their growing economies  
13 because they understand, as my colleague  
14 mentioned, Pete Johnson, that the issue was time  
15 and cost. People want faster, better, cheaper.  
16 And with technology, that's a growing trend  
17 around the world. And when you look at Wanju  
18 and Bangkok and Dubai and the way that they're  
19 master planning their intermodal facilities,  
20 just in Dubai alone they'll have three times the  
21 capacity at their airport when they're finished  
22 than we have here in Memphis, and we're the  
23 largest cargo airport in the world. So you can  
24 see how other countries are modeling their

1 infrastructure in a way that we're going to see  
2 some, I think, in my opinion, some shift and

3 growth around the world because they're going to  
4 have a better access system, if you will.

5 COMMISSIONER ODLAND: So that  
6 was really the crux of where you were going with  
7 your national intermodal plan?

8 MR. MOORE: That's right.

9 COMMISSIONER ODLAND: Do you  
10 have a view of what that plan should look like?  
11 You know, is it your view that there should be X  
12 number of intermodal facilities in these places  
13 and so forth to feed existing systems and so  
14 forth?

15 MR. MOORE: Well, yes, it's --  
16 I mean, it's very complex. And that's what we  
17 need to understand. We basically have to have a  
18 national inventory and we have to understand  
19 where can growth occur most effectively, and  
20 then how that models into the national  
21 transportation infrastructure. And, obviously,  
22 every modality has to be considered. I mean,  
23 it's like capillaries and arteries. I mean, you  
24 know, there's no way of stopping it. It flows.

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1 And we have to understand how it flows. And we  
2 have to understand how to make it flow better.

3 But we also have to be aware that we're in a  
4 global competition.

5           COMMISSIONER QUINN: Tim, one  
6 of your comments about -- and I know Wal-Mart  
7 has done this -- is being fluent of your  
8 carriers. And we see increased use of our ports  
9 as you've moved a lot of goods away from the  
10 west coast. But it's usually Charlston,  
11 Savannah, Norfolk, as Doug referred to, and  
12 we've seen exactly that, a pick up, I think, you  
13 know, probably your freight but also other  
14 people are doing exactly the same thing. But  
15 there's also, you know, when you started looking  
16 at imports for around 24 percent and even 30  
17 percent, aren't we back -- this is a temporary  
18 solution that may some -- but as these ports  
19 reach capacity, which they're not large, it  
20 doesn't take too much to vision that we're not  
21 looking out 20 years and beyond. We're back in  
22 LA's situation like we were two or three years  
23 ago where the ships are backed up again.

24           MR. YATSKO: Yeah. And I

1 would agree, longer term, yeah, they will grow.  
2 I mean, some of the ports are growing. Some of  
3 the capacities are growing with the business.

4 It's hard to determine where all the ports will  
5 end up. But, yeah, I agree with you there. A  
6 longer term given what you see today. There  
7 will be gridlock at other ports other than LA.  
8           COMMISSIONER QUINN: A  
9 comment, I think John did on the river traffic  
10 and the locks and, you know, I happen to live in  
11 Chattanooga, Tennessee which has a lock running  
12 in the Chickamauga Dam that President Roosevelt  
13 dedicated, I think, in 1936 or something, you  
14 know. And we're just now talking about the  
15 funding to begin the replacement process of that  
16 lock. It may fall apart before it happens,  
17 which just means you take that much traffic off  
18 the river and push it on prior to getting to  
19 that lock. And that needs to be -- it's a good  
20 point that we haven't addressed, but it's  
21 certainly, it's part of the aging  
22 infrastructure. It's not just the efforts on  
23 the highway, but it could impact highway usage,  
24 obviously, and rail, if that's not available.

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1           MR. JOHNSON: Let me comment,  
2 too, that I think, again, we're studying the  
3 long effects on Memphis, Tennessee and that it's

4 located in the heart of this nation. And it's  
5 not bound by any structures and there's no map  
6 range. There's an enormous amount of land  
7 that's available to continue to expand to meet  
8 these needs that we're talking about over the  
9 next 20 to 30 years, if we have any restriction  
10 in the river, and we think that those can be  
11 solved by building bridges that would withstand  
12 any kind of an earthquake. And so that, I think  
13 what we're doing today states a very strong case  
14 of why Memphis should be the hub that it is and  
15 we should continue to build on the  
16 infrastructure that we have.

17 I remember years ago when  
18 you're going to Chicago O'Hara, it was a tiny  
19 little airport, and now it's essentially -- it's  
20 bound, it can't grow anymore. We don't have  
21 that problem here. And I think we can grow and  
22 meet those needs. We've got some very bright  
23 people that know how to do some planning.

24 COMMISSIONER ODLAND: You

1 know, this issue of the New Madrid Fault is an  
2 important one because it carries up and down the  
3 river. We talked -- John, you talked about the  
4 seismic needs of the I-40 bridge. But really,

5 aren't though -- we don't have seismic  
6 capabilities up and down the river, either  
7 railroad or highway, do we?

8 MR. MOORE: That's correct.

9 COMMISSIONER ODLAND: So you  
10 estimated just one point here, but if you went  
11 all the way up to Saint Louis and down through  
12 the Delta, we would have serious issues if there  
13 was an earthquake similar to the one in the  
14 early 1800s on the New Madrid Fault.

15 MR. MOORE: We would have very  
16 serious issues.

17 COMMISSIONER ODLAND: So  
18 that's the bridges. Have we done a study of any  
19 sort to deal with all the infrastructure  
20 potential to call it a 7.0 on the Richter scale  
21 of the New Madrid quake?

22 MR. MOORE: Well, we've done a  
23 study to understand the economic impact of  
24 just -- just on the country -- of just losing

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1 our two bridges. And that's \$4.2 billion  
2 annually.

3 COMMISSIONER ODLAND: But have  
4 you seen anything that carries up and down?

5 MR. MOORE: No. And I don't  
6 know if another region may have done what we've  
7 done, but --

8 COMMISSIONER QUINN: Steve,  
9 within, you know, including bridges in Los  
10 Angeles, they have regular existing brings to  
11 strengthen for that. I'm sure that the study  
12 can be done on -- without having to replace them  
13 you can strengthen them and make them more  
14 seismic or certainly better.

15 MR. MOORE: We have actually  
16 recently done some of that strengthening on our  
17 own bridges, but it's certainly not enough to  
18 withstand the type of earthquake that's possible  
19 with the New Madrid Faultline.

20 MR. JOHNSON: I might comment  
21 on the Delta Regional Conference that was put on  
22 about the New Madrid Fault in Saint Louis. We  
23 had the -- we had Richard Share (phonetic), who  
24 was head of Emergency Management for New York

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1 the day of 9-11, we had the chief of staff of  
2 Homeland Security, we had the head of FEMA, we  
3 had geologists and seismologists from here in  
4 Memphis. We brought in experts from around the  
5 country. And we do know that it would be a

6 significant impact on the region. And it would  
7 take several months.  
8           The dynamic of an earthquake  
9 is, that we can't predict it like we can  
10 Hurricane Katrina. We had warning, we were able  
11 to get people out. But we can prepare for it in  
12 a number of ways. And I think Memphis is doing  
13 a good job. We had a structural engineer, for  
14 example, who spoke to us about what they're  
15 doing in Memphis now with new buildings and  
16 existing buildings to prepare these buildings.  
17 And I think, again, this states a strong case  
18 for our pursuing new bridges across the river.  
19 And especially working with the railroads as  
20 John mentioned a moment ago. I think the newest  
21 bridge is built in 1916, rail bridge was built  
22 in 1916.

23           And there must be a solution  
24 to strengthen those bridges, because it is an

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1 important part of the region. It's not like  
2 Memphis is sitting on its hands. They've been  
3 very proactive. And the whole region has been  
4 very proactive from Saint Louis to Memphis and  
5 in understanding what the impact will be and

6 preparing for it.

7 I must say the Department of  
8 Homeland Security is doing an outstanding job of  
9 preparing for it. And we will be working with  
10 them in our interstate region to prepare  
11 governments at the local level to be able to  
12 respond in a much better way than we saw  
13 government respond in Hurricane Katrina. So  
14 we've been very proactive about this. And I  
15 think we'll be able to mitigate the amount of  
16 damage that we would experience if we did have.

17 CHAIRMAN PETERS: I'm going to  
18 take a question back -- I'm going to take a  
19 little bit different direction for a moment.  
20 Tim, you talked about some things to do with  
21 FedEx as well in terms of dealing with  
22 congestion and bottlenecks and how you used the  
23 distribution system and made changes in your  
24 business to accommodate that.

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1 I'm also intrigued by your  
2 comment about how let's fix everything inside  
3 the box first before we expand the box. And I  
4 believe in establishing the congestion and  
5 initiative that we have a lot of work that we  
6 can do to relieve congestion and choke point

7 bottleneck of the system. If we were able to do  
8 that and implement what Secretary Manetta has  
9 laid out, and I believe it as well, would that  
10 give your business greater efficiencies, and  
11 would you be able to respond better than you are  
12 now with the work around?

13           MR. YATSKO: I think so. The  
14 one thing that we haven't talked about is, I  
15 think the impact of optimizing the current  
16 infrastructure allows us to operate with less  
17 trucks and less drivers. And we haven't  
18 mentioned the driver shortage that industry is  
19 facing out there. But any productivity means,  
20 any reduction in trucks on the road through  
21 length, weight, regulations, double the  
22 equipment, packaging reductions that take course  
23 or anything like that will help hold that  
24 situation in the driver side but also

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1 productivity. Absolutely.

2           CHAIRMAN PETERS: Doug as  
3 well.

4           MR. DUNCAN: There is a lot we  
5 can do to make our highways more productive.  
6 And that was what I really meant was, we haven't

7 pursued all the areas of innovation that we can  
8 do to make our highways better. But -- and, of  
9 course, if we fight the congestion issues and  
10 the bottlenecks, I think that's an effective way  
11 to go about it as long as we start fighting the  
12 ones that are going to be here 10 years from  
13 now. Just to fight the ones we see today, as  
14 soon you get past those there's going to be  
15 another hill to climb. So we have to -- we have  
16 to look out to do that.

17           There are things we can do to  
18 make our highways more effective. Size and  
19 weight issues can be addressed to make our  
20 highways more productive, get more out of the  
21 highways that we have. I think we have to be  
22 careful though, in many big cities there are  
23 initiatives to push commercial deliveries to  
24 nighttime functions. And I think, I forget who

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1 the panelist was that mentioned it, but it's not  
2 a matter of distance, it's a matter of time.  
3 And when you impact that time component, you  
4 start to impact commerce. So it's not as simple  
5 as just saying, we'll make all the freight  
6 deliveries tonight. Some of that will work, but  
7 it's not a perfect solution.

8           And I guess the other thing I  
9 would say is, that if we do all the things from  
10 the productivity standpoint that we should do to  
11 optimize what we have, and we should do that and  
12 that should be job No. 1 for all of us, there is  
13 still a learning disaster here for just sheer  
14 infrastructure investment. I mean, in reality,  
15 the interstate highway system was a gift. It  
16 had made us the envy of the world and it gave us  
17 a system that was far more than we needed at the  
18 time. But, unfortunately, we've used that  
19 system up and have invested precious little  
20 back. So it's time to catch up. It's time to  
21 take your vision for the future and figure out  
22 what the big next story is to address that  
23 issue.

24           CHAIRMAN PETERS: So we as a

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1 Commission have been challenged, as we said  
2 earlier, by coming up with both short-term and  
3 long-term initiatives. So would you agree that  
4 short-term -- some of the shorter term  
5 initiatives may be relieving congestion choke  
6 points bottleneck in the interim, but also  
7 making sure that we're looking out into the

8 future about where those would occur in the  
9 system in the future and relieving those while  
10 implementing. And I am very intrigued by the  
11 suggestions that you all have made about  
12 national transportation policies, wayward  
13 structure and intermodal freight policy. Those  
14 are good suggestions. But those might be more  
15 for longer-term solutions?

16 MR. DUNCAN: Well, I don't  
17 think that -- I think that is the right  
18 approach, short-term focus on the congestion.  
19 But, you know, transportation policy in this  
20 country has all been by mode. The rails go off  
21 and do their thing, highway does their thing.  
22 The ports are on a totally different group. And  
23 I don't think we can afford to do that going  
24 forward. It has to be viewed in a seamless

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1 integrated network. And we have to look at  
2 where we can invest the dollars to get the most  
3 good. And it may be in the rail, it may be in  
4 the highway. It all depends on the  
5 circumstances. But I think it has to be looked  
6 at as a collaborative seamless network and not  
7 just by individual modes.

8 CHAIRMAN PETERS: Good

9 points. Thank you.

10 COMMISSIONER ODLAND: You  
11 know, it is interesting, and this Commission was  
12 tasked with dealing with the surface  
13 transportation and not air cargo in anyway. But  
14 if you listen to what both you and John have  
15 said, there is some connection here. If we did  
16 not think about air cargo as part of the system,  
17 what would we be missing here and should we be  
18 thinking about connector points with air freight  
19 as well?

20 MR. DUNCAN: Well, clearly,  
21 when you look at domestic surface  
22 transportation, you know, air doesn't get  
23 involved in that. But today we're involved in  
24 what is a global economy. So, you know, what

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1 used to move from Silicon Valley to Kansas City  
2 is now moving from Guanjo direct to stores all  
3 over the country. So, you know, this is  
4 becoming a global economy and a global  
5 transportation network.

6 And the connectors, both air  
7 and ocean, are hugely important because they're  
8 the entry points to the US. So I think it has

9 to be viewed along with -- just like the ocean

10 container traffic. It's going to come into this

11 country and it's going to create transportation

12 issues that we have to deal with.

13 COMMISSIONER ODLAND: So if we

14 were to broaden our thinking to include air,

15 what would that look like? I mean, because

16 you're not dealing with standard cargo

17 containers and so forth, but, you know, what

18 would be the natural things for us to think

19 about?

20 MR. DUNCAN: Again, I think,

21 you know, would you look at FedEx? I mean,

22 we're forecasting out many years out to

23 accommodate the changing trends and global

24 economics. I mean, we're building a huge hub in

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1 Guanjo China that won't open until 2008 and

2 looking at bigger and bigger airplanes to serve

3 that market both in the US and around the

4 world. I mean, private enterprise is already

5 working down this path and are many, many years

6 out in planning to meet the needs of our

7 customers. I mean, it's our job to look into

8 the future and to be able to support the

9 Wal-Marts of the world. And we're doing that.

10 So the data is there.

11 I don't think it's a problem

12 of not knowing, you know, what we expect to

13 happen and where the freight flows will be both

14 in air and ocean and surface transportation.

15 But the problem that we have is we don't control

16 the infrastructure. I can't build the

17 highways. I can come up with innovative

18 solutions for fast-cycled distributions and

19 logistics, but we have to involve the government

20 for the infrastructure. And that's the piece

21 here that I think is coming together.

22 I think that's the very

23 positive thing about this Commission is to take

24 the information that private enterprise has

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1 about the growth and global economy and where

2 it's going to grow, but to begin to work with

3 government in a long-term solution so that the

4 infrastructure can be there to support that.

5 COMMISSIONER ODLAND: Just a

6 question, one more, and I'm trying to get at,

7 you know, something more tangible here. Do you

8 really see an intermodal connection between air

9 freight? In other words, you're coming up,

10 you're not bringing containers over and so

11 forth.

12 MR. DUNCAN: Probably not air  
13 freight. Usually, the inventory velocity that  
14 is required when an aircraft is used is much  
15 different than the inventory velocity required  
16 when it's in a container, you know, taking  
17 several weeks to come from Asia. Those are  
18 different. But they're meeting the needs of the  
19 supply chains that are being built by these  
20 great logistics professionals that have done a  
21 phenomenal job of taking cost out of the  
22 network.

23 So the plans are there, the  
24 logistical plans of Wal-Mart and many other

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1 logistics companies are there, the private  
2 enterprises like FedEx are visibly working on  
3 the systems to provide that. But we've got to  
4 get the government involved to help us with the  
5 infrastructure issue.

6 COMMISSIONER QUINN: Doug,  
7 that was certainly similar to the other day, as  
8 you tripled capacity, if you tripled the air  
9 freight capacity most that will probably leave  
10 by trucks whether yours mine or similar ones to

11 that. Which, again, might not tax the  
12 infrastructure quite the same way that a rail  
13 terminal point is. Because what you end up  
14 doing is moving the freight to the most  
15 efficient point for distribution. And that's  
16 panned out by a variety of modes by a small  
17 delivery truck such as yours or the other colors  
18 or someone else's. But -- or the minor  
19 competitors.

20           But that's what we're seeing.  
21 As we define those points that are becoming, we  
22 always know Chicago has been one for years but  
23 we're getting more and more others, or as Tim  
24 pointed out, the use of the other ports which

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1 will become sort of that same type of  
2 centralization where, yes, the length of the  
3 freight is probably by truck is probably  
4 lessened by doing that. And that probably is a  
5 good thing. But it is also -- then it is much  
6 more concentrated at those points. And that  
7 creates the infrastructure process if we're  
8 going to do these deliveries efficiently and  
9 effectively. Am I missing something there or is  
10 that --

11 MR. DUNCAN: You're exactly  
12 right. But there's give and take in all of  
13 these situations. We talked about Prince  
14 Rupert, Canada and running containers on the CNN  
15 Railroad to Chicago. Well, Chicago can only  
16 handle so much. And you can only build so many  
17 lanes of traffic in Chicago. But what about  
18 the loop of bringing those -- many of those  
19 containers deisel into the country like Memphis  
20 by rail and distribute out of Memphis. Those  
21 are the trade-offs that I think we have to deal  
22 with. And you just can't do it with trucking  
23 companies and highways. It has to be in  
24 conjunction with the rails and ports and all of

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1 the intermodal groups. It's not a -- it can't  
2 be dealt with a one mode mentality. And I think  
3 that's the way much of that has been handled in  
4 the past.

5 CHAIRMAN PETERS: John.

6 MR. MOORE: Well, I would like  
7 to redirect this, if I may again, to the  
8 question of economies. And, you know, it's  
9 incredibly vital to the nation's economy to  
10 address Commissioner Odland's question about  
11 what are the tangibles that we should be looking

12 at in a national infrastructure study of  
13 airports, and I think the question is, a couple  
14 of things. One, we know that two percent of the  
15 world's goods travel by air but represent over  
16 50 percent of its value. So that's very  
17 important to understand in an economy. And  
18 whatever is shipped by cargo airlines will  
19 ultimately wind up on the road somewhere.

20           And I'll give you a classic  
21 example. We have a company here that repairs  
22 and ships repaired laptops overnight at the rate  
23 of 3 to 5,000 per night globally. And if you  
24 understand that those laptops traveled somewhere

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1 on some road. And then, they're going to travel  
2 again by road when they get back into the hands  
3 of the owner of the user of the laptop. So I  
4 would say it's important for us in the scheme of  
5 things to make sure we understand where can  
6 capacity -- where can airport capacity enable  
7 concrete. Where should runways be prioritized  
8 based upon those flows, as well as, we've got to  
9 modernize our air traffic control system.  
10 That's absolutely essential. And I think this  
11 is a very valuable conversation, because I think

12 it's opening a lot of our eyes to the fact that  
13 you can't look at aviation apart from the  
14 structure. You can't look at the ports, you  
15 can't look at rail, and you can't look at the  
16 highway structure, each one exclusively.  
17 Because they all have an impact on the other.  
18           And the other thing that's  
19 important that I think we need to consider is  
20 the modern trains and the supply and chain  
21 management and the way that solutions are being  
22 employed. And another example that I want to  
23 share with you, and I'll be brief, is Hino  
24 Motors across the bridge in Arkansas. They make

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1 axles for Toyota trucks. I asked the manager of  
2 the plant if they ever used rail and he said  
3 they quit using rail a long time ago because  
4 it's not reliable. They could use rail if it  
5 was reliable, but they don't. They shifted  
6 everything to trucking. And the reason they've  
7 done that is because all their inventory is in  
8 the manufacturing process.

9           In other words, the materials  
10 come in, they're assembled, and they flow  
11 immediately from the plant to San Antonio where  
12 they're mounted on a chassis. And that process

13 goes 24 hours a day every day. And if there is  
14 any interruption at all in the sequence, then  
15 there will be one less or two less trucks  
16 produced out of that plant and that's  
17 unacceptable. So they're choosing different  
18 modalities based upon their need for  
19 reliability.

20           So all these things, we have  
21 to really take a holistic approach in how we  
22 view -- how is business done, where are the --  
23 where again are, you know, the hot points. We  
24 have to look at what's going on today, but we

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1 also have to plan for the future. So we need  
2 short-term solutions. And we can't wait. We  
3 can't let -- we can't let ourselves remain in a  
4 process of constantly being focused on short-  
5 term solutions. We've got to get to a point  
6 where we take the satellite view of our  
7 structure and understand how all of it works  
8 together. Thank you.

9           CHAIRMAN PETERS: I think  
10 there's a tremendous opportunity next year, in  
11 fact, next year there will be plenty of  
12 mechanisms as well as the authorizing of

13 legislation ready to expire and are up for  
14 reconsideration in Congress despite an intense  
15 deadline. I think that our Commission could do  
16 well to have input to that process vis-a-vis the  
17 freight initiatives especially. I think that's  
18 going to be very important. If I could direct  
19 one last question to this panel. The one thing  
20 we would like to do is to establish performance  
21 measures, so that we could say that if we are  
22 successfully provided transportation systems and  
23 services that keep America competitive and keep  
24 our citizens quality of life good, what would

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1 those performance measurements be. And  
2 particularly interested in each of you, from  
3 your perspective, what type of performance  
4 measure or measurements would you suggest that we  
5 look at? Doug, would you like to start?

6 MR. DUNCAN: Well, I guess,  
7 the biggest one that comes to mind from my --  
8 from the trucking industry, the surface  
9 industry, is congestion. Some way to measure  
10 and monitor congestion. And we didn't get to  
11 where we are today because it just happened  
12 overnight. It built up over a period of time.  
13 So, you know, if you have those long-term

14 measures and monitors on congestion, it enables  
15 us to take action, smaller actions to make  
16 better improvements rather than let it get to be  
17 a big problem where we have to have catastrophic  
18 issues. So my issue would be congestion.

19 CHAIRMAN PETERS: Thank you.

20 Tim.

21 MR. YATSKO: I was just  
22 thinking, Pat, there may be some mechanisms that  
23 we can input similar stats on a confidential  
24 basis, but I would think that miles per truck,

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1 your idling percentage gives you a good  
2 indication of where your congestion is occurring  
3 and if it's improving or not.

4 The other thing I would  
5 encourage the Commission to look at is the  
6 overall to where we are now, where we're going  
7 in terms of the priorities, if you will, for  
8 infrastructureing. I mean, we found in the last  
9 couple of years if you can bulk move as far as  
10 you can go on a ship and on a train and then  
11 distribute it, you're much more environmental  
12 and sustainable. And I would think that would  
13 be a good measure, as well, of how -- what kind

14 of a plan could we end up with. Is it a good  
15 one for the environment or should we tweak it  
16 here and there.

17           CHAIRMAN PETERS: Thank you.  
18 John.

19           MR. MOORE: Considering our  
20 conversation, I would say time. I think time  
21 would be one of the key measures from point to  
22 point on any modality. In other words, if you  
23 got to stay in ward out there for three days,  
24 you know, near Long Beach before you can

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1 actually bring your ship into port, that --  
2 unfortunately, that's a negative measure. But  
3 it's a good measure. And I was thinking about  
4 this when I flew into Chicago the other day.  
5 When you think about time, when I first started  
6 flying back in 1970 -- '78, it took about an  
7 hour and 20 minutes, wheels up to wheels down, a  
8 flight from Memphis to Chicago. And now it's an  
9 hour and 47 minutes. And if you do that and you  
10 tell people you're flying on time, so where did  
11 the extra 27 minutes come from? Congestion. So  
12 I think time is an incredibly important factor.

13           CHAIRMAN PETERS: Thank you.  
14 Pete.

15 MR. JOHNSON: To pick up on  
16 what John just said, time is money. And being  
17 able to move these goods and services as cost  
18 efficiently as we possibly can and develop a  
19 system that will allow us to do that. And I go  
20 back to my remarks and when Jane Wine at FedEx,  
21 the chief economist said the global economy and  
22 concept of business is no longer a factor in  
23 decision-making, it's the economy, John, what  
24 you were just talking about, what matters is

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1 time.

2 And the best to -- to best  
3 compete, our nation must reduce the lagging  
4 dollar wasting time. And, again, I think that's  
5 why what we have here and what you're going to  
6 see over the next couple of days is just so  
7 critical as we look at our nation's needs. And  
8 that we have all the basic infrastructure --  
9 beginning infrastructure in place and we have  
10 the ability to expand that in this region and to  
11 maximize the cost efficiencies of moving these  
12 goods and services. And I think you're going to  
13 see that. And as you travel around the rest of  
14 the nation, it's going to strengthen our case

15 and the case that we're trying to make here

16 today.

17 CHAIRMAN PETERS: Have any

18 other questions on your part? I want to

19 sincerely thank you as panelists and your well-

20 prepared remarks. We really appreciate

21 everything that you have done to prepare for

22 this morning and the opportunity to have this

23 dialogue with you. Thank you so much.

24 Appreciate your efforts. We're going to break

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1 now until 10:30 and then we'll reconvene then.

2 But please join me in applauding the panel.

3 (WHEREUPON, THERE WAS A SHORT

4 BREAK.)

5 CHAIRMAN PETERS: Thank you so

6 much. As I know most of you who were here for

7 the first panel though, this is a very exciting

8 discussion that we're having today. And our

9 second panel also promises to give us excellent

10 information that will be beneficial for us as

11 Commissioners in formulating our ultimate

12 recommendation. And I would like to now

13 introduce that panel. And then we will -- I

14 will introduce all of you. You will make your

15 comments in the order of introduction, I believe

16 as you had planned. And then we'll take  
17 questions for the remainder of the time. And  
18 the dialogue, of course, is very important to us  
19 all.

20           Before I do that, I wanted to,  
21 and I apologize for neglecting to do this  
22 earlier today, but let you know a couple of  
23 other people who are here with the US Department  
24 of Transportation. David Hugo, Executive

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1 Administrator for the FMCSA is here and  
2 certainly works very closely with the trucking  
3 industry and trucking issues. Also, Cliff Eby,  
4 Deputy Administrator for the Federal Rail  
5 Administration is here. Cliff, thank you for  
6 being here as well and your comments.

7           From USDOT and helping with  
8 the Commission's overall staffing, Susan Binder,  
9 right behind me here who has been a person who  
10 has made a lot of this happen. Susan, thank you  
11 so much.

12           Our Executive Deputy Director,  
13 I think, Robert Mayner. Robert, thank you for  
14 your efforts.

15           Mark Bushing, one of my policy

16 advisors who's been very instrumental in helping  
17 me pull this together, and Brian Trammel from  
18 our Public Affairs office. If you get a chance  
19 to talk to those folks, please do as the day  
20 goes on. Let me now introduce our next panel.  
21 This panel is intramodal opportunities in global  
22 and regional tran.  
23                 Robert West is managing  
24 director of Global Trade and Transportation

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1 Global Insight and specializing in trading  
2 transportation matters in economic development.  
3 He focusses on business development in latin  
4 America and also works extensively in ports and  
5 railway in the region. His consulting  
6 experience spans 24 years. Mr. West has  
7 performed feasibility studies for new port  
8 facilities, developed financial models, and  
9 recommending financing options for various large  
10 infrastructure developemnt projects in ports and  
11 railways. Mr. West is a graduate of Harvard  
12 College and holds an MS in mathematics from  
13 Michigan University and an MBA in international  
14 business from Columbia University. Welcome,  
15 thank you for being here, Robert.  
16                 Roger Sklar -- and if I'm

17 mispronouncing your name, you jump all over me  
18 -- is director in Inbound Supply of Chain  
19 Operations for Nike, Incorporated. Roger is  
20 currently director for the largest seller of  
21 athletics footwear and athletes apparel in the  
22 world. Congratulations. The companies of Nike,  
23 Incorporated, including Nike, Converse, Cole  
24 Haan, Nike Bauer and Hurley shipping to over

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1 59,000 retail accounts and 374 Nike owned stores  
2 worldwide, and generated over 15 billion in  
3 annual revenue.  
4           At Nike, Roger was responsible  
5 for managing all of the components in the supply  
6 chain in the United States, including management  
7 of the company's ocean air, and consolidation US  
8 custom and compliance project in their customers  
9 delivery operation and associated systems and  
10 data integrity activities. That's a big job,  
11 Roger. He has over 19 years of international  
12 transportation in logistics experience in both  
13 North America, beginning in his career in 1980  
14 at APL and later with Eastman Chemical. A  
15 native of Seattle, Roger graduated from the  
16 University of Washington School of Business

17 Administration with a concentration in finance  
18 and accounting and earned an MBA at Georgia  
19 State University's Robertson Business School in  
20 Atlanta.  
21 Steve Rand is Assistant Vice  
22 President in account development for CXS  
23 International located in Jacksonville, Florida.  
24 Since January of 1995, Mr. Rand has held a

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1 variety of positions with CXS International,  
2 vice president of Operation Services, assistant  
3 vice president for International Sales and  
4 Marketing, VP for sales. He is from New Haven,  
5 Connecticut and received a BS in communication  
6 from the University of New Haven. He also  
7 attended the Columbia University Graduate School  
8 of Business and its executive education program  
9 in 2005. Steve, welcome and thank you for being  
10 on the panel.

11 Jonathan Red, chief operating  
12 officer, Sea Point, LLC. Sea Point will be a  
13 container transfer facility located here in the  
14 mouth of the Mississippi River in Venice,  
15 Louisiana. Sea Point will serve the inland port  
16 and desitination to Mid-America by an efficient  
17 combination of container on barge, rail, and

18 truck. Mr. Red graduated from Duke University  
19 in 1974 with a BA in political sciences and  
20 economics, received an MBA in marketing and  
21 finance from Jacksonville University in  
22 Jacksonville, Florida, and immediately after  
23 graduating from Duke, he began a 23 year career  
24 in the US Navy. Thank you for your military

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1 service. Prior to retiring from the Navy at the  
2 rank of commander, he was charred with in charge  
3 of systems and facilities procurement for the  
4 Surface Naval Reserve Force. Since retirement,  
5 he has had extensive experience in international  
6 shipping, serving in succession as director of  
7 finance, operations, and marketing for the  
8 largest bulk of sea service along the US coast.  
9 Jonathan, welcome. Also, thank you for being  
10 here.

11 Robert, would you like to  
12 start the hearing with your presentation.

13 MR. WEST: Sure. Thank you  
14 very much. And thank you for -- to Memphis and  
15 to all of the Commissioners. I would like to  
16 address some of the large events and trends  
17 around the world that nobody here in this

18 audience can really control. These are facts of  
19 the vision of the future that I think we're all  
20 going to have to contend with.  
21           First, generally, what about  
22 oil prices and will that really damage the long-  
23 term outlook? And the answer is, no, at least  
24 not at 70 to \$75 per barrel, according to our

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1 calculations. On the other hand, if you get up  
2 85 to \$100 a barrel, then we can start to see  
3 some dramatic economic impacts, at least in the  
4 United States. Will the dollar crash? Well, as  
5 you know, it's been sliding in the markets. And  
6 the answer is, no, we don't think it will  
7 crash. But on the other hand, with a trade  
8 deficit running pretty much \$800 billion as far  
9 as the eye can see in the future, we do think  
10 that the dollar is headed south. If I can put  
11 it that way. At least for the next three to  
12 four years.

13           And China has been growing so  
14 quickly, it's hard to imagine that they can keep  
15 it going at such a high rate of economic  
16 growth. And we feel that it will reach actually  
17 a soft landing. When economies tend to grow  
18 this fast this long, they often do crash. But

19 we don't think that will happen in China. There  
20 are a lot of institution characteristics about  
21 the way they manage the economy that I think  
22 will prevent that.

23           And then there are some new  
24 players, people started to mention the word,

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1 India, a little bit earlier. On the large end  
2 of the economic scale, India is definitely a new  
3 player and one to be reckoned with. On the  
4 smaller end, I would even add the country of  
5 Columbia where we're this close to finalizing  
6 the free trade agreement and the country is  
7 tremendously rich and a lot of intrade  
8 opportunities.

9           When you look around the  
10 world, you see that the growth in the world  
11 economy is going to be spattered between the  
12 high growth areas in other Asia. But here in  
13 the NAFTA area where we are, we're expecting  
14 relatively slow growth. There's other Asia and  
15 then western Europe. I want to make a point  
16 about the NAFTA. When you add Canada to the US  
17 and Mexico and you look a little bit into the  
18 future, this goes through next year, we see

19 these countries growing more slowly than any of  
20 the other countries in latin America which, I  
21 think, is an interesting point. And the US will  
22 probably grow slower than Mexico, at least until  
23 next year. Western Eurpoe, we think, in the  
24 long term is really just going to be a great

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1 museum. And the question is, who'll be visiting  
2 this museum? The Chinese.  
3           When you look in very long  
4 term -- and here I think it's important to  
5 realize that we do need to look very long  
6 term -- when you look internationally, the  
7 picture changes. First of all, China goes from  
8 being the sixth largest economy in the world to  
9 being No. 1 by 2050. This is the result of some  
10 scenario modeling that we've done. India, also  
11 quite strong and becomes No. 3 behind the US.  
12 Brazil zooms up, after making room for Russia  
13 along the way, it becomes No. 5. Japan slides a  
14 little bit. And then, you see Germany, and then  
15 France. And basically, the G4 of Europe down at  
16 the -- occupying the last four slots in the top  
17 10.  
18           And the reason for all of  
19 this, of course, is really the growth of China

20 and of India. I said earlier that the dollar  
21 would slide. This is actually a forecast of  
22 what we think could happen comparing the US  
23 dollar with the other industrialized nations.  
24 We could see a slide of 10 to 30 percent. This

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1 means that going to that museum will cost a  
2 little more money in the future. It also means  
3 that exports from the United States could  
4 conceive a good stimulus.  
5           Here we have some actual  
6 numbers out from 2010 on imports coming into the  
7 United States in containers from various parts  
8 of the world and specifically China. One third  
9 of all of our imports in the year 2000 came from  
10 China, but by 2010, virtually one out of two  
11 containers will originate in China. So what  
12 happens when all these containers hit the west  
13 coast? Well, sometime -- and I'm not good at  
14 predicting exactly when this will happen -- but  
15 at some point, there will be a crunch. When the  
16 facilities available on the west coast cannot  
17 process these containers and the cargo will have  
18 to move in some other way. This map shows  
19 several alternatives that are being considered

20 in Mexico served by rail lines and up in the  
21 northwest corner a brand new project which is  
22 being considered by the Mexican government to  
23 build a brand new port to host Panamex ships  
24 and to move them quickly inbound into the United

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1 States.

2 Let's go to the next slide.

3 So -- fine. So the point that I want to make is  
4 that the crunch is coming, the courts, at least  
5 on the west coast, are going to be hitting this  
6 point at some point before the Panama Canal  
7 expansion is completed, which is targeted for  
8 2015. And even on the east coast, if we have an  
9 increase in Suez Canal traffic, let's say from  
10 India, then there could be a crunch on the east  
11 coast as well. So it's possible to imagine a  
12 scenario even as early as 2010 where the US is  
13 in a pincer kind of crunch with containers  
14 coming in both coasts. Not enough facilities to  
15 handle them, at least the ports within the  
16 ports, and then those -- that cargo has to seek  
17 other ways to find its final destination. Thank  
18 you.

19 CHAIRMAN PETERS: Thank you so  
20 much for your presentation. Roger please.

21 MR. SKLAR: Madam Secretary,  
22 Commission members, staff and to all of the  
23 interested parties here today, we would like to  
24 thank you for the opportunity to present our

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1 views on the infrastructure challenges facing  
2 the US and its impact on our supply chain. And  
3 Secretary Peters, we're very grateful for you  
4 being here, not only to lead this important  
5 hearing today, but also because of your critical  
6 role that the department plays in the growth and  
7 stability of our economy. Your voice actually  
8 has a very direct impact on our success.

9 We're very glad that we're  
10 having this discussion, because nothing can  
11 happen without public and private sectors  
12 talking and working together. A good example of  
13 that recently was showcased in the recent action  
14 for the Safe Ports Act, which we have supported  
15 very much. We commend this recently passed  
16 legislation and share the interest that have  
17 secured global supply chains critical for our  
18 nation's security, and also is vital to  
19 maintaining America's competitiveness in the  
20 global economy.

21                   It's very fitting, we feel,  
22 that we have this hearing held here in Memphis  
23 as it's one of the most significant multi-modal  
24 hubs in the US Transportation network. A

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1 largest cargo airport full, if it's a full  
2 interchange point for all of the Class 1  
3 railroads, barge transportation is here,  
4 multiple major interstate routes, two thirds of  
5 the nation's population within a day's drive.  
6 We've heard that last night and today. But  
7 today I would like to emphasize how Memphis is  
8 also one of the critical international cargo  
9 exchange points that we have.

10               By way of background, Nike was  
11 founded 33 years ago and based up in Beaverton,  
12 Oregon. We have a very large footprint in this  
13 community which houses two of our largest US  
14 distribution centers. These two distribution  
15 centers receive shipments from Nike  
16 manufacturers around the globe which are then  
17 sorted, repackaged, and shipped to US retail  
18 locations throughout the country. We have a  
19 facility on Winchester Drive which was open in  
20 1982. It processes approximately 100,000 pairs  
21 of shoes each day. We opened a facility on

22 Shelby Drive in 1991 and expanded it in 1997.  
23 And that processes approximately three quarters  
24 of a million units of apparel and equipment each

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1 day.

2           These two facilities total  
3 over two million square feet and are operated by  
4 over 1,400 Nike employees. Nike imports  
5 approximately 30,000 40 foot containers each  
6 year and approximately one third of those come  
7 into our Memphis facilities. This volume  
8 combined with the volume of other major  
9 companies with operations here in the Mid-South  
10 makes Memphis one of the country's top  
11 destinations of international freight. The flow  
12 of goods into the area's distribution centers  
13 depends on a connectivity of ocean going ships,  
14 the ports and terminals they call on, transfer  
15 capabilities to the national rail networks at  
16 those ports, and the speed and predictability of  
17 the rail services in this area.

18           As such, inefficiencies  
19 anywhere along the supply chain have a  
20 compounding effect on predictability and cost at  
21 an unplanned point such as Memphis.

22                   Seventy-two percent of our  
23 Memphis destination cargo comes through the Los  
24 Angeles Long Beach port complex. This is due to

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1 the speed and frequency of ocean shipment  
2 services available to that port relative to  
3 others. The speed and frequency of intermodal  
4 service is available from LA to Memphis relative  
5 to other ports in comparatively little capacity  
6 available from other ports. This undeniably  
7 ties the health of our operations in Memphis to  
8 operating in southern California.

9                   We regularly experience one to  
10 two day delays in rail transit, and were  
11 significantly impacted during the severe port  
12 episode in 2004. With speed at the heart of our  
13 global competitiveness, we are concerned with  
14 our experiences and current trends. A slower  
15 supply chain has a number of direct and negative  
16 effects. A slower supply chain immediately  
17 increases the amount of inventory we carry  
18 simply due to the fact that the supply chain has  
19 been lengthened. It also creates the need to  
20 carry additional inventory to buffer against  
21 uncertainties of the supply chain.

22                   Additionally, an unpredictable

23 flow has an affect on labor planning and  
24 ultimately, our employees. To counter these

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1 effects and diversify our own supply chain  
2 risks, we make an effort to route the cargo  
3 destined to Memphis over alternate west coast  
4 ports. However, as mentioned, only limited  
5 service frequency and capacity is available.  
6 Developing network alternatives for purposes of  
7 business continuity should be a national  
8 priority to create a resilient supply chain  
9 system.

10           Compounding these challenges  
11 that we face today is the continuing growth of  
12 our business and international trade as a  
13 whole. Robert says, statistics pointed that  
14 out. In fact, the President this weekend will  
15 be joining the leaders of APAC to discuss, among  
16 other topics, a responsibility of developing a  
17 free trade area of the Asian Pacific. Now, even  
18 without these additional trade catalysts,  
19 forecasts already indicate that cantainerized  
20 cargo to and from the US will double during the  
21 next 10 to 15 years.

22           And a US Chamber of Commerce

23 study goes further and determines that our ports

24 will reach capacity in 2010. The US economy has

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1 been transformed by unprecedented growth in  
2 containerized freight. The growth interest rate  
3 transfusion infrastructure and improvements in  
4 freight transportation productivity have not  
5 matched this growth. With \$1.5 billion worth of  
6 containerized goods moving through US ports each  
7 day, the implication and disruption to our  
8 economy is very clear. We strongly suggest that  
9 a national trade policy developed in concert  
10 with all service providers, shippers, local and  
11 state governments would provide efficient tools  
12 to build secure and efficient freight network.

13           Such policies could include  
14 efforts to improve road connections between  
15 ports and intermodal freight facilities and the  
16 national highway system; improve the ability of  
17 railroads to efficiently and reliably move cargo  
18 between ports and inland points such as Memphis;  
19 develop a national intermodal transportation  
20 network so that cargo can flow at speed among  
21 multiple alternative routes; work with industry  
22 and foster developing strategies to combat a  
23 threat of terrorism against our national supply

24 chain; and prioritize -- help prioritize

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1 infrastructure improvements of long-term network  
2 plans as projects of national significance and  
3 the reserve funding for such projects.

4           My comments here are to  
5 underscore the point that issues anywhere on the  
6 national transportation grid are issues for  
7 Memphis and vice versa. Improving the surface  
8 connectivity to the world is a critical task.  
9 We ask that the Commission recognize these  
10 projects at any critical juncture along the  
11 intermodal network that supports efforts to  
12 regain these efficiencies, those projects be  
13 deemed as of national interest.

14           In closing, this Commission  
15 was created because the Congress declared that  
16 it is in the national interest to preserve and  
17 enhance the Surface Transportation System to  
18 meet the needs of the United States for the 21st  
19 century. Nike shares your admission and is  
20 honored to have a voice in this debate. Your  
21 work is imperative as we move forward towards  
22 securing our supply chain and building a sound  
23 infrastructure that creates the demand of today

24 and tomorrow. I would like to thank all of you

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1 for your leadership on this issue. Nike  
2 works -- looks forward to working with all of  
3 you. Thank you.

4 CHAIRMAN PETERS: Thank you.  
5 Steve.

6 MR. RAND: Madam Secretary,  
7 members of the Commission, thank you for having  
8 me here today. CSX is very proud of its  
9 presence here in Tennessee. From Memphis to  
10 Nashville to Kingsport, we serve a vitally  
11 important need for the communities in Tennessee  
12 and for the Tennessee economy. We all have a  
13 responsibility that we work collaboratively with  
14 local and state governments and federal  
15 governments, and port authorities, customers,  
16 and other Class 1 railroads to develop a  
17 comprehensive rail intermodal network that can  
18 meet the demands of tomorrow.

19 The US is experiencing a rail  
20 renaissance. The megatrends in the trucking  
21 industry from hours of service, the higher costs  
22 of fuel, the low sulfur fuel requirements that  
23 are coming out recently, driver shortages,  
24 turnover on drivers near 100 percent are all

1 impacting the truck industry. We believe this,  
2 along with the growth in the industrial economy,  
3 has led to the rail renaissance. As a matter of  
4 fact, the fastest growing segment of our  
5 business at CSX Intermodal are the nation's  
6 trucking companies. And recently, one of those  
7 large trucking companies reported that its  
8 revenue derived from its intermodal operations  
9 was greater than that of the revenue derived  
10 from its trucking operations.

11           On the import side, from Q1  
12 1999 to Q1 '05, the US container imports have  
13 doubled. This is being fueled by record  
14 consumption levels and driven by the explosive  
15 manufacturing in China. It's straining our  
16 ports, our highways, and our rail systems. New  
17 ports are on the horizon. However, additional  
18 capacity must be gained through productivity  
19 enhancements. This will require labor and  
20 management to work together to develop new work  
21 rules.

22           I was recently in Hong Kong  
23 and Shanghai, as I know many of you have been.  
24 And if you look at the productivity level there

1 verses what we have in LA it's astounding. The  
2 TEU per acre in Hong Kong that's required is  
3 three to four times less than that in LA. And  
4 the work never stops. It goes 7 by 24. The  
5 major intermodal hubs in the United States need  
6 to look like inland ocean terminals. They need  
7 to operate with rail mounted or rubber tire  
8 mounted gantry cranes that enable that facility  
9 to look more like a port than a traditional  
10 intermodal yard because the capacity is at such  
11 a premium at the location of these intermodal  
12 facilities. So we have to get more productivity  
13 out of the facilities that we have.

14           Intermodal is a highly  
15 efficient mode, and it's the growth engine for  
16 the US railroads. It's being embraced by the  
17 trucking companies who are building containers,  
18 not trailers to haul their freight, which can be  
19 double stacked. Infrastructure improvements are  
20 no longer considered a public benefit but a  
21 public necessity.

22           Recently, CSX and the  
23 Burlington Northern Santa Fe have entered into a  
24 20 year agreement to provide a seamless length

1 for shippers moving at a high speed double stack  
2 corridor from LA all the way to Atlanta. Under  
3 this arrangement, the Santa Fe would actually  
4 market into Atlanta into the CSX territory.  
5 They are going to spend significant amounts of  
6 capital from Avard, Oklahoma to Birmingham and  
7 CXS from Birmingham to Atlanta. And then  
8 combined with capital improvements that are  
9 favored in the facility in Atlanta, we're going  
10 to provide an intermodal freeway from LA into  
11 the southeast. Memphis is going to play a key  
12 role in this new CSX service. Memphis will be  
13 the interchange point from the traffic moving to  
14 Florida and other gateways, versus other  
15 gateways that are already at capacity.

16           Why is this so important? The  
17 shift in demographics shows that while the  
18 traditional pockets of wealth have been in the  
19 north, the real income growth has been in the  
20 southeast. There's new ports coming on stream.  
21 Mobile is building a new port. Jacksonville is  
22 building a new port. Norfolk is greatly  
23 expanding with the AP mobile facility in  
24 Norfolk. Wilmington is looking for funding to

1 build a new port. The larger ships are coming  
2 to the east coast. There will be a new dynamic  
3 of traffic flow as 60 percent of the population  
4 base lives east the Mississippi River, freight  
5 will follow the people. And Memphis will soon  
6 be receiving more cargo from these east coast  
7 ports.

8           The demand is here and the  
9 traffic levels will continue to grow. The  
10 industry is investing heavily. Last year  
11 alone -- or this year alone \$8.3 billion is  
12 being imported into the intermodal industry.  
13 CSX alone is investing 4.2 billion including a  
14 \$300 million infrastructure improvement to  
15 upgrade the Chicago to Jacksonville corridors.  
16 We're going to be building terminals in Ohio to  
17 handle block swap facilities that could speed  
18 traffic through Chicago. We're building a  
19 facility in Chamberford, one at Charlotte, and  
20 one at Winterhaven, Florida to accommodate the  
21 growth. While productivity enhancements are  
22 important, we need to drive new capacity and  
23 have a significant infrastructure in place to  
24 handle the new freight. We can't do it alone.

1 We must get new tax legislation to help us  
2 invest and to grow.

3 CXS looks forward to the  
4 challenges ahead and looks forward to working  
5 with you. Thank you.

6 CHAIRMAN PETERS: Thank you so  
7 much. Jonathan.

8 MR. RED: Good morning, Madam  
9 Secretary and Commissioners. I'm Jonathan Red,  
10 from Sea Point. Sea Point is going to begin  
11 construction in March of 2007. Operation will  
12 be 2008. \$200 million private container  
13 facility. We're not asking for any federal,  
14 state money for structure. Kind of leads me to  
15 wonder what I'm doing here. But what we noticed  
16 is a trend in the intermodal systems that allows  
17 us to capitalize on it. No single mode of  
18 transportation is best and carriers now  
19 realizing this. The increased volume is on the  
20 west coast and east coast. The real useage is  
21 growing hand over fist. Truck useage is  
22 phenomenal. And so, no single operation is  
23 best, and no single water operation is best.  
24 Ports tend to be located in

1 urban centers or away from the coast, as in the  
2 case of New Orleans, the sea point is built 90  
3 miles below New Orleans. And the ports like  
4 Prince Rupert are two days closer to Asia than  
5 Los Angeles, but the cheapest leg for a  
6 container being moved is the water leg. And  
7 most successfully is the land leg. So you're  
8 saving \$60 a box by using Prince Rupert and  
9 increasing your cost of that loss then from  
10 Chicago to Memphis. So it would be used because  
11 there is capacity there to use it. But no  
12 single solution is best. Sea Point is built  
13 upon that premise.

14           When you show up with 2,500  
15 containers and you have to take out 2,500  
16 containers, you create a lot of use on the rails  
17 and the interstates. This information came from  
18 your friends at the Department of  
19 Transportation. At Sea Point, what we do is we  
20 put the container into a barge. We sort it into  
21 the barge by where it needs to go, where it  
22 comes up to the port of Memphis, which is a very  
23 good economic and time trade off with container  
24 on barge removal, or whether we need to take it

1 to the rail, which would be down in the New  
2 Orleans area, or into truck, and that will be  
3 the most logical location.

4           As you can see, if you have a  
5 loaded 40 foot container -- and I've got these  
6 numbers from a carrier, one of the Asian  
7 carriers -- if you got a loaded 40 foot  
8 container in Los Angeles and you need to get it  
9 to Memphis, \$1,328; Charleston to Savannah, they  
10 all have about the same prices, \$508; LA is not  
11 lower Alabama, it's Louisiana, that's \$391,  
12 container and barge, \$170.

13           Now, the point here is, and  
14 I've been to Asia, I have got letters of  
15 agreement for five major Asian carriers to  
16 develop all our services Sea Point when we are  
17 operational. We sent this data to them. And  
18 what the carriers have seen, if you come to Sea  
19 Point and you have a high value box, let's say  
20 you have a container full of computers and you  
21 need to get those computers into the system  
22 quickly, it's expensive, you got to get them to  
23 Memphis quickly to Chicago or wherever they need  
24 to go, you go in the barge, sort that box into a

1 standard river barge, take it up to the port of  
2 New Orleans, put it on the rail and it will be  
3 in Chicago in a matter of days. Not to  
4 undermine tupperware, but that was their  
5 example, you've got a container full of  
6 tupperware, you just got to get it into Memphis  
7 in two days, the world wouldn't die if the  
8 tupperware doesn't get here, you take that  
9 container and barge all the way up. You'll be  
10 taking -- this way you're opting -- you're  
11 letting the carriers and the customers have a  
12 choice of optimizing transportation, saving  
13 dollars, and pull the containers off the  
14 highway, the rails, and on the water.

15           One of our true strengths that  
16 the carriers represent is the movement of empty  
17 stack. Sixty percent of what leaves the United  
18 States in a container leaves empty. The largest  
19 single export out of Los Angeles is scrap paper  
20 in containers. We can bring the containers  
21 down, container on barge, all the way down to  
22 Shreveport, load them up. If need be, we can  
23 stop along the way and pick up cotton, rice, and  
24 other easily containerized commodities, send

1 them right back to Asia. Last year, I think, it  
2 was 289,000 bales of cotton left Memphis mostly  
3 for the west coast to get to Asia. We can cut  
4 that cost down to nothing.

5           There's \$21 billion worth of  
6 containerized exports leaving this region going  
7 primarily to Los Angeles out to Asia. And we  
8 need -- and we can lower the cost, stimulate the  
9 amount of exports leaving this area. And what  
10 we need is, we need the inland ports to know the  
11 import and export markets. US companies willing  
12 to develop use often combinations of  
13 transportation, realizing no single mode is  
14 best. We have a container transfer facility at  
15 the mouth of the Mississippi River. We are  
16 working with the Asian carriers to explore these  
17 opportunities. And there's one thing that I  
18 would ask the government to do is, take the lead  
19 in help funding a faster river barge. It has to  
20 be economically viable, it has to be faster.  
21 The barges work well for bulk. They could be  
22 sped up with little design and engineering  
23 modifications to the existing barges. But that  
24 would be the only thing we would be asking for.

2           CHAIRMAN PETERS: Thank you so  
3 much. And thank you to all of the panel for  
4 your participation. Open it up now to questions  
5 from the Commissioners.

6           COMMISSIONER QUINN: Robert, I  
7 think one of the questions, you talked about the  
8 increase in trade from China is going from a  
9 third to half of our imports. Is that replacing  
10 other imports from other areas or is all of that  
11 increase on the imports from the US economy  
12 overall?

13           MR. WEST: That's a net  
14 increase. And sort of in line with that, I  
15 believe I can mention something I just learned  
16 before flying here to Memphis, I was speaking  
17 with the director of corporate planning in the  
18 Panama Canal who recently returned from China,  
19 and he was quoting to me figures that are by the  
20 Chinese on their expectations for GE exports.  
21 And they're saying that they're expecting 78  
22 million exported containers this year. That's  
23 to the world at large.

24           And by 2010, that number will

1 be 140 million. If you -- I thought, well,

2 that's almost doubling in four years. But if  
3 you calculate it, it's an average of just under  
4 16 percent per year. And there have been many  
5 years in the last seven or eight when China has  
6 easily hit 16 percent. This year probably, it  
7 will be 14 percent, and the next year maybe 13  
8 in our forecast. But when you look at these  
9 numbers, they are just astronomical. So I think  
10 the point is that one way or another the  
11 containers are coming.

12           COMMISSIONER QUINN: That  
13 would represent a reduction perhaps from western  
14 Europe or some other places there might be  
15 imports coming to increase the Chinese as well  
16 as the increase in ports overall.

17           MR. WEST: Yeah, there is an  
18 increase overall with China gathering more and  
19 more share of that total increase.

20           COMMISSIONER QUINN: Right.

21           COMMISSIONER ODLAND: You  
22 know, if the containers are coming, which it's  
23 what we've talked about all morning, what  
24 changes, you know, think out -- we're tasked --

1 we're thinking out a couple of generations here,  
2 what changes should the federal government make

3 to the transportation system to the  
4 infrastructure in order to facilitate that? Or  
5 are the current designs to the system adequate?  
6 Anyone, please.

7 MR. RED: On the inland port  
8 side, the inland ports need to develop ways to  
9 move the containers off the barges. Now,  
10 initially, it doesn't take a large investment, a  
11 crawler crane with a sufficient lift capacity to  
12 be brought and lift it up until the volume  
13 increase into the standard, more of a routine  
14 operation. It won't happen overnight. But the  
15 inland ports need to take a look at how to  
16 handle container off barge.

17 Initially, right now the  
18 economists at Sea Point up to Memphis work very  
19 well. The down bottom, export out of Chicago  
20 and along the Ohio River and this area, the  
21 exports out of that works very well. But the  
22 importance is that it stops at Memphis. All  
23 these ports will have to begin to figure out how  
24 they're going to accommodate this, where they'll

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1 find lift capacity, and how to move the  
2 containers off of the ship onto what is the

3 optimal at their locale. Most of time it will  
4 go from the barge to a truck to a local trade is  
5 the way it would look like most of the time.  
6 MR. SKLAR: Thank you.  
7 Looking well down range, we have to realize that  
8 for us, 72 percent of the cargo is coming from  
9 Los Angeles. And that's after we make an effort  
10 to force cargo overall ports to diversify our  
11 network risks. And we need to address both  
12 shoring up the stability of that Los  
13 Angeles/Memphis corridor and increasing the  
14 capacities that we can flow through that  
15 corridor, simultaneously though, creating new  
16 corridors that match the service level that we  
17 can gain from Los Angeles into Memphis when  
18 everything goes well.

19 In fact, the reason that there  
20 is so much flow from Asia over Los Angeles to  
21 Memphis is because, frankly, it's the best  
22 routing available. When things work, it's  
23 fantastic. LA Long Beach port complex works  
24 very well. The railroads, good productivity

1 there. And when things are going well here in  
2 Memphis, get the freight off the terminal, it's  
3 the greatest, you know, greatest network that we

4 have into Memphis. The problem is, we're  
5 running so close to the red line as it were that  
6 any hiccup is when we start to see problems.  
7 Whether it's labor on the west coast or  
8 productivity issues with ships and rail. You  
9 know, we need to build down that capacity up on  
10 the main corridor and then alternative ports in  
11 those corridors.

12           COMMISSIONER QUINN: Doesn't  
13 the impact of the Panamal Canal, when you look  
14 closely at the new canal, the new capacity for  
15 2015, won't that alleviate potentially some of  
16 that when you bring relationships to eastern  
17 ports and some to southeastern ports?

18           MR. SKLAR: I think that will  
19 help, definitely. However, there will still be  
20 the time components. The transit time into the  
21 Panama Canal, it just simply takes longer. And  
22 there will be types of cargo that will be  
23 attracted to those services. Maybe lower rated  
24 cargos can assume and take the longer transit

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1 time because of the inventory carrying counts  
2 are lower. Product at a higher point, it's too  
3 expensive to do that from a carrying point,

4 that's why Los Angeles and the west coast will  
5 continue to be the first choice.  
6 MR. RAND: If I could just  
7 follow-up. Clearly, 67 percent of the traffic  
8 discharged in LA actually moves intermodally, so  
9 the only part of the balance is consumed  
10 locally. So it is vitally important to develop  
11 the capacity over the west coast. But there are  
12 significant amounts of traffic controlled in big  
13 box retailers that are telling the steam ship  
14 lines they want to land a product closer to the  
15 consumers in the eastern United States. And  
16 there is an effort by several of the Japanese  
17 lines that actually can get through the Canal  
18 and land the lesser value of product on the east  
19 coast.

20 One of the things to consider  
21 is the Panama Canal toll is going to go up. And  
22 that's just going to have to be passed up. So  
23 there's no free ride through the Panama Canal.  
24 I believe that the big ships are ultimately

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1 going to land on the east coast. Maybe not in  
2 two years, three years, four years, but if  
3 you're looking 5 to 10 years out, these ships  
4 that are 28 across are going to come. And A.P.

5 Moller is building a facility that's \$500  
6 million in Virginia, and they're going to  
7 solidify that by putting their super post  
8 Panamatic ship in there one day, maybe not  
9 tomorrow? As that ship goes totally across, it  
10 actually draws less water. It only draws 46  
11 feet. So laws of physics will have that -- the  
12 breath of the vessel lessens the depth of the  
13 vessel.

14           COMMISSIONER ODLAND: All this  
15 from a railroad guy.

16           MR. RAND: Well, if you look  
17 at my past, I was a maritime guy selling  
18 railroad services to steam ship lines. So --  
19 interesting. I really believe that if you're  
20 asking, you know, what changes should you make,  
21 I think that the east coast port infrastructure  
22 has got to help itself to handle these bigger  
23 ships. As the, you know, rest moves in with  
24 their big ships, their competitors are going to

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1 have to move in. And the large independent  
2 lines are all building these large vessels. So  
3 while it doesn't seem, you know, logical today  
4 that it would go through the Suez, I think as

5 India explodes and becomes the next China, it  
6 seems compelling that the ships might go from  
7 Asia to Europe to the east coast where there is  
8 some problems. And certainly, some problems in  
9 New York that needs to be addressed as well.

10 COMMISSIONER ODLAND: So  
11 there's a pattern taking shape here which look  
12 like big connectivity points. And I'm not  
13 trying put words in anyone's mouth, but if you  
14 standardize a 40 foot container, and that's a  
15 unit. One thing is getting to a common system,  
16 right? And whether it's computer systems we're  
17 talking about or metric systems. So you  
18 standardized a 40 foot container that can be  
19 unitized consistently across rail and roads and  
20 waterways. You build connectivity points  
21 throughout the country to do that, and then you  
22 have these corridors, north central-south, and  
23 then the north-south corridors built. I mean,  
24 it's a grid like that across the country feeding

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1 it with, you know, points along the way that are  
2 multi-modal points.

3 Is that -- I'm just looking  
4 for some confirmation. I'm not trying to put  
5 words in your mouth or create a plan here, but

6 is something like that facilitating your plan  
7 and, you know, publically, privately financed  
8 something that would meet the needs of the  
9 things that you guys have talked about?

10 MR. RAND: From the rail side,  
11 I believe it would. You've got to get the cargo  
12 off the ports to the consumption areas. So  
13 whether it's from the west coast or east coast,  
14 you know, Chicago, Memphis -- you know, where  
15 the population centers are, where the population  
16 centers are going will be the consumption  
17 points. And you've got to fleet to the greatest  
18 extent possible and double stack configurations  
19 of that freight either to an inland point or  
20 some place for redistribution. And what you've  
21 got in the east is, you've got some clearances  
22 and construction that have to be taken care of  
23 so that you can run too high double stack. Some  
24 of those obstructions we can take care of. Some

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1 we'll need significant help on.

2 COMMISSIONER QUINN: Where  
3 does that break down on as far as the efficiency  
4 goes in moving that in the ports? You obviously  
5 got a large concentration of population that's

6 along the eastern seaboard. Some of that would  
7 move by -- obviously, most efficient would be by  
8 truck because of the short mileage that would go  
9 to it at some point, obviously, further inland.  
10 Do you have a break down on what that would --  
11 percentage might be or how that would work or  
12 where your mileage break is at? Does that make  
13 sense?

14 MR. RAND: Well, I think if  
15 you draw a circle around New York, if you  
16 believe what I'm saying about the east coast, I  
17 mean, certainly to the extent of being shipped  
18 to New York, it's a local consumption market and  
19 it would be delivered by local trucks.

20 COMMISSIONER QUINN: Is that  
21 100 miles, 200 miles?

22 MR. RAND: I think it's even  
23 more than that. I think intermodal starts to  
24 make sense --

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1 COMMISSIONER QUINN: That's  
2 what I've heard.

3 MR. RAND: I can't -- we're  
4 not really in that -- that's not sort of our --

5 COMMISSIONER QUINN: So when  
6 we're looking at infrastructure from these ports

7 or these major new locations, perhaps, we're  
8 going to get a freight, you know, from that 500  
9 mile point we've got to look to improving the  
10 road process and from beyond that we have to  
11 looking at improving the railroads.

12 MR. RAND: Exactly.

13 COMMISSIONER ODLAND: But,  
14 once again, what role should the federal  
15 government play in all this? If we can hear  
16 your views.

17 MR. WEST: Well, let me just  
18 add before I address that specific question, I  
19 just want to say a quick word about the Panama  
20 Canal. A lot of people have, including Nike,  
21 shifted to some all water services, if possible,  
22 and so forth.

23 But we should not assume that  
24 the Panama Canal is an open waterway just

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1 waiting for your vessel. It is practically at  
2 full capacity as we speak. I've worked with the  
3 Canal since 1987 as a consultant on all kinds of  
4 transit studies and so forth. They'll say  
5 they're not going to be incapacitated until  
6 2008, which is not that far away anyway. We

7 think that they're at full capacity now with  
8 their ability to handle about 40 ships a day.  
9 And during the peak season, at least on the  
10 Pacific side of the Canal, you can easily see  
11 30, 35, sometimes 40 vessels just waiting.  
12 They're trying to speed it up through booking  
13 systems. And, you know, there's even a bid  
14 process now to get a slot to transit the Canal.  
15 And some of those slots have been sold for  
16 \$120,000 just to move their shipment through  
17 ahead of all the other guys. So with all the  
18 talk about the expansion, which is a great thing  
19 and we certainly need it, between now and the  
20 time that it becomes functional, there's going  
21 to be a crunch also in the Panama Canal.  
22 COMMISSIONER QUINN: One  
23 follow-up on that, if I might. Do you have any  
24 feeling of when that comes on in 2015, if it's

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1 on time, how long does that provide relief and  
2 is there -- you know, the existing one has been  
3 100 years. Is the next one going to be 100  
4 years or do we know? Have any feel on that?  
5 MR. WEST: Well, it's a bit of  
6 speculation with a sprinkle of science.  
7 There's -- it all depends on how the world

8 evolves and so forth. Interestingly, there are  
9 now two or three ships on the open oceans being  
10 used as containerships which are bigger than the  
11 expanded Canal. In other words, if the Canal  
12 were expanded right today, they wouldn't go  
13 through, much too long and wide.

14           So, you know, maybe in the  
15 year 2050 there will be yet another fourth set  
16 of locks needed to accommodate even larger  
17 ones. So I'm not dodging your question, it's  
18 just -- it's not --

19           COMMISSIONER QUINN: With some  
20 one with your experience, you might -- you could  
21 enlighten certainly, me, myself, as to how long  
22 that would last or if it's adequate for the  
23 community.

24           MR. WEST: There's another --

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1 and I don't mean to get into the complications  
2 of it, but when you look at the shipping, the  
3 ocean shipping business, there is a question of  
4 whether or not the huge post-Panamanian ships  
5 really will use the expanded Canal. The idea of  
6 using it is that it's there and it puts you  
7 finally from the Pacific into the Atlantic. And

8 then it allows you then to make port calls along  
9 the way. But if you look at the economics of  
10 operating the ships, which is roughly 60,  
11 \$70,000 per day, these ships make money only  
12 when they're full and going long distances. So  
13 there's a school of thought that says that these  
14 big ships may not find it economic to pass  
15 through the Panama Canal and then stop at Miami,  
16 Savannah, Charleston, Norfolk and so forth,  
17 because each time they're losing cargo and,  
18 basically, losing money.

19 COMMISSIONER QUINN: So they  
20 end up in LA?

21 MR. WEST: I'm sorry?

22 COMMISSIONER QUINN: So they  
23 end up in LA instead?

24 MR. WEST: Yeah, so they end

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1 up in LA.

2 COMMISSIONER ODLAND: Okay.  
3 So go back to my question. I would really like  
4 to hear from each you on what should be the role  
5 of the federal government versus the private  
6 sector in the creation of this system for the  
7 next 50 years.

8 MR. SKLAR: Well, I believe

9 the very first thing that needs to happen, not  
10 addressing the funding issues, but certainly the  
11 creation of this national freight policy, some  
12 type of master plan. In the vacuum that we have  
13 today, without that guidance, you have local  
14 entities that are moving forward to try to  
15 address local concerns.

16           In California recently there  
17 was a bill passed in the state level and did not  
18 go through. But it was attempting to address  
19 the congestion and the environmental issue that  
20 citizens in Southern California are facing. And  
21 a lot of that was associated, rightly or  
22 wrongly, with the volume of cargo moving through  
23 that port area. And the bill had a dollar  
24 figure attached to it and it was going to be a

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1 levy of some sort of each container moving  
2 through the area, including interstate, which,  
3 you know, hopefully it was not going to make it  
4 all the way through.

5           But the point being on that,  
6 that type of activity is taking place at various  
7 locales, and it's only because of the fact that  
8 there was no national plan helping guide the

9 local entities. So I believe that's the first  
10 thing and, hopefully, this is where this  
11 conversation with these field hearings and  
12 Commissions will lead us as, at least the first  
13 stop.

14 COMMISSIONER ODLAND: Others.

15 MR. RAND: I think two  
16 things. First of all, help us stay away from  
17 any efforts towards re-regulation which would  
18 prevent us from investing where we need it most  
19 in our infrastructure. We would not be able to  
20 reinvest in the railroad right away without  
21 maintaining the same status that we have today.  
22 The others help pass the tax credit which would  
23 make these capacity improvements financially  
24 feasible.

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1 MR. WEST: I would like to  
2 second Roger's motion here to do something to  
3 develop a nationwide intermodally focused master  
4 plan that covers all modes, including -- and by  
5 comparison, Mexico is doing exactly that right  
6 now. They're developing what they call a master  
7 plan for multi-modal corridors. And the purpose  
8 of this is to develop those rail and highway  
9 linkages and the associated seaports into the

10 United States network. Because they realize  
11 that there are a conduit, just like you might  
12 think of LA Long Beach as being part of the  
13 supply chain.  
14 Mexico itself thinks of the  
15 whole country as being potentially a bigger  
16 player as part of many company supply chains.  
17 This project is just getting underway right now  
18 and it will probably take a year to develop this  
19 master plan. And I know about this because my  
20 company and Wilbur Smith Associates and Texas  
21 Transport Institute are all part of it, working  
22 on it. And one of the ironies is that it's  
23 being funded by the US government.  
24 CHAIRMAN PETERS: Really?

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1 MR. RED: If I may add to  
2 something. In many respects, everybody at the  
3 table and previous speakers all represent the  
4 customers who are the major ocean carriers,  
5 primarily the Asian carriers and mirrors on top  
6 of that. If you have not already done so, I  
7 would recommend having a meeting with the  
8 carriers who supply all the boxes, who know the  
9 economics and the time delays backwards and

10 forwards better than anybody in this room does.

11 And we all know them very well. Meet with them

12 and get their feelings about how they look at

13 it.

14           Because there are issues with

15 the big ships that are -- big ships are designed

16 to do as a matter of insight. As we said, big

17 ships are designed to be one-stop, massive

18 drops, pick up and go again. They're not

19 designed to bounce around four or five ports at

20 a time. You'll find some ports along the east

21 coast serve via rail, some cities in the

22 mid-west and others not at all. So the major

23 carriers who are our customers, and every one of

24 the cases on this table are the ones you should

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1 have a meeting with also.

2           CHAIRMAN PETERS: If I could

3 ask a question and I'll take a little different

4 tactic than on the questions here. Labor issues

5 at the ports. We had a very detrimental strike

6 a couple of years back at the west coast ports,

7 and those labor contracts have come up again, I

8 believe, next year; do they not? Next year.

9 Are there issues there that cause you concern or

10 are those issues being dealt with so that we

11 will not end up with a strike lock out?

12           MR. RED: I am working with  
13 the ILA, which, of course, is the east coast and  
14 gulf course -- gulf coast labor union. ILA has  
15 been tremendous to work with. They understand  
16 that our facilities is a new type of facility  
17 creating a new gang size and new operating  
18 systems. So the ILA has done tremendous work  
19 with, down along the gulf coast and very  
20 supportive. So I don't see the ILA as being a  
21 problem right now.

22           MR. WEST: On the west coast,  
23 it was my understanding that one of the  
24 difficulties in that strike was the

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1 collaboration between management and labor with  
2 regard to the introduction of new technology.  
3 And the introduction of new technology, I think,  
4 is critical in increasing the capacity. Because  
5 most of these ports are landlocked. They're  
6 built inside of cities and there's very little  
7 physical room for them to move out.

8           So in order to increase  
9 throughput, new forms of technology should be  
10 introduced. And it's frustrating to see the

11 labor and management disagreeing on ways in  
12 which the technology should be introduced. It  
13 would be wonderful if, like the panel in -- the  
14 previous panel said about Memphis, there are no  
15 physical constraints. But in reality, on the  
16 west coast in particular, most of the big ports  
17 do have physical constraints. So the technology  
18 introduction in moving more GEU's per hour, per  
19 acre, I think is something that has to be done.  
20 But it won't be done unless labor and management  
21 see eye to eye.

22           COMMISSIONER QUINN: In  
23 commenting on that just a little bit further  
24 having worked in that environment as a carrier

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1 for 35 years, the one issue that's obviously  
2 talked about, the infrastructure realization  
3 that until recently, you know, it was basically  
4 an eight hour a day job, the ports were not  
5 operating 24/7. Now, that has extended and it's  
6 actually alleviated some of the congestion on  
7 the Long Beach freeway. And certainly, we need  
8 to figure out working with labor and management  
9 how to use our assets better, not on the  
10 infrastructure and highways, but also there's a  
11 direct impact on highways by the hours that the

12 ports are operating.

13           And how we can -- you know, we  
14 certainly would refer, we would make many more  
15 terms coming in and out of the ports with less  
16 congestion and probably safer at night. It's  
17 only recently, I think in the last, what, year  
18 that that started in LA Long Beach. It's still  
19 limited. It's not -- you know, it's not -- it's  
20 a union issue, I believe a labor issue that's  
21 the problem here.

22           MR. SKLAR: But in our  
23 experience, visiting with trunnels on the west  
24 coast, which we do on a regular basis, generally

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1 speaking, operations are quite smooth. The  
2 ships are able to get in on time. Aside from  
3 the congestion issue, which was caused by a  
4 labor slow down in 2004, they are able to get to  
5 birth and ships are worked on time and the  
6 vessels are discharged at speed. But the issue  
7 on the west coast is that connectivity to the  
8 rail network, a number of the docks have on the  
9 dock rail capability. Others have to cross town  
10 to get their containers to a nearby ramp.

11           But whether, you know, in

12 either situation, that's where the difficulties  
13 are is getting those trains loaded, pulled and  
14 pulled into the national network and move it.  
15 That's really where a lot of the back up  
16 begins. And then, of course, then if that slows  
17 down in terms of congestion, the terminal -- and  
18 then it begins to effect ship site operations.

19 CHAIRMAN PETERS: Maybe I  
20 could ask you all. You've mentioned several  
21 things that were effecient, such as those, the  
22 railroadings, such as being able to have barges  
23 that would move more quickly up the waterway.  
24 Are there barriers and restraints in some of

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1 those areas today that are federal issues that  
2 are barriers or constraints?

3 MR. RED: The barge builders'  
4 books are very full right now. So the major  
5 companies like Enrow (spelled phonetically), we  
6 are working with ACTL. They're building barges  
7 as fast as the system will allow them to do. So  
8 that's not a constraint on the barge side.  
9 There's plenty of cargo on those barges right  
10 now. The concern in many cases is, once you get  
11 past the Mississippi River and get into the lock  
12 system going up through Arkansas or the Ohio or

13 the Illinois, that the -- the -- maintained the  
14 level switch, those locks maintained and need to  
15 be reworked is a consideration that the barge  
16 carriers would bring up in this situation.

17           CHAIRMAN PETERS: Roger, you  
18 had a comment.

19           MR. SKLAR: Well, I was going  
20 to mention the elevated corridors being a great  
21 example of the major infrastructure project that  
22 was put in place about 15 years now. But it  
23 created that length. It took -- separated road  
24 from rail. It helped evacuate the trains out of

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1 the port area and got them at least halfway  
2 closer to the national network. But it's not  
3 all the way. And that's a great example of  
4 something where shippers and the local  
5 communities benefited from.

6           CHAIRMAN PETERS: And there  
7 was a federal loan program that helped that get  
8 through which was paid ahead of time, in fact,  
9 because the corridor was so successful. And now  
10 the west is now being -- is now under  
11 evaluation; is it not being worked on?

12           MR. SKLAR: I believe so.

13 That's definitely one of the items that should  
14 be on the table as part of this National Trades  
15 Commission that we all should be going towards.  
16 And I -- basically, finishing that project and  
17 allowing a nonstop move for trains from the port  
18 area to outside Los Angeles and right in to the  
19 national network.

20 CHAIRMAN PETERS: Let me  
21 reframe it a little bit, too. Are there ways  
22 that the government could or should intensify  
23 construction or various transportation  
24 facilities that would be considered in the

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1 federal interest?

2 MR. RED: Yes. If the --  
3 they're able to be able to open up Title 11  
4 again. They're very -- a lot more -- a lot more  
5 correctly than they've done in the past. But  
6 they can open up their Title 11 into inland  
7 transportation building to inland ports facility  
8 and modify it a little bit. That would be a  
9 great help. But the Title 11 was so badly  
10 abused in the early '90s that it would have to  
11 come in a great oversight and selectivity much  
12 more so than we've done in the past.

13 CHAIRMAN PETERS: Thank you.

14 Are there others?

15 MR. RAND: I just think that  
16 the Chicago thing, we really struggled, all four  
17 railroads struggled to get freight through  
18 Chicago. And, you know, obviously, going on  
19 like the one I mentioned here in Memphis. But  
20 the fact is, is that Chicago remains a huge  
21 intermodal hub and a choke point for all the  
22 railroads.

23 And I think in terms of what  
24 the federal government could do is, you know, we

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1 need to look at the way to alleviate bottlenecks  
2 in Chicago and perhaps reroute trade through the  
3 gateways and develop facilities that could be  
4 accessed by multiple railroads where you could  
5 swap blocks and run through. So much of the  
6 cargo that goes through Chicago that gets hung  
7 up isn't destined for Chicago. It's destined  
8 for markets in the east. So even when we talk  
9 about the east coast growing, and certainly this  
10 land bridge freight coming in, whether it be  
11 steamship or modal carrier, or even the  
12 railroads own equipment, which we own, it  
13 doesn't need to go through Chicago. And we need

14 to figure out a way to get it out of there and

15 get it sent to the destination it needs.

16 CHAIRMAN PETERS: So along the

17 lines of the created projects that's being

18 envisioned.

19 MR. RAND: Exactly.

20 MR. RED: Back to what Steve

21 said. I recently completed a study for one of

22 the oversea carriers, gave us all their data and

23 volumes going off out of Los Angeles for a month

24 in the United States, where they went and cost.

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1 Out of Los Angeles for this particular carrier,

2 this carrier does over 6,000 containers a month

3 a month into middle America on the import side.

4 New York City was a No. 4 desination out of Los

5 Angeles and was railed through Chicago. And

6 exactly the criticisms or the concerns that

7 Steve just mentioned were the ones that the

8 carrier mentioned.

9 COMMISSIONER QUINN: If any of

10 this was to accommodate you on the rail that

11 Chicago does to me, we do so -- we have been

12 interested in the containers and our own

13 trailers on the rail and end up with a land

14 bridge, you have to take it off -- and

15 congestion owed to put it back on another

16 train. And those are things we need to

17 disappear.

18 MR. RAND: The dreaded Chicago

19 cross town.

20 COMMISSIONER QUINN: Totally

21 inefficient.

22 MR. WEST: And those are the

23 good points.

24 CHAIRMAN PETERS: Are there

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1 strategic advantages or special qualities that

2 give the US today a comparative advantage in the

3 global trading network that should be preserved,

4 should be protected? Are there things that we

5 have today such as, for example, the interstate

6 system? Is that something that -- that's in our

7 interest or gives us strategic advantage in

8 competing?

9 MR. SKLAR: Well, as a

10 shipper, absolutely. It allows us again to

11 strengthen the supply chain. And I think we've

12 seen across all companies over the last 20 years

13 this tremendous focus on shortening that supply

14 chain, leaning the supply chain, and expecting

15 days out of it. And there has been a  
16 significant outcome of that effort. And  
17 certainly, our company, we've been able to do  
18 that. So the interstate system clearly is  
19 critical. It's certainly critical to this  
20 location, which is exactly why we're here. When  
21 it comes in by rail but ultimately leaves by  
22 truck to the markets of the east. So that's  
23 something that we need to preserve and certainly  
24 improve.

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1 CHAIRMAN PETERS: And make  
2 sure that it works the way that it should?  
3 MR. SKLAR: Absolutely. And  
4 again, moving up the supply chain one link is  
5 that the rail -- rail network of competing  
6 Memphis, which connects Memphis to the rest of  
7 the world. And I would say, we've got that  
8 major corridor into Los Angeles that needs to  
9 find a way to be upgraded both from a speed  
10 standpoint, capacity standpoint, and then to  
11 open new corridors and get those running on a  
12 regular basis. Work it out, it goes down to  
13 Seattle into Memphis within the last 12 months.  
14 One of the two Class 1 carriers that ceased  
15 service, intermodal service from the northwest

16 into Memphis. The other continues to provide  
17 that service. So that's taken yet another  
18 opportunity away to deversify from Los Angeles  
19 to another gateway.

20 CHAIRMAN PETERS: Questions?

21 COMMISSIONER QUINN: I think I  
22 may have heard you correctly, Robert. But I  
23 don't hear very well. On that verification  
24 question, we talked about the capacity of the US

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1 ports by 2010 would be basically full; is that  
2 -- did I hear you right?

3 MR. WEST: Yeah. I was trying  
4 to avoid the specific date.

5 COMMISSIONER QUINN: That's  
6 only four years away.

7 MR. WEST: No. I think that's  
8 the point. That whenever the crunch occurs,  
9 the -- let me call it the serious crunch --

10 COMMISSIONER QUINN: You  
11 talking about in peak conditions, I would guess;  
12 is that right?

13 MR. WEST: Exactly. You know  
14 we're not talking 10 years out. We're talking  
15 something much closer in. And I think that --

16 in fact, Roger and I were talking about this  
17 idea yesterday. The improvements that have been  
18 made to the whole supply chain, whether it be at  
19 the ports or the railroads or so forth have  
20 indeed been effective. And they're made in  
21 response to a perception that there is a  
22 crunch. We're getting very close to the  
23 capacity limit. But these are changes that are  
24 sort of at the margin. You know, you find, you

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1 can squeeze it here, or squeeze it there in  
2 order to fix the immediate problem. But  
3 eventually, you squeeze it so many times that  
4 there's nothing else to squeeze. And that's  
5 what I was referring to with regard to the  
6 ports.

7           COMMISSIONER QUINN: But if  
8 you run them 24 hours a day, seven days a week,  
9 you're talking about existing conditions; is  
10 that correct?

11           MR. WEST: Well, you know,  
12 certain assumptions that there are some, let's  
13 call them tweaks in the system, little fixes  
14 here and there, which is just the American  
15 ingenuity at work to make the system more fluid  
16 and flexible. But eventually, you sort of run

17 out of the tweaks. And I think we will run out

18 of those certainly by 2010.

19           CHAIRMAN PETERS: One of the  
20 challenges we have as a Commission is making  
21 recommendations that will be implemented and  
22 sometimes takes 20 years for transportation  
23 projects to be projected and planned, go through  
24 environmental processes and be funded and

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1 ultimately built. But we -- personally, we have  
2 to be much more nimble than that in the future  
3 if we're going to remain competitive on a global  
4 market. Are there suggestions that you would  
5 make that would increase our ability to get  
6 these projects both forecasted and built  
7 sooner?

8           MR. RAND: Well, you know,  
9 when I was in China recently, the 26 mile bridge  
10 is being built out there, and several years ago  
11 it didn't even exist. And there's many other  
12 ports being built in southern China. And in  
13 China, when they want to do something they just  
14 do it. They just decide they're going to build  
15 something and the next thing you know it's  
16 built. If you drive from the airport to Pudong

17 to new or old Shanghai, it's nothing but  
18 construction cranes putting up buildings. We  
19 have to get out of the red tape of permitting  
20 and the ability to get things done quickly and  
21 get these facilities built.  
22           We're trying to build several  
23 intermodal facilities in various parts of the  
24 country. And, of course, you have to always

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1 have the issues right. They don't really want  
2 an intermodal facility with lots of trucks  
3 coming in and out of communities, so we finally  
4 settle down in the remote areas so that we can  
5 get the permit and get them done properly. But  
6 I think the speed at which we do things is too  
7 slow. And we've got to start to build  
8 infrastructure faster with less bureaucracy to  
9 satisfy the needs of the customer.

10           CHAIRMAN PETERS: Anyone  
11 else? Let me ask a question that I asked of the  
12 last panel. If we were to search for  
13 performance measures that would gauge our  
14 success and tackling the problems, the  
15 structure problems that we had, what would the  
16 performance measure or measures be that you  
17 would consider?

18 MR. RAND: I think  
19 productivity. We all talk about the facts that  
20 we need, you know, lots of dollars for lots of  
21 infrastructure, and we do. Certainly, when we  
22 clear bridges or tunnels that are obstructing  
23 our abilities to run double stack, it costs  
24 tens, if not hundreds of millions of dollars.

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1 But the productivity issues have really got to  
2 be addressed. There's so much more throughput  
3 that can go through these facilities if they're  
4 operated more efficiently. That goes for water  
5 facilities, all types of depots, warehouses.

6 I think the productivity issue  
7 is the cheapest form of capacity out there. And  
8 it's just getting down and looking at the best  
9 practices and managing things better. And  
10 trying to do more with less. But when you  
11 travel around the world and you look at -- you  
12 know, we've got the greatest economy and the  
13 greatest technology, and when you look around the  
14 world and you see that other ports are out  
15 stripping our ability to be productive, you have  
16 to ask yourself the question why? And so, I  
17 think that the technology advances, the ability

18 to work closer with labor, to drive the  
19 productivity and to get more out of our existing  
20 facilities has got to be done in concert with  
21 new tax breaks or infrastructure. But you can't  
22 just throw money at the problem in its  
23 entirety. That's a -- one of the solutions.  
24 But I really believe if you're going to put some

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1 measures in it, it has to be on the productivity  
2 side. And that is the cheapest form of  
3 capacity.

4 CHAIRMAN PETERS: Thank you.  
5 Roger.

6 MR. SKLAR: And I would say  
7 cost is another. To make sure that that's going  
8 to be market driven number. The question is, is  
9 it truly driven by supply and demand on a  
10 particular lane or is there inefficiencies in  
11 that network? Another is, for example, on the  
12 intermodal side, and I believe this is measured  
13 already at the average train speed per hour  
14 which we're seen over a number of years continue  
15 to flag.

16 A third might be that, for  
17 again, for this market specifically is the  
18 amount of capacity of slots, or I don't know

19 what metric it would use, but to measure the  
20 flexibility of being offered into Memphis. I  
21 guess you could call that some type of metric of  
22 broad network health into Memphis. Have we  
23 successfully diversified and broadened the  
24 network that we have serving this community

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1 here?

2 CHAIRMAN PETERS: Thank you.

3 Yes.

4 MR. WEST: I would say that in  
5 the port sector in particular, there's several  
6 measures that should be reported. And I think  
7 these are things that are calculated, but I'm  
8 not sure if you folks hear about them. One is  
9 certainly the TEU's per crane hour. I know in  
10 latin America where I do a lot of work, the  
11 ports kind of like to compete with each other  
12 based on this measurment. And some ports in  
13 Panama, for example, are up a little over 41  
14 TEU's per crane hour. And it has to do with  
15 moving through the system.

16 Another one would be TEU's per  
17 acre, per day. How many are ending up in the  
18 yards and so forth? And then the dwell time.

19 How long does a container sit at the port?  
20 Ideally, it's very short. So this is a measure  
21 that you want to see as low as possible.  
22 But those are just three  
23 specific things for which the input indicator is  
24 readily available. And when you calculate these

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1 and monitor them over time, they can certainly  
2 tell you a lot.

3 CHAIRMAN PETERS: One last  
4 question, if I could please. Do you see any  
5 value in the dedicated truck lanes? Lanes that  
6 would be reserved for trucks only, perhaps  
7 longer, wider, heavier loads that will be  
8 segregated, for the most part, from other trucks  
9 and would charge a fee for use of those roads, I  
10 should say?

11 MR. SKLAR: Well, we do face  
12 in southern California challenges to get  
13 containers out of port and out to the  
14 distribution centers of Chino and Ontario and  
15 eastern Los Angeles in a timely fashion because  
16 of congestion. There's also a -- there's some  
17 pressure on the available capacity in the  
18 market. And a lot of that is due to the  
19 inefficiencies of the area. In other words,

20 there are enough trucks, they're just not making  
21 enough turns because of the congestion in the  
22 area. So a truck lane, without commenting on  
23 how it's funded or who's charged, would  
24 certainly help that to get cargo off the main

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1 interstate system and out to the distribution  
2 center parks in the eastern Los Angeles area.

3 Another alternative to that  
4 might be the use of a short rail line where, if  
5 there are on dock facilities and they can --  
6 lines were able to identify cargo headed to  
7 riverside Ontario, they could get those onto a  
8 short stack car moving out there. The question  
9 is, of course, on economics if that would be  
10 possible.

11 CHAIRMAN PETERS: Thank you.  
12 Anyone else? Other questions? Please, again,  
13 thank you so much. Great, great discussion.  
14 Great presentations. We very much appreciate  
15 your being here for this session. And thank you  
16 for your comments. And I would ask the audience  
17 to please join me in thanking the panel.

18 So a couple of other things  
19 before we break for lunch. I had a question

20 earlier about an appeal hearing, and I wanted to  
21 let you know that today we had a field hearing  
22 in September in Dallas. Of course, today we're  
23 having hearings concurrently in Memphis -- here  
24 in Memphis and in New York. In February, we'll

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1 have hearings in Los Angeles and Atlanta. And  
2 in April we'll have hearings in as well -- I'm  
3 sorry, in Minneapolis and Chicago. And yet to  
4 be determined will be a date for a hearing in  
5 the Washington DC area, as well. And you can  
6 also check our website. And we'll keep this  
7 website up to date with information. The  
8 website is [www.SurfaceCommission.gov](http://www.SurfaceCommission.gov).

9           And we wanted to let you know  
10 that our plan is to post the record, including  
11 the testimony and question and answers from  
12 today's event as well as the other events on  
13 that website, as well as our public commission  
14 meetings so that you can keep track of where the  
15 Commission is going with our process.

16           Again, panel, thank you so  
17 much for your time today. We'll break now for  
18 lunch and convene at 1:30.

19   (WHEREUPON, THERE WAS A LUNCH BREAK.)

20           CHAIRMAN PETERS: Welcome

21 back for an afternoon of our hearings. I trust  
22 that this afternoon is going to be as  
23 interesting and enlightening to all of us as it  
24 was this morning. And again, thank the panlist

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1 for being with us this afternoon. This session  
2 will last from 1:30 to 3:00 p.m., and following,  
3 which we'll take a break, and then have our last  
4 panel from 3:15 to 4:45. Following that we do  
5 have an opportunity for public comment. And if  
6 any of the public who is not a member of the  
7 panel would like to make a comment, there are  
8 sheets out on the registration desk. Please  
9 just fill out a sheet and leave it at the  
10 registration desk and we will be happy to hear  
11 from you at 4:45 today.

12           Moving now to panel three.  
13 This is a panel on Regional Economic Development  
14 and Quality of Life. And we have four very  
15 distinguished very qualified panelists here to  
16 present you with in this session.

17           Commissioner Matt Kisber,  
18 Tennessee Commission of Economic Development.  
19 Thank you, Commissioner, for being here today.  
20 This is the -- since his appointment in 2003,

21 Matthew Kisber, his goal has been to develop the  
22 infrastructure and resources of the Tennessee  
23 community with a heart and business friendly  
24 atmosphere while attracting new industries and

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1 encouraging existing industries to expand.  
2 Prior to his appointment, he has served 10  
3 consecutive terms in the Tennessee House of  
4 Representative serving as chairman of finance,  
5 ways and means committee. A very impressive  
6 resume there.

7           Mr. Kisber began -- or should  
8 I call you Representative, sir -- began his  
9 career as a successful small businessman in  
10 Jackson, Tennessee working in his family  
11 business, Kisber Department Store, first at the  
12 age of 12 and later went to work as a  
13 photojournalist at the Jackson Sun. Mr. Kisber  
14 received his Bachelor's degree at Vanderbilt  
15 University and completed the inaugural program  
16 for emerging political leaders at the Darden  
17 Graduate School in business administration at  
18 the University of Virginia. Welcome, sir, and  
19 thank you for being here today.

20           Our next panelist is Senator  
21 Mark Norris, Chairman of Economic Development

22 and Transportation Consult Affairs, Southern  
23 Leadership Conference. Senator, thank you.  
24 Senator Norris was elected to the Tennessee

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1 Senate in 2000 and re-elected in 2004.  
2 Congratulations. Again, he's represented West  
3 Tennessee counties of Shelby, Tipton, Lauderdale  
4 and Dyer. He is chairman of the Senate  
5 Transportation of Safety Committee. He's a  
6 member of the Legislative Committee out of the  
7 Southern Legislative Conference where he serves  
8 as chairman of the Economic Development  
9 Transportation and Consult Affairs Committee.

10 A 1980 graduate of the  
11 University of Denver College of Law, Senator  
12 Norris is special counsel of the law firm of  
13 Adams and Reese. He is member of the litigation  
14 practice group and Transportation Lawyers  
15 Association and maintains law offices in Memphis  
16 and Nashville, Tennessee. Senator, thank you  
17 for being here today.

18 Our next panelist is W. Neely  
19 Mallory, the Third. President of Mallory  
20 Alexander, International. This logistics firm  
21 is one of the third largest logistics firms in

22 the US headquartered in Memphis, Tennessee.

23 Mallory Alexander received a prestigious

24 President E award in 2006 for excellence in

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1 exporting -- I'm sorry, excellence in

2 exporting. Congratulations on that award.

3 Mallory Alexander and its

4 affiliates operate in more than 11 million

5 square feet of warehouse. They also operate

6 over 450 trucks and have 25 logistics operations

7 throughout the US and around the world. He

8 joined the company after graduating from

9 Southern Methodist University in 1981. He is

10 past president of the Memphis World Trade Club

11 and past board member of the National Cotton

12 Counsel, Cotton Counsel International, and the

13 Agricultural Ocean Transportation Commission.

14 Mr. Mallory, we welcome you and thank you for

15 being here today.

16 And our final panelist is John

17 Caruthers, Chairman of the I-69 Mid-Continent

18 Highway Coalition. Mr. Caruthers speaks to us

19 in his role as a member of that coalition -- I'm

20 sorry, as chairman of that coalition. He was

21 born in Shreveport, graduated from Louisiana

22 Tech and Louisiana State University Law School.

23 He was the first president of the Tech Alumni  
24 Foundation and has served as past president of

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1 the Tech Alumni Association and Shreveport  
2 Chamber of Commerce, Community Foundation of  
3 Shreveport-Bossier Medical Research Foundation.  
4 And I have had an opportunity to meet with him  
5 in the past as it relates to the I-69 corridor.  
6 Mr. Caruthers, welcome and thank you for being  
7 here today.

8           As we have done with the prior  
9 panels, we will give each of the speakers  
10 approximately five minutes to make a  
11 presentation. And we have had an opportunity to  
12 receive and read your written testimony and  
13 written materials prior to this. And after all  
14 of the panelist have had an opportunity to  
15 speak, we will engage in questions and dialogue.  
16 Thank you so much. Mr. Kisber.

17           MR. KISBER: Thank you very  
18 much. And first, on behalf of Governor  
19 Bredesen, let me welcome you to Tennessee and we  
20 certainly appreciate you holding this hearing  
21 here in Memphis. It's an honor for me to be  
22 with you and talk for just a few minutes about

23 the importance of our transportation network to  
24 the growth of investment and jobs in Tennessee.

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1           As you pointed out in my  
2 background information, I previously served in  
3 the state legislature and recognized from the  
4 very early days of my public service the very  
5 important and integrated role that a good  
6 transportation network and good roads play in  
7 developing the economic opportunities for the  
8 citizens of our state. We're a state that has  
9 benefited from both the investment from  
10 global -- our global trading partners in capital  
11 investment and job creating opportunities. We  
12 ranked second in the country in terms of  
13 Japanese investment with over \$12 million of  
14 Japanese investment in Tennessee. That Japanese  
15 investment represents about 42-, 43,000 jobs.  
16 The significant amount of that is in the  
17 automotive sector.

18           But we also have a high level  
19 of investment from other countries as well.  
20 Canada has over about 75 companies that have  
21 operations in our state. We maintain offices in  
22 Japan and Canada, as well as in Europe. And I  
23 think there's some over 350 European companies

24 that have operations in our state.

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1           As we look at a state as  
2 diverse and big as Tennessee, being able to  
3 connect our major cities along with our rural  
4 communities is the first ingredient along with a  
5 skilled work force toward creating economic  
6 opportunity. And as my department is known as  
7 economic and community development, one of the  
8 first roles and responsibilities we have is  
9 helping communities understand with five -- in  
10 developing five-year strategic plans, how they  
11 benefit from tying into a very excellent  
12 transportation network.

13           If we're going to open up our  
14 rural community to the same type of  
15 opportunities that our urban centers have  
16 experienced, it is vitally important that they  
17 connect into our modern transportation network  
18 so that they can innerconnect with Memphis,  
19 Nashville, Knoxville, Chattanooga, but also with  
20 countries around the world.

21           And as we have looked at the  
22 success of not just our investment that's coming  
23 from foreign countries that are creating jobs

24 for Tennesseans, but we are equally successful

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1 in seeing our companies grow their exports to  
2 other countries. Whether it is to China where  
3 we've been one of the fastest growing states in  
4 the United States in terms of the value of our  
5 export, or it's to Canada which is a largest  
6 trading partner, if it's to Europe, we are  
7 seeing the growth of agriculture commodities,  
8 technology products, consumer goods and  
9 industrial goods. And to support that, the  
10 trucks that are on the road and the ability to  
11 get those goods out is vitally important,  
12 especially in a just in time inventory  
13 environment.

14           So to bring all this to  
15 summation, we see from years of experience that  
16 the continued investment in having a superior  
17 transportation network also becomes a key  
18 ingredient in creating capital investment and  
19 jobs. And as we have focused in Tennessee on  
20 creating better skill higher paying jobs, we  
21 recognize that the ability to react quickly,  
22 whether it is getting human capital in to do the  
23 job and the finished products out to the market  
24 is more important today than it's ever been. So

1 we certainly appreciate the interest that you  
2 have in your being here in Tennessee this  
3 afternoon.

4 CHAIRMAN PETERS:  
5 Commissioner, thank you so much. Well said.  
6 Mark.

7 MR. NORRIS: Thank you, Madam  
8 Secretary and Commissioners. We very much  
9 appreciate the fact that you've chosen to  
10 conduct what would ultimately be three hearings,  
11 as I understand it, in the southern states.  
12 And, of course, we appreciate the fact that you  
13 chose Memphis, Tennessee as one venue for your  
14 second round of testimony. I say that in my  
15 capacity as Chairman of the Southern Legislative  
16 Conference Economic Development Transportation  
17 Committee.

18 My name plate says I'm here as  
19 Tennessee Senate Representative, which is only  
20 partially true. I'm testifying today on behalf  
21 of The SLC, The Southern Legislative Conference  
22 of the state legislature. And the Southern  
23 Legislative Conference, as you may know, is the  
24 largest of four regional legislative groups

1 consisting of 16 states. I needn't list them  
2 all here, they're in your materials. So my  
3 objective today is to contribute not only to  
4 today's proceedings, but to make sure that the  
5 Southern Legislative Conference does its part to  
6 suggest solutions, which I know you are looking  
7 for as you go forward trying to formulate policy  
8 positions.

9           What we will do as you go  
10 forward is monitor your proceedings. Hopefully  
11 our chairman will be able to participate in your  
12 proceedings in Atlanta later this year. And  
13 then, at the time of our annual meeting in  
14 Williamsburg in July, which is about the time  
15 you will be submitting your recommendations to  
16 Congress, we'll hope to be able to formulate  
17 policy positions which we too will submit to our  
18 perspective congressional delegations based on  
19 your findings and these proceedings.

20           Just as the SLC's commission  
21 is to foster and encourage intergovernmental  
22 cooperation among our 16 member states, part of  
23 my role here today is to foster and encourage  
24 intergovernmental cooperation between the

1 federal government and the southern United  
2 States in the development of the nation's long-  
3 term transportation policy. I do represent the  
4 west coast of Tennessee, as I call it, in the  
5 State Senate. It is one of the nation's main  
6 arteries of transportation in commerce. It  
7 includes the I-69 corridor, Mississippi River,  
8 of course, the world's largest cargo airport,  
9 not to mention the home of Federal Express and  
10 many other amenities. I would be remiss if I  
11 overlooked some of them -- rail amenities, but I  
12 would run out of time if I tried to thank  
13 everybody for the investments they've made  
14 here.

15           Intermodal innovation and  
16 intermodal logistics is alive and well in west  
17 Tennessee. Just last month we had the ribbon  
18 cutting, the dedication, the ground breaking for  
19 the intergovernmental -- intermodal port  
20 facility at Cates Landing in northwest  
21 Tennessee. I wanted to mention this because it  
22 represents a coalition of local governments,  
23 three counties, Lake, Obion and Dyer, working  
24 with the state of Tennessee and the federal

1 government to do all sorts of things to bring  
2 that project to fruition. That's the kind of  
3 incentive we're looking for and the kind of  
4 results when you look for solutions. We hope to  
5 suggest to facilitate future cooperative  
6 programs like that.

7           Regional imperitives here  
8 arise out of a number of challenges, including  
9 those you all have mentioned, lack of funding  
10 and congestion problems. But here in the south,  
11 we have particular needs. And I think some  
12 special attention will need to be given to the  
13 south in future years. We've been undergoing  
14 what some have referred to as the manufacturing  
15 revolution as automobile manufacturers have  
16 recently moved to the south, our intermodal  
17 capacities, including the array of aviation,  
18 shipping, rail, and trucking features. Which,  
19 of course, you've heard about here today,  
20 presents special needs. You've heard about  
21 southern ports, the capacity issues, all of  
22 which we can go over again. But I should say  
23 that almost 75 percent of water born exports and  
24 imports travel through a southern port. That's

1 a big number. And it's going to continue to  
2 grow.

3           The challenges present us with  
4 opportunities. I've outlined three as I see  
5 them. And the first one I would like to  
6 emphasize is, that if we are to succeed, it's  
7 most imperative that we raise public awareness  
8 and educate the general public.

9           Second, additional flexibility  
10 in federal funding, which encourages regional  
11 collaboration, public/private partnerships and  
12 local control.

13           And third, promoting  
14 alternative energy sources, both as a source of  
15 energy independence in foreign oil and as a  
16 source of fostering economic development.  
17 Greater emphasis upon public awareness,  
18 education, and performance-based funding should  
19 facilitate greater understanding of the inner-  
20 relationships between roads, public  
21 transportation, commerce, the environment, and  
22 overall quality of life. One of the great  
23 challenges of our time is for the United States  
24 to remain relevant in a global economy while

1 preserving the sovereignty of our nation and each  
2 state within our federal system.

3           For example, I must mention  
4 that there is growing concern among some in the  
5 nation over construction of projects like I-69.  
6 Some see it as part of an international super  
7 highway system which threatens the sovereignty  
8 of the United States and others see it as more  
9 of an interstate pathway to intrastate  
10 prosperity. I urge the Commission to take these  
11 concerns seriously. I realize that I've run out  
12 of time and I'll reserve many of my comments to  
13 your questions.

14           CHAIRMAN PETERS: Senator,  
15 thank you so much. Mr. Mallory.

16           MR. MALLORY: Madam Secretary,  
17 Commissioners, it's my pleasure to speak with  
18 you this afternoon.

19           We're a third party logistics  
20 provider that's based here in Memphis.  
21 Historically, our business was founded in  
22 agricultural products over 80 years ago  
23 warehousing of cotton, lumbar and other ag  
24 products. We've been fortunate enough to grow

1 the very important ag customers and expand our  
2 logistics services. Mallory Alexander today  
3 manages over 500,000 TEU's of containerized  
4 freight annually. The key to our success is not  
5 only our good people, but also our ability to  
6 strategically serve our customers from a base  
7 whose infrastructure supports continued growth  
8 and faster access to US and global markets.

9           Our reputation as a leader in  
10 distribution can only be fostered with  
11 continued investment in our rail and highways,  
12 as well as our coastal and inland ports. Our  
13 job is to facilitate a healthy business climate  
14 that invites and anticipates growth, not one  
15 that reacts to it. Nearly 92 percent of  
16 Mallory's import customers enter through the LA  
17 Long Beach gateway and travel by rail into  
18 Memphis. The container volumes are explosive in  
19 the Memphis market. Furniture, consumer goods,  
20 electronics, auto parts are all imported  
21 commodity mix in the Memphis market. There was  
22 a time when discharge of these goods was easily  
23 managed.

24           Now, with the congestion at

1 ports, containers are often delayed five days  
2 before they even begin to move on the rail. Our  
3 job is to provide building more services. This  
4 becomes very difficult when we are totally  
5 relying on an already stressed rail structure  
6 which must accommodate the growing container  
7 volumes. The forecast of over 80 percent in  
8 containerized growth in imports to the US this  
9 year alone. We are now in peak season, which is  
10 typically represented by the rush of Christmas  
11 goods in the US. Our average transit from LA  
12 Long Beach to Memphis is now in the 10 to 14 day  
13 time frame. This transit is nearly twice the  
14 transit we experience during non-peak months.  
15 Inventory levels must be strategically planned  
16 to accommodate the longer it takes to cycle,  
17 which adds cost to the products.

18           Today we have sought options  
19 to the expanded Asian east coast services.  
20 Mallory does have several customers receiving  
21 freight into the US from east coast ports such  
22 as Norfolk, Charleston and Savannah. Freight is  
23 moving inbound into Memphis by both rail and  
24 truck. Growing far east services discharging in

1 the Gulf, there's even more containers moving  
2 both north and southbound to and from our gulf  
3 ports also. Mallory Alexander's customers have  
4 benefited from our river barge operation out of  
5 Memphis. Many of our export customers have been  
6 able to use this barge service to travel down to  
7 New Orleans and to connect with other vessels.  
8 Keep in mind that a lot of what we export out of  
9 this country is very price sensitive goods.

10 Just 10 years ago, US ag  
11 exports had a tremendous advantage in our  
12 ability to deliver to our customers with more  
13 speed and reliability than our foreign  
14 competitors. Today congestion on the rails and  
15 other ports has eroded this logistics  
16 advantage. Brazil, Australia, China and India  
17 are all investing heavily in their  
18 infrastructure. The Chinese are investing in  
19 their transportation infrastructure as well as  
20 spending billions in Brazil's infrastructure.  
21 Improved transportation infrastructure in Brazil  
22 is a direct threat to US agricultural exports.  
23 Clearly, global competitors recognize the value  
24 in getting goods quickly and safely to ports.

2 infrastructure, are we not willing to invest in  
3 our own transportation infrastructure? US  
4 exporters cannot lose their competitive  
5 advantage. We want to continue to be the  
6 supplier to the world.

7           Last week one of the largest  
8 Asian ocean carriers was here in Memphis asking  
9 Mallory to open a distribution center here  
10 simply to transload goods. The carrier who was  
11 performing these transload goods in our west  
12 coast port, after studying transit times and  
13 costs, it was determined that a Memphis  
14 transport operation would be more cost effective  
15 and save customers time. In essence, isn't that  
16 what this logistic business is all about, speed  
17 and market?

18           In closing, imports in the US  
19 are at an all time high. US exports are also at  
20 an all time high. We must re-invest in our  
21 transportation infrastructure if we want to  
22 continue to be the leader in the international  
23 trade.

24           CHAIRMAN PETERS: Thank you so

2 MR. CARUTHERS: Madam  
3 Secretary and Commissioners, thank you for the  
4 opportunity to present our case for I-69. I  
5 have on the screen here a map of the 32 sections  
6 of independent utility of I-69, meaning each  
7 could be constructed independently of all the  
8 others. It stretches through the heartland of  
9 the United States. Once America's rural and  
10 starts in Michigan and Illinois, Indiana,  
11 Kentucky, Tennessee, Mississippi, Arkansas,  
12 Louisiana and Texas. Now two sections of the  
13 system were built under the interstate program  
14 that terminated in 1995 and, of course, are now  
15 open to traffic. I-69 from Port Huron, Michigan  
16 on the Canadian border down to the city of  
17 Indianapolis and I-94 are part of this system  
18 from Port Huron southwest to Detroit and then  
19 west to Chicago.

20 The first section of I-69,  
21 completed without interstate construction funds,  
22 opened in Mississippi last month. Work is  
23 underway along this entire I-69 corridor ranging  
24 from location and environmental studies to

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1 construction to already finished highway. I-69  
2 is important to the entire nation for trade,

3 efficient freight movement, congestion relief,  
4 intermodal connectivity and economic  
5 development. Trade has shifted, particularly,  
6 after the passage of NAFTA from east-west to  
7 north-south. Canada and Mexico are now our  
8 major trading partners. The Michigan I-69  
9 border points of Detroit and Port Huron,  
10 Michigan on the Canadian border account for 49  
11 percent of our trade with Canada that is truck  
12 born.

13           At the other end of I-69, the  
14 Texas border between Colorado and the lower Rio  
15 Grande accounts for 49 percent of the nation's  
16 truck born trade with Mexico. The Federal  
17 Highway Administration's freight analysis  
18 framework of 2000 suggests that growth and truck  
19 traffic will be predominantly to the southwest-  
20 northeast direction, which overlaps the I-69  
21 corridor. The I-69 will reduce travel time,  
22 fuel consumption, and cost over the current  
23 circuitous routes easing congestion.

24           Now, 17 of the nation's top 25

1 seaports are directly connected to I-69, and 13  
2 of our inland waterway ports serve I-69 cities.

3 Fifteen of the nation's top air cargo airports  
4 are readily accessible to I-69. And there are  
5 96 rail terminals within 150 miles of the  
6 Interstate 69 corridor. Every major eastern and  
7 western rail carrier and both Canadian carriers  
8 have terminal operations on the I-69 corridor.  
9 There are truck rail intermodal facilities in  
10 every major city along I-69. It traverses some  
11 of the nation's most impoverished areas in gray  
12 contrast. There are nine million people below  
13 the poverty level in this corridor. In six of  
14 the corridor states, the population and poverty  
15 exceeds our US average. Construction of I-69  
16 will stimulate the needed -- badly needed  
17 economic growth.

18           The termination of the  
19 interstate construction closed in 1995 and left  
20 I-69 without a dedicated source of funding for  
21 completion. The cost of completing I-69 exceeds  
22 the federal aid formula funding for the states  
23 it traverses. If the I-69 states were to use  
24 all of their federal aid formula funds for I-69

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1 and nothing else, they would still not have  
2 sufficient funds to complete it. Because I-69  
3 serves the nation, in the 20th century it's

4 completion would not have been the sole  
5 responsibility of the state it traverses, but  
6 would have been under the interstate  
7 construction program.

8           The coalition has been a major  
9 component of dedicated federal funding for those  
10 projects, but because of shifts in trade  
11 patterns, freight movements and demographics are  
12 necessary to serve the transportation needs of  
13 the 21st century. We support the national  
14 corridor and border programs and projects of  
15 national and regional significance. We have  
16 used every available resource to fund I-69.  
17 We've gotten almost 1.3 billion in federal  
18 authorizations, appropriations, and grants for  
19 I-69, including the non-federal match. We have  
20 used non-federal funds and innovative  
21 financing. Indiana is applying 694 million of  
22 the proceeds from the Indiana toll road, at  
23 least to construct part of I-69. Mississippi  
24 used casino taxes and bonds to pay for the

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1 section of I-69 that just opened last month.  
2           These funding mechanisms have  
3 generated 1.2 billion, bringing the total

4 invested to date on I-69 to two and a half  
5 billion dollars. However, the cost of  
6 completing I-69 is approximately 14 billion.  
7 Texas is considering financing the completion of  
8 I-69 through a combination of tolls and public  
9 and private bond financing. Indiana just  
10 announced plans to complete I-69 from proceeds  
11 secured from building a new Indiana commerce  
12 connector as a public/private partnership. The  
13 I-69 state -- and that's seven state -- DOT  
14 Steering Committee is undertaking a study of  
15 innovating financing options and will examine  
16 tolls, public/private partnerships, and loan  
17 options. The Texas and Indiana portions of I-69  
18 are fully funded through innovative financing  
19 and public/private partnership alternative. The  
20 remaining cost to complete the rest of the  
21 corridor will be about \$5 billion. While the  
22 innovative financing might turn out to be  
23 appropriate after this study, for some sections  
24 of I-69 it may not work everywhere. The

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1 corridor is quite varied in major urban areas  
2 and long rural stretches through this part of  
3 the America.

4 We believe there's still a

5 need for dedicating federal funding to complete  
6 I-69. The framework is there in the national  
7 corridor infrastructure improvement program and  
8 projects of national and regional significance.  
9 They just need to be fully funded. We're very  
10 interested in all innovative financing  
11 opportunities and plan to avail ourselves of them  
12 to the extent possible. However, we believe it  
13 will take a combination of resources, federal,  
14 state, public and private to complete this  
15 national asset. Thank you.

16           CHAIRMAN PETERS: Thank you,  
17 Mr. Caruthers. And thank you all, all the  
18 panelists for your comments this morning and for  
19 the reading and materials. Open it up now for  
20 questions from the Commissioners.

21           COMMISSIONER ROSE: One thing  
22 that each of you mentioned was global trade,  
23 change in freight patterns, change in mobility  
24 patterns. And certainly, this area, Tennessee,

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1 Mississippi, Arkansas has benefited greatly from  
2 tremendous industrial knowledge, new auto  
3 plants, tremendous new steel plants. Really,  
4 you can't point to a region of the country

5 that's benefited more from as industrialization  
6 has moved from the traditional areas of the  
7 mid-west down here.

8           So the question really is  
9 then, there's a lot of value that's come into  
10 the region. And I'm sure when, you know, if  
11 you're looking specifically, Mr. Kisber, chasing  
12 down one of these big industrial development  
13 projects, and we certainly, as a railroad, get  
14 involved in a lot of them, we always get down to  
15 the water issues and the power issues and the  
16 rail issues. But the things start to trail off  
17 and you start thinking about the compounding  
18 impacts of the highway issues and all these  
19 other things. So the question is, what is the  
20 best model as everybody has benefited from this  
21 global trade, but now as often, these two  
22 patterns of traffic and congestion and  
23 everything else, what is the right model as we  
24 go forward in terms of how we solve for some of

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1 these new issues of bottlenecks congestion  
2 that's really constraining the overall commerce  
3 now?

4           MR. KISBER: That's a very  
5 good point. And it's one that, I guess, we're

6 dealing with as we work with expansion of a  
7 number of these companies that have come. And  
8 why, under Government Bredesen's leadership,  
9 this administration has taken what is called the  
10 jobs cabinet approach or holistic approach. And  
11 we work very closely with Commissioner Nicely  
12 and the colleague and the Department of  
13 Transportation, because they know the questions  
14 to ask. And as we work with the companies  
15 trying to learn and anticipate what the long-  
16 term infrastructure need is going to be so that  
17 we can be prepared for those, we can put them in  
18 place in advance of the need. It is definitely  
19 a cost that needs to be factored in as you are  
20 considering the recruitment of these types of  
21 projects.

22           But as one who group up and  
23 represented west Tennessee, the City of Jackson,  
24 halfway between Memphis and Nashville and

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1 traveled every week between the two, I could see  
2 first-hand the growth of truck traffic along  
3 Interstate 40 as the economic development over  
4 the years has become more successful. And it's  
5 a consideration. I also think that the use of

6 the intermodal facilities, that we're seeing  
7 more companies be attracted to this area because  
8 of intermodal opportunities. The I-69, the  
9 investment in, you know, new infrastructure in  
10 keeping our existing infrastructure modern is  
11 critically important in maintaining the  
12 leadership position as we grow our economic  
13 opportunities.

14           COMMISSIONER ROSE: Could we  
15 just start with a basic question. Who better to  
16 solve this, the State or the Feds?

17           MR. KISBER: I think it's a  
18 partnership. I think that the State has the  
19 keen ability to understand the dynamics that are  
20 going on within its borders, especially within  
21 its regions. When I came on board meeting our  
22 economic development department when we first  
23 studied the commission was, what makes up the  
24 regional, or how does the market define the

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1 regional economies within our state? Because  
2 nobody had ever done that research. And we came  
3 to learn that there are basically 11 regional  
4 economies. Interestingly enough, the two major  
5 criteria that determined those regional  
6 economies were education patterns and

7 transportation patterns.

8           So I think that, you know,  
9 doing the requisite amount of research and  
10 keeping it fresh is critically important to the  
11 state level and communicating works and  
12 partnership with the federal and state  
13 government is important in ensuring we're  
14 remaining up-to-date in our master plans and our  
15 efforts to keep the infrastructure in place and  
16 modern.

17           MR. NORRIS: Commissioner,  
18 could I -- and I'll follow-up on that from a  
19 legislative perspective. I agree its a  
20 partnership. I think what we are looking for in  
21 that partnership is increased autonomy in the  
22 state level. Or put another way, increased  
23 flexibility, including funding. I think that  
24 SAFETEA-LU moved us further down that

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1 continuum. We have to give credit where credit  
2 is due. There is increased fleibility. I'm not  
3 sure that everybody yet fully understands all  
4 the mechinisms that we can take advantage of  
5 under SAFETEA-LU.

6           But when we sit as elected

7 officials during budget hearings and have the  
8 administration present, as Mr. Nicely will talk  
9 about later, sometimes we're a little bit  
10 hamstrung on how the formula works. It's a long  
11 running debate. I know whether the federal  
12 formula is out voted. I think GAL has been  
13 talking about it since at least 1995. I know  
14 the secretary has addressed it a bit. There's  
15 not indemnity among the states I'm here to  
16 represent today on how the formula should be  
17 changed. But I think everybody would agree that  
18 increased autonomy for the states is warranted.  
19 There is more flexibility today in formula  
20 funds. There's less flexibility than we would  
21 like, I think, in the discretionary funding that  
22 comes. And so, that the model that you asked  
23 about, Commissioner Rose, should try to  
24 emphasize the increased autonomy for the states.

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1 CHAIRMAN PETERS: If I could  
2 address a question to you. It has do with  
3 private investment. A couple of you have  
4 mentioned it and talked about it. And certainly  
5 some of the states, Indiana, Texas -- take  
6 Chicago, for example, have taken -- avail of  
7 that for themselves and have leased on a long-

8 term basis the assets or are using  
9 public/private partnerships to build new roads  
10 such as section for Interstate 69 at Texas.  
11 Depending on who you're talking to, they think  
12 that sounds wonderful public policy or terrible  
13 public policy. I would be interested in your  
14 take on those issues.

15 MR. KISBER: Well, I'm sure  
16 that Commissioner Nicely will probably address  
17 some of those issues. But I know in some of  
18 those discussions that he and I have had with  
19 representatives with economic development  
20 opportunities, that our department is become  
21 more interested in those type of financing  
22 options. And I think that it does make sense  
23 where the public policy good is served along  
24 with the economic opportunity is served to look

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1 at alternative financing arrangements. And I  
2 know there have been in my tenure, opportunities  
3 to present themselves that would make sense for  
4 those type of arrangements. And I think he will  
5 probably go into more of that on his panel.

6 CHAIRMAN PETERS: Thank you.

7 MR. NORRIS: Thank you. Madam

8 Secretary, I do think that increased private  
9 investment is a good idea if not inevitable.  
10 But when I talk about -- and I try to emphasize  
11 increased domestic private investment, there is  
12 a concern among many of our states about some of  
13 the projects where you have private investment  
14 but it's underwritten by foreign countries.

15           And back to one of my original  
16 points where I talk about the need for increased  
17 public awareness and education, this is  
18 something that we absolutely have to deal with  
19 is to get the facts on the table about how  
20 private investment may work.

21           In the abstract, when we talk  
22 about public activity bonds, GARBIs and these  
23 sorts of things, they're very exciting to those  
24 of us in the public arena because they provide

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1 us with additional alternatives and avenues for  
2 constructing -- you know, for dealing with our  
3 infrastructure needs. At the end of the day,  
4 however, there is concern about foreign  
5 encroachments. This goes back to my comments  
6 about sovereignty and state's rights and keeping  
7 a check on things. So I think the objective is  
8 to find a way to strike the proper balance. But

9 we need to pursue it.

10           COMMISSIONER ROSE: Senator,  
11 if I can follow-up on that. I mean, a lot of  
12 this private investment, or this investment  
13 that's coming from foreign investment is really  
14 pension funds, things like that. As long as the  
15 contract is properly structured, is there  
16 anything that you can point to that, outside of  
17 it, doesn't feel good for the country? Is there  
18 anything that you're really concerned about in  
19 that pension fund of \$5 million in the US  
20 roadway system?

21           MR. NORRIS: A couple of  
22 issues there. The -- you're correct that if the  
23 contracts are structured correctly and the  
24 enabling legislation which makes those possible

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1 has appropriate restrictions, when you start  
2 talking about the pension investments, you know,  
3 it's a whole other arena. If it's pension funds  
4 that are making this investment, some of the  
5 pension funds, even domestic, these days are on  
6 sort of shaky ground. And so, you've got that  
7 with checks and balances to make sure it's a  
8 good fund to begin with. In theory, you're

9 correct. It should -- if everything is tied up  
10 neatly, it shouldn't be a problem.  
11           Of course, my other life I'm  
12 an attorney and you know what we do, we're  
13 always trying to unravel other people's messes.  
14 There's always a good deal because somebody  
15 forgot. My uncle used to say, many a slip  
16 between the cup and the lip. In theory, yes,  
17 there shouldn't be any cause for concern. But  
18 human nature being what it is, you know,  
19 accidents happen.

20           CHAIRMAN PETERS: Other  
21 panlists, have a question on this issue?

22           MR. MALLORY: I would like to  
23 add that we went through a battle in the '90s  
24 about harbor maintenance fees and being no

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1 constitution exports. And, you know, that going  
2 along with what Mark said, when he has his other  
3 hat on, my export customers never really worried  
4 about the fee until somebody said it's  
5 unconstitutional to tax exports. It was not a  
6 tremendous deterrent to their export products.  
7 And a lot of my customers are shipping ag, ag  
8 related products. And that doesn't seem fair to  
9 me that we're taxing them imports or putting

10 them user fee on imports, painful ports as long  
11 as the -- there's oversight there where the  
12 money for the ports is being spent on the  
13 ports. The whole chain, all the way to Memphis,  
14 I mean, that's what I see.

15           And that came up earlier today  
16 when you asked about user fees. Where that  
17 goes. Commissioner Rose's company is investing  
18 heavily to build double track high speed -- I  
19 can assure you, my import customers are all in  
20 favor of him getting those last 60 miles  
21 finished. And again, it goes back to speed.  
22 And I think people are willing to pay for it. A  
23 week of caring is worth a lot more than the user  
24 fee.

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1           CHAIRMAN PETERS: Anything to  
2 add on that?

3           MR. CARUTHERS: I didn't know  
4 until this morning how little I knew about  
5 global trade. It seems to me, as long as the  
6 United States has an Army, we don't care whose  
7 pension funds in Australia owns a lease on a  
8 highway in this country. If they're willing to  
9 build highways and get nine percent on their

10 investment, it seems like a good thing to me. I

11 think our pilot study is going to be very

12 interesting to have seven states varying from

13 populus to progressive in administration views

14 trying to decide which sections are going to

15 be -- will just justify toll roads and which

16 ones will require some funding from public

17 bodies.

18 For example, the Mississippi

19 River bridge is a \$750 million investment stuck

20 in the middle of the Mississippi River Delta,

21 and therefore, the intrastate commerce is going

22 to be very limited compared to the interstate.

23 And so, all of those things are going to come

24 out in this pilot study of the Seventh Highway

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1 Department's Steering Committee. And I think

2 that's going to be very helpful.

3 But overall, I think it will

4 indicate that the federal government has to have

5 a presence in all of these things for

6 leadership, if nothing else, to maintain the

7 standards of highways in sections where they

8 cross state boundary lines. And the state of

9 Louisiana is liable for 10 miles from Texas and

10 10 miles in Louisiana for one particular

11 section. Those things present problems. And I  
12 have seen in our 15 years of working on this  
13 project, engineering firms take three years to  
14 do an environmental study that should have taken  
15 12 months or less. And without the Federal  
16 Highway Administration prodding them on a  
17 continual hands-on basis, I think that any  
18 highway project that is as complicated as  
19 involving federal, state, and private capital is  
20 going to take a long time to accomplish.

21           CHAIRMAN PETERS: Thank you.

22           COMMISSIONER ODLAND:

23 Mr. Mallory, you expressed frustration with  
24 delays essentially. And you didn't mention

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1 costs, and that wasn't the biggest concern to  
2 you. So -- and we've heard that from our  
3 previous speakers today, time is money. And so  
4 nobody is saying we're not willing to pay for  
5 it, we'll not willing to invest and we should be  
6 taxed, add taxes. But it's the cost of delays.  
7 And we've talked about the five day delays in  
8 ports and 10 to 14 between Los Angeles to  
9 Memphis.

10           Well, if you had a magic wand,

11 which, you know, of course, we don't, but if you

12 had a magic wand and you could just waive it

13 over the whole system, what would it look like?

14 MR. MALLORY: I think

15 realistic is 24 hours after the ship unloading

16 in Los Angeles on the rail headed to Memphis.

17 Six days on average is a goal that we would like

18 to see. We exceed that about half the year.

19 And I don't know what needs to be done at the

20 ports. I mean, I sure don't expect Los Angeles

21 to pay all that. I mean, 92 percent of what's

22 coming to Memphis within my company is coming

23 through there. So we just need to make sure it

24 hits on all cylinders all the time.

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1 Federal Express, who spoke

2 earlier today, I mean, if they were hitting 50

3 percent deliveries half the time, they probably

4 wouldn't be around. But they do 99.9 percent of

5 the time on time. And we need to figure a way

6 to do that.

7 COMMISSIONER ODLAND: So have

8 you -- do you have any ideas on, you know, what

9 infrastructure points or what it would look like

10 if you could change it? I mean, I'm not trying

11 to press it, just if you have anything to share

12 with us.

13           MR. MALLORY: Well, if you can  
14 get away from the west coast a moment and go to  
15 the east coast in Savannah. Savannah has  
16 totally redesigned their port for trucks to get  
17 in and out of the port over the last two years  
18 and now they're one of the most efficient ports  
19 on the Atlantic. But they took the initiative  
20 to go through some really hard times and lost a  
21 lot of business to Norfolk and Charleston. But  
22 they invested in the future with their new  
23 pickup and delivery center that they built. And  
24 they were focused on the long-term and not the

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1 short-term and how they may lose some business  
2 in the short-term. But now they have regained  
3 all their business, they regained some new  
4 business and they have a very efficient in and  
5 out system there at the port.

6           COMMISSIONER ODLAND: So,  
7 basically, invest in the ports, build new ports  
8 in that capacity, that's essentially what you're  
9 saying?

10           MR. MALLORY: And that may be  
11 easier to do in places like Savannah or

12 Jacksonville or Norfolk than it is in Los

13 Angeles that's pretty much surrounded.

14 COMMISSIONER ODLAND: Does

15 anyone else have any suggestion if you had the

16 magic wand of what the system would look like?

17 MR. NORRIS: Let me just

18 follow-up on what Neely said. And it goes to

19 the notion that the government needs to put

20 whatever resources it's going to put in the

21 areas where it's needed rather than in, you

22 know, congressional districts with seniority,

23 that sort of thing. And I alluded to that and I

24 hope that anyway, that the change in the

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1 heritage is here in the south. And why this is

2 a region where, you know, some special attention

3 may be needed.

4 Now, we also have some

5 Congress people with great seniorities from

6 southern states, I realize that. But if, for

7 example, you needed to reconfigure some of these

8 ports and do as Savannah did in other cities,

9 look at that as an intermodal objective and say,

10 okay, we've got to add local resources to that

11 area right now. That's a good example.

12 COMMISSIONER ODLAND: You

13 know, that's an interesting point because you're  
14 a politician and you deal with the legislative  
15 process and you know the seniority issue and the  
16 authority and it just gets out of control. And  
17 then you wonder sometimes whether it's in the  
18 best interest of all Americans. And, you know,  
19 do you think this would be better served to take  
20 out of the political process and maybe put in  
21 the hands of an independent commission?

22           MR. NORRIS: I think that to  
23 the extent it can be depoliticised, that would  
24 be good. That is much easier said than done.

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1 One of the things I've looked at is -- or some  
2 of the studies on how to depoliticise and  
3 whether that's by going to performance-based  
4 measures and benchmarking and things that some  
5 people have eluded today or not, I don't know.  
6 The short answer is yes. I know Commissioner  
7 Nicely will talk about the scourge of sort of  
8 earmarks. You know, one person's earmark is  
9 another person's blessing, I suppose.

10           But earmarks caused us a  
11 problem this year. Even at the state level. It  
12 ultimately resulted in rescissions. And I

13 still, when I talk to citizens in my district,  
14 they still can't fathom the notion that the  
15 federal government in mid-stream during the  
16 current fiscal year rescinded money that had  
17 previously been appropriated. And they said,  
18 why was that? And I said, well, because of  
19 something called an earmark. And I go through  
20 on what's an earmark.

21           So one of my simple premises  
22 early on was to talk about increasing public  
23 awareness and education. And I put that on  
24 paper. Initially, I thought, gosh, that's so

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1 simple, I probably shouldn't say it. But the  
2 longer I thought about it as an elected  
3 official, I realized that the public-at-large,  
4 the who people who vote for me or against me,  
5 they don't get any of this stuff that y'all talk  
6 about. And by and large, the administrative  
7 people and the bureaucracy, we need to simplify  
8 the subject. We need to educate people why all  
9 these things are important to the extent they  
10 can depoliticise it and folks will say, that's  
11 fine. You know, as long as my pay check gets  
12 there, I get my new car and everything is fine  
13 in middle America it will be fine with them.

14           COMMISSIONER ROSE: Senator,  
15 in your testimony you also talked about finding  
16 alternatives to the gas tax. Could you  
17 elaborate on that?

18           MR. NORRIS: We've had here in  
19 west Tennessee, I think, no less than three new  
20 projects that have recently had pilot -- you  
21 know, pilot projects approved for mostly  
22 biodiesel in west Tennessee. It's important for  
23 us, I think we all realize, to try and decrease  
24 our reliance on foreign oil. By it's also

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1 important for our economies here to increase  
2 reliance on some of our agricultural products.  
3 The problem with it is, of course, to the extent  
4 we shift to nonpetroleum-based fuels, that we're  
5 sort of cutting our nose to spite our face to  
6 the extent that we give up gas tax values. It's  
7 still important for us, I think, to do this, but  
8 there are other answers. And that is, if we can  
9 get into the need to explore and drill for more  
10 domestic oil at the same time as we shift maybe  
11 20 or 25 percent on alternative fuels. But just  
12 to increase efficiencies.

13           I think one of our speakers

14 today, we can -- we can save money or make  
15 money, find new revenues by doing things more  
16 efficiently, more quickly. One of the things I  
17 hope somebody will talk about today, and they  
18 sounded like they're getting away from the  
19 alternative fuels, Commissioner, but in terms of  
20 streamlining bureacracy, we got a federal bridge  
21 replacement program where projects that are  
22 improved maybe 6 or 8 or 10 years ago have still  
23 not gotten through the bureaucracy of federal  
24 government to approve the plans and designs and

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1 the environmental. And those projects are  
2 increasing maybe sixfold in costs. That's a  
3 real loss of money. So, yeah, I think think  
4 philosophically we need to move to alternative  
5 forms of energy. I know there will be costs  
6 associatd with that, but I think we can offset  
7 those costs by saving to some of these other  
8 areas.

9           COMMISSIONER ROSE: So what  
10 would you do with the gas tax?

11           MR. NORRIS: What would I do  
12 with the gas tax? Well, I figure I really won't  
13 be in office by the time that really has to be  
14 dealt with.

15 COMMISSIONER ROSE: That's a  
16 key assumption.

17 COMMISSIONER ODLAND: Or you  
18 can take a non-political move here.

19 MR. NORRIS: That's right. I  
20 am assured that result. I think we need to put  
21 all these things on the table, and it goes back  
22 to education and public awareness. When I talk  
23 to my other 15 member states about alternatives  
24 to the gas tax, the best I can do in my written

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1 remarks was to talk about the offset analysis.  
2 Would you rather have an increase in the gas tax  
3 or keep the gas tax what it is and go to toll  
4 roads? If you don't like toll roads, would you  
5 rather index? But until those things mean  
6 anything to people -- and this gets back to the  
7 public awareness and education -- you're not  
8 going to really get a solid answer.

9 One of my Senators in Texas,  
10 Senator Wentworth, sent out an annual survey.  
11 And he asked his constituents -- this was just in  
12 the last month -- would you support -- to  
13 maintain your roads, would you support an  
14 increase in gas tax? Over 70 percent said no.

15 The next question in the same survey was, in  
16 order to avoid an increase in gas tax, would you  
17 support toll roads? And over 60 percent said  
18 no. So it's -- we need a consciousness raising  
19 it. And I think a large part of what you all  
20 are doing traveling the nation is a beginning  
21 for that. And I think it depends on us, like  
22 the SLC and other CST affiliates to educate our  
23 constituents as well.

24 MR. MALLORY: Senator Norris

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1 brings up some good points. But the way I look  
2 at it, if it's a gas tax that's reflected in my  
3 trucking rate or into my Air Nikes that's going  
4 to be one that truck, it becomes a toll. It's  
5 going to be reflected -- it's going to get back  
6 to me when I go to Target and buy something,  
7 it's going to be reflected in that pair of shoes  
8 I'm buying. It's just -- it's education to the  
9 consumers and to the people in Washington, I  
10 guess.

11 CHAIRMAN PETERS: And some  
12 people operate on the assumption that they're  
13 paying twice. And as many of you know, and I'm  
14 sure Commissioner Nicely will address, fundings  
15 from the states is barely enough to maintain

16 what we have. And in many cases it is not  
17 enough. So that's a good point. Did you have a  
18 question? Matt, anything else?

19           The question that I had asked  
20 the other panel and I would ask of you all as  
21 well. If you were to recommend to us  
22 performance measures that would determine the  
23 success of our efforts as a Commission in terms  
24 of providing a responsive transportation system

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1 that would support our nation in terms of  
2 computing the global economy, improve our  
3 citizens quality of life, what would those  
4 performance measurements be?

5           MR. NORRIS: Well, there are  
6 probably more than I have thought of, but I have  
7 thought in increasing safety, improving  
8 reliability and functionality. I think these  
9 are things you can benchmark and measure. We  
10 still have the need to improve air quality. And  
11 I include in this some of the performance-based  
12 measures the extent to which we are able not to  
13 increase domestic/private investment in our  
14 infrastructure.

15           CHAIRMAN PETERS: Thank you.

16 Commissioner.

17 MR. KISBER: And along with  
18 those, I would be remissed if I didn't encourage  
19 as part of the return on investment calculation,  
20 the increase in private investment for -- and  
21 job creation. The way in which communities have  
22 been able to reduce especially their distressed  
23 areas by new infrastructure, reduce their number  
24 of dislocated workers or unemployment rate.

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1 Just trying to factor into all these others,  
2 which I believe are important, safety,  
3 reliability, environmental, as well as how we  
4 improve the individual citizens life through  
5 their economic well-being.

6 CHAIRMAN PETERS: Thank you.  
7 Mr. Mallory.

8 MR. MALLORY: I talked a  
9 little bit about speed markets and so did the  
10 gentleman from Wal-Mart earlier. And that works  
11 if you're selling products to consumers. And  
12 also is important if we come up with an I-69 --  
13 to deliver I-69 or a new rail corridor or  
14 totally new port somewhere. It takes too long  
15 in America to get these projects finished. And,  
16 I guess, that goes back to red tape,

17 environmental red tape and costs and -- but we  
18 ought to be able to build a bridge as fast as  
19 the Chinese built that 26 mile bridge. And it  
20 just doesn't happen here. And if we're going to  
21 compete, we've got to deliver quickly, more  
22 quickly than we're doing.

23           CHAIRMAN PETERS: Mr. Mallory,  
24 now you heard that other panelist talk about how

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1 quickly the Chinese can build a project, and I  
2 had an opportunity to be there just about 18  
3 month's ago. They're going to build an  
4 equivalent of our interstate in eight years.  
5 And that was 18 month's ago. And they were  
6 starting to do that. But they do not have the  
7 Environmental Protection Act and endangered  
8 species that we do deal with. And as our  
9 speaker said, if the Chinese decide to do it,  
10 they just do it, and then worry about the other  
11 aftermath of it later on.

12           But I think you make a very  
13 valid point. That we need to look at the amount  
14 of time that it takes to build projects. And  
15 the Senator's comment, if it takes us 8, 10, 12  
16 years to get a bridge project built, then just

17 the cost of inflation, cost of money in overtime

18 is going to substantially increase the cost of

19 that project. Thank you. John.

20 MR. CARUTHERS: I think after

21 your study is over, that you will have certain

22 areas, certain corridors that need expediting in

23 those hot spots that are brought to your

24 attention. And if through your leadership you

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1 can expedite some construction, I think the

2 measure of success is going to be the number of

3 miles of concrete in the narrow scope of

4 highways. And I realize that has to fit in with

5 all the other trouble spots that were discussed

6 this morning. But I think, actually, building

7 some roads is going to be the important thing

8 since it hadn't been done in so long, some 50

9 years of an interstate.

10 CHAIRMAN PETERS: Thank you.

11 Any other questions?

12 COMMISSIONER ODLAND.

13 Mr. Caruthers, you were talking about the 1995

14 abandonment of the construction on the

15 interstate system. It's interesting because

16 most people talk about the interstate system as

17 having been completed on time and on budget and

18 completely built out. Are you saying that it

19 wasn't completely built out and --

20 MR. CARUTHERS: It was

21 completely built out in 1995. But Interstate 69

22 was not built --

23 COMMISSIONER ODLAND: So that

24 wasn't --

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1 MR. CARUTHERS: As we're

2 discussing it now, it was not envisioned then.

3 COMMISSIONER ODLAND: So if

4 you had to write that vision over, I mean,

5 clearly, we're saying we need I-69, are you

6 aware of other corridors that would be lacking

7 at this point in time?

8 MR. CARUTHERS: I'm not aware

9 personally of any of them. I have just heard

10 through various hearings around the country that

11 the Federal Highway Administration has had in

12 the past 15 years that there are some other

13 corridor coalitions that have expressed needs in

14 their area. I remember one in California, I

15 can't tell you what it was, but that's the only

16 other one I got any limited amount of

17 familiarity with.

18                   CHAIRMAN PETERS: And  
19 Commissioner Odland, when the interstate system  
20 was envisioned, there weren't as many as first  
21 were aware of corridors, and I-95 along the  
22 eastern seaboard right by California and a few  
23 others. But by and large, not. Because the  
24 independent interstate system in the simplest

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1 sense was to connect the country together. It  
2 was a connectivity issue. And so, the east/west  
3 routes were predominate interest. I know from  
4 working there, the so-called Canada which is a  
5 north/south link. Not at all unlike I-69 here  
6 in this area has not yet been completed. But it  
7 does not also qualify for any funding.

8                   MR. CARUTHERS: I think all  
9 this started with President Eisenhower when he  
10 was a Lieutenant or a Captain and conducted that  
11 convoy from Washington to California. And it  
12 took a couple of months. And Doug Brinkly's  
13 book covers that long journey in which he became  
14 aware. And then, of course, when he went to  
15 Germany and saw the Audubon during the war.

16                   COMMISSIONER ODLAND: No,  
17 that's all accurate and the federal highway  
18 system has been very well managed over the

19 years. But what I was trying to get to is,  
20 whether we think of it as having been planned  
21 and done. And maybe we shouldn't think of it so  
22 discreetly is what I was trying to fish for.  
23 And maybe we ought to think of it more  
24 dynamically and thinking of it not as being

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1 finished, and maybe we ought to augment the  
2 system and maybe do another plan. And I was  
3 just wondering whether you had any thoughts on  
4 that.

5 MR. CARUTHERS: Well, I just  
6 think that after your eight hearings you're  
7 going to have around the country, that you will  
8 have a good picture of what other area's needs  
9 are. But as far as the heartland of America,  
10 I-69 --

11 COMMISSIONER ODLAND: So as  
12 long as I-69 gets done, that's it, you're done.  
13 Okay.

14 MR. CARUTHERS: I have to tell  
15 you, I'm 77 and I've been working on this for 15  
16 years, so I wish you would hurry.

17 COMMISSIONER ROSE:  
18 Mr. Caruthers, this is a great example where we

19 got so many dispair parts of this corridor. And  
20 could you envision a process where the federal  
21 government is used its preemptive authority on  
22 environmental to allow projects to go through an  
23 expedited environmental review for anybody that  
24 wants to build it? The federal government is

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1 used to collect gas taxes and pass them back  
2 through the states, and then everything else is  
3 basically market-based. So if the free market  
4 can work, if there really is a free market  
5 demand to support the construction costs, then  
6 will be built. Is there -- do you think that  
7 the federal government has anymore goals than  
8 that?

9 MR. CARUTHERS: Well, it's  
10 just like anything else in the global trade  
11 picture. A state can't be expected to compete  
12 with a country. And I think our country has to  
13 take a part in everything, whether as some of  
14 the larger corporations this morning  
15 demonstrated that they have solved a lot of  
16 problems that they have. And I still think that  
17 in the global competition that it will take the  
18 national leadership of our government. And I  
19 see that that leadership in the highway business

20 may very well develop into something different  
21 from what it's been on the interstate program.  
22 But that will be determined by  
23 you, of course. But I just think that if  
24 anything is going to be expedited on such a

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1 grand nature as this, it will take the  
2 leadership of the Federal Highway Administration  
3 to make sure that it's not only expedited,  
4 maintained up to standards, that a common lease  
5 may be prepared with anybody that is a private  
6 investor. And there are all sorts of --

7 COMMISSIONER ROSE: I agree  
8 with all three of those points. And the last  
9 point then, who should pay?

10 MR. CARUTHERS: Who should  
11 pay?

12 COMMISSIONER ROSE: Right. I  
13 mean, there's two different models, right?

14 MR. CARUTHERS: That question,  
15 I hope, is going to be answered for I-69 by our  
16 pilot study. What sections of those 32 sections  
17 can actually justify a toll road, or how much  
18 public funds, either on the state bonds or  
19 federal gas tax or wherever it may come from

20 needs to supplement the construction. And I  
21 mentioned that bridge in Mississippi as an  
22 example of real rural area compared to a more --  
23 probably a productive monetary-wise between  
24 Houston and Memphis where there would be a lot

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1 of inner urban traffic using that highway.

2 That to say, we're going to  
3 wait for this pilot study. And I'm hoping that  
4 it will be expedited and that we won't let one  
5 state out of seven drag its feet and this thing  
6 will proceed.

7 CHAIRMAN PETERS: If I could  
8 address a question and maybe more so to the  
9 Commissioner and the Senator, but the others  
10 please come in as well. When the Trade  
11 Commission Committee made recommendations back  
12 in the 1950s for what is now the Interstate  
13 Highway System, it was very important for  
14 President Eisenhower that the governors -- state  
15 government and governors be involved in crafting  
16 those recommendations and deciding not only the  
17 system that will be built, but the funding  
18 mechanisms that would be used to build it.

19 My experience has been that  
20 those two bodies have not been at the table, so

21 to speak, in the past few years, especially as  
22 the program has been diverted to many other  
23 uses. I would be interested in your comments on  
24 whether or not -- whether or how we might be

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1 able to get the state governments and governor  
2 involved in this.  
3 MR. KISBER: I think it's  
4 critically important to have the partnership  
5 between the state and federal government as  
6 close as it can be when you're talking about  
7 something as important to our safety and our  
8 economy as our transportation network. And  
9 whether it is the -- where economic activity is  
10 taking place, where for in this heightened era  
11 of Homeland Security it makes the greatest sense  
12 in trying to move from natural disasters or  
13 other types of people in and around and out. I  
14 just think if we're going to be much more  
15 successful, if governors and their leadership  
16 teams are at the table in discussions on what  
17 the long-term infrastructure policy is going to  
18 be for our country and the respective states.  
19 So I strongly encourage reengaging the state  
20 leadership led by the government in those type

21 of policy decisions.

22 CHAIRMAN PETERS: Thank you.

23 MR. KISBER: I certainly

24 concur with Commissioner Kisber and Madam

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1 Secretary. I think it's important for that  
2 reason. And I also think it's also important to  
3 sort of bolster what I referred to earlier as  
4 the, you know, the notion of the state's  
5 sovereignty but the federal systems cooperative  
6 relationship. It might help sort of diffuse  
7 some of the current movement that we are  
8 beginning to see where they no longer look at  
9 this as an interstate system but some kind of a,  
10 you know, NAFTA super highway. There's a lot of  
11 pejoratives now that have been put out. And  
12 there's legislation and congressional  
13 resolutions that have been filed in Washington  
14 as recently as a month ago advocating that we  
15 quit building such highways. They're not  
16 referred to as interstates anymore. They have  
17 these different monitors.

18 And when I went back to my  
19 remarks about the federalism and state's right  
20 and autonomy, but increasing public awareness  
21 and education and urging the Commission in

22 office to take these a little bit seriously,  
23 that's sort of what I was eluding to. And I  
24 think that, Madam Secretary, that to the extent

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1 when you make sure that the governors and states  
2 are at the table on these projects, it might  
3 help to shed a better light on the realities we  
4 face.

5 CHAIRMAN PETERS: Thank you.  
6 Any other panelists want to comment on that  
7 issue at all? Great. Other questions? Let us  
8 now turn the table and give you an opportunity  
9 to ask any questions that you might have of us.  
10 We'll take that up at the break then.

11 Thank you again. Please, if  
12 the audience would join me in giving a round of  
13 applause for the panelists. We're scheduled now  
14 for a break. We'll reconvene at 3:15.

15 (WHEREUPON, A BRIEF BREAK WAS  
16 TAKEN.)

17 CHAIRMAN PETERS: Good  
18 afternoon. If we could reconvene. We have our  
19 fourth panelists that have been with us most of  
20 the day today. And we much appreciate you being  
21 here. We'll convene our last panel, and then

22 we'll take public comments following the last  
23 panels discussion. So, again, thank you for  
24 your perseverance in staying with us today.

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1 I'd like to introduce our  
2 fourth panelists as I have done here today.  
3 I'll introduce our fourth panelists now. And  
4 give you each an opportunity to make about a  
5 five minute statement, and then we will engage  
6 in dialogue and discussion. And we've got a  
7 very interesting panel this afternoon. Panel  
8 four is Surface Transportation Barriers and  
9 Solutions.  
10 Commissioner Gerald Nicely,  
11 Tennessee Department of Transportation.  
12 Commissioner, thank you very much for being  
13 here. Been Commissioner since January of 2003  
14 and has had the distinction of serving  
15 simultaneously in two state cabinet posts  
16 following his December 2005 appointment by the  
17 Governor to oversee the restructuring of the  
18 Tennessee Department of Safety. And according  
19 to the Governor's priority to attend the DOT,  
20 Nicely has worked to change the culture of the  
21 Department by increasing its credibility with  
22 the general public and local government,

23 developing a new transportation plan, ensuring  
24 compliance with all environmental laws and

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1 regulations, and screenwriting the project  
2 development process. Mr. Nicely joins us with  
3 more than 30 years of local government  
4 experience and a track record of successfully  
5 forging public/private partnership that help  
6 transform Nashville. He has served as the  
7 executive director of Nashville's Metropolitan  
8 Development and Housing Agency from 1979 to  
9 2002. Mr. Nicely grew up in Oak Ridge and holds  
10 both Bachelor's and Mater's degree in economics  
11 from the University of Tennessee. He is a US  
12 Army veteran and alumni of Leadership Nashville.  
13 Thank you so much Commissioner, for being here.  
14           Our second panelist is Scott  
15 Bennett of the Arkansas Department of  
16 Transportation. He is the assistant chief  
17 engineer for planning in Arkansas DOT and  
18 Transportation Department, joining the  
19 department in 1989. He has worked in the area  
20 of construction, planning, research and programs  
21 and contracts. Scott's current responsibilities  
22 include the Department's highways needs studies,

23 long range and financial planning,  
24 transportation program, environmental study, and

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1 information systems. He is a member of the  
2 AASHTO, the American Association of State  
3 Highway and Transportation Official,  
4 Transportation Futures Policy Committee, as well  
5 as the standing committee on Planning,  
6 Environment, Highway Transport, Traffic Safety,  
7 Rail and Public Transportation. A registered  
8 professional engineer in Arkansas, Scott has  
9 both Bachelor's and Master's degree in civil  
10 engineering from the University of Arkansas in  
11 Fayetteville. He was named University of  
12 Arkansas young engineer alumni of the year in  
13 2005. Scott, congratulations and thank you for  
14 being here today as well.

15           Dave -- let me not butcher  
16 your name.

17           MR. HUNERYAGER: You should  
18 have had to live with it all your life. I have  
19 a son, a daughter and a granddaughter who can't  
20 pronounce it either. It's Huneryager.

21           CHAIRMAN PETERS: I'm sorry?

22           MR. HUNERYAGER: Huneryager.

23           CHAIRMAN PETERS: Thank you,

24 Dave, for being here. Dave is the President and

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1 CEO of the Tennessee Truck Association and Trade  
2 Association representing over 500 trucking and  
3 allied support companies based in and outside of  
4 Tennessee. He has assumed his duty since July  
5 of 2004, has been actively involved as a member  
6 of the Tennessee Trucking Association for the  
7 last 13 years, and has served under the TEA  
8 board of directors, the executive committee, and  
9 served as chairman of the board in 1999. He  
10 serves as the executive vice president of the  
11 Tennessee Trucking Foundation. Prior to coming  
12 to the Association, he spent 28 years with  
13 Roadway Express. And the last 15 years of his  
14 career he served as district manager in  
15 Nashville, Tennessee, responsible for 25  
16 facilities and 1,700 employees in an eight state  
17 area. He graduated from Saint Joseph's College  
18 in Rensselaer, Indiana with a degree in  
19 economics. Dave, thank you for being here.

20 And our final panelist is Paul  
21 Ballard, CEO of the Nashville Network Transit  
22 Authority and vice president of the Tennessee  
23 Public Transit Association. Paul, as we

24 discussed, this is our first opportunity to

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1 bring planning to the table. So thank you so

2 much for being here.

3 Paul was appointed chief

4 executive officer of the Metropolitan Transit

5 Authority of Nashville in Davidson County in

6 January of 2002. He has served as CEO and

7 general manager of six transit systems,

8 including those in Saint Louis, Missouri and

9 Birmingham, Alabama. He has been president of

10 two national transit management firms and

11 operated or consulted on transit operations in

12 three cities and 19 states. Ballard holds a

13 Bachelor's of science degree in business,

14 transportation and public utilities management

15 from the Indiana University School of Business,

16 a Master's of arts degree with distinction in

17 public administration from Webster University in

18 Saint Louis, and has training in customer

19 service from the Harvard University Graduate

20 School of Business. Paul, thank you so much for

21 being here as well.

22 If we could turn to the

23 Commissioner to start.

24 MR. NICELY: Thank you, Madam

1 Chairman and the Commission. One of the  
2 problems today, the only downside is Dexter Monk  
3 (phonetic) sat me next to an Arkansas  
4 Razorback. And after last week you'll know.

5           Anyway, I appreciate the  
6 opportunity to be here today. And congratulate  
7 you on your dedication and advising of Congress  
8 with making the authorization of transportation  
9 and legislation. Our nation's approach to  
10 transportation planning during the interstate  
11 era has served us very well. In the public  
12 sector, we focused on building a state and  
13 highway network that provided the mobility for  
14 people and for freight that far exceeded the  
15 expectations of a founder of the interstate  
16 system.

17           Tennessee has been a great  
18 state between north and south and east and  
19 west. Certainly no coincidence that the  
20 legislation was co-sponsored by the great  
21 Senator Albert Gore. Our interstate system is  
22 another state which is based on the focus of the  
23 highway system's primary concern is the public  
24 investment in the transportation capacity.

1 Although transit systems have been a part of our  
2 public transportation investment since World War  
3 II, the highway network has been the primary  
4 focus of the State Department of  
5 Transportation.

6           It is this transition from a  
7 highway focus to a transportation focus that  
8 leads to my first suggestion. And I've heard  
9 this before today, that we must integrate  
10 highway planning and funding into a broader  
11 focus for our entire transportation network. We  
12 just completed our first comprehensive long  
13 range transportation project here in Tennessee  
14 that involves thousands of citizens across the  
15 state. The 25 year vision that emerged,  
16 includes all transportation modes needed to get  
17 growing -- to meet growing demands for personal  
18 mobility in the movement of freight. Recently,  
19 you've already received much input on this need  
20 for an intermodal approach, transportation  
21 planning and funding, including the clinical  
22 intermodal role played by Memphis. The  
23 integration of highway, transit rail, waterway  
24 and aviation planning is essential if we're

1 going to meet the demographic needs and  
2 development needs of the future. Recently, the  
3 Department of Tennessee hosted our first summit  
4 Class 1 railroad serving our state, including  
5 Burlington Northern Santa Fe Corporation, which  
6 is headed by Mr. Rose, one of the members of the  
7 Commission. The message from the summit was a  
8 clear mandate that we find creative ways to meet  
9 capacity and planning in both the rail and  
10 highway industries. We're also initiating our  
11 first ever waterways plan with the US Corps of  
12 Engineers, and we're hearing the same message,  
13 integrated waterway planning for the movement of  
14 freight and -- with highway and rail planning.  
15 The role of public transportation is growing in  
16 Tennessee. And throughout the nation I urge the  
17 Commission to do all it can to continue breaking  
18 down the traditional Holly versus Transit  
19 barriers that existed over the last decades.

20 My second recommendation is  
21 that we find creative ways to address the need  
22 for transportation resources which have become  
23 increasingly constrained. Mr. Bennett will  
24 certainly have more details to talk about, but I

1 would like to mention that the heavily reliance  
2 on fuel tax in both federal and state level is  
3 almost aggressive in funding transportation  
4 investments. Congressional earmarks for  
5 transportation projects were further eroded what  
6 funding is available. In Tennessee, for  
7 example, earmarks doubled from T21 to SAFETEA-  
8 LU. In fact, approximately one half of the \$515  
9 million in SAFETEA-LU earmarks for projects not  
10 included in our planning and programing  
11 priorities. Certainly, these earmarks in most  
12 cases, very worthy projects. But we would  
13 simply urge if we're going to have an earmarking  
14 process, that they be for projects that are  
15 within our planning processes and relate to our  
16 corps programs.

17 I also urge the Committee to  
18 consider the AASHTO position that the federal  
19 assistance continually directed to our corps  
20 programs.

21 My third recommendation is to  
22 meet our nation's transportation needs. We need  
23 newly created partnerships between the public  
24 and private sectors. Our efforts show that we

1 need to focus on transportation corridors of  
2 both cross and connecting Tennessee with  
3 national and international corridors. One  
4 project that's already emerging in this  
5 particular recommendation is the full analysis  
6 of the Interstate 40 corridor stretching from  
7 Memphis to North Carolina. This will require  
8 integration like traditional highway planning  
9 process with that of rail and trucking  
10 industries.

11           Finally, as we plan to invest  
12 our transportation systems, we must ensure the  
13 total involvement of a Committee that will both  
14 serve and impact by our transportation  
15 investment. When Governor Bredesen was a  
16 candidate in 2002, you heard a lot about the  
17 insensitivity of the Department of  
18 Transportation needs of the community. We have  
19 worked very hard to overcome that and developed  
20 new partnerships with communities and  
21 stakeholders, and we think we've established  
22 content sensitive solutions as a way of doing  
23 business with the Department of Transportation.

24           I also encourage the

1 Commission to support the joint AASHTO and FHWA  
2 task force recommendations on how transportation  
3 and planning and investment can include public  
4 elected officials and other stakeholders that  
5 address -- in reaching solutions that address  
6 needs without leading to needless lawsuits and  
7 disgruntled citizens who feel left out of the  
8 transportation decision-making process.

9           Again, thank you for the  
10 opportunity to present these remarks here today  
11 and participate in your hearings.

12           CHAIRMAN PETERS:  
13 Commissioner, thank you so much. Mr. Bennett.

14           MR. BENNETT: Madam Secretary  
15 and members of the Commission, it's a pleasure  
16 to come before you today to discuss a current  
17 transportation funding crisis facing the nation  
18 and our states. I agree with and appreciate  
19 Commissioner Nicely's comments concerning the  
20 intermodal approach to improving our  
21 transportation system. It is necessary that we  
22 consider all those together. Much of the  
23 freight movement through Arkansas travels on our  
24 highway system. And we have a strong trucking

1 industry in the state with companies such as  
2 Wal-Mart, Tyson Foods, J. B. Hunt that's  
3 headquartered in the state. And that's one of  
4 the reasons that we need to focus on highway  
5 improvements in the state. We all know that  
6 there's more to the funding problem than simply  
7 inadequate funding. It's the key to the  
8 integrity and long-term funding that the Highway  
9 Trust Fund be maintained and strengthened. Most  
10 reports show that the trust fund balance be  
11 negative in 2009, translating to the need to cut  
12 federal funding by as much as \$11 billion in  
13 2009 for the SAFETEA-LU authorized funding  
14 level. For Arkansas, the \$11 billion cut at the  
15 national level means approximately \$135 million  
16 cut at the state level, which is about 25  
17 percent of our state construction program.  
18 Similar consulting concerns are obvious, such as  
19 corresponding cuts in the construction program.  
20 Our reason for concern may not be as obvious,  
21 results from a focus on opportunities for  
22 innovative financing. Arkansas took advantage  
23 of one of these opportunities in 1999 by using  
24 guardian bonds for the interstate rehabilitation

1 program which improved 356 miles or just over  
2 half of our interstate system with a cost of  
3 just over \$1 billion. An extremely successful  
4 program. The repayment of those bonds is mostly  
5 through the commitment of our federal aid  
6 interstate maintenance funds. When the  
7 Department made the funding amendment, it was  
8 with the understanding that federal funds would  
9 continue to flow through the state at  
10 approximately the same rate that they flowed  
11 through the state in the past. While SAFETEA-LU  
12 did increase the overall size of the federal  
13 highway program, there was non-increasable need  
14 for the core program for Arkansas. This has had  
15 a direct impact on our ability to repay the  
16 guardian bonds using our interstate maintenance  
17 funds and the continue making much needed  
18 improvements to our interstate system. This  
19 impact will be exacerbated by any future  
20 reductions in the federal funds and by the  
21 interruption of flow of federal funds because of  
22 the delayed passes from the Appropriations Acts  
23 and the use of continuing resolutions. Because  
24 of the limited funding provided in the current

1 resolution, Arkansas cancelled the highway  
2 planning that was scheduled for today. If  
3 another short continued resolution is provided,  
4 the highway meeting scheduled for January is  
5 also in jeopardy. Upon receipt of our annual  
6 appropriation, our first priority must be our  
7 debt service. If an adequate uninterrupted flow  
8 of interstate maintenance funds is not provided,  
9 we'll be forced to use other federal and state  
10 funds and then there will be other needed  
11 projects not undertaken in a timely manner.

12           The secondary impact has to do  
13 with the continuing increase in construction  
14 prices. Last year alone, there was a 30 percent  
15 increase in construction costs that had a direct  
16 impact on our purchasing power. To give you an  
17 example, in 1977 with a \$100 million widening  
18 program, we could have funded 143 miles of  
19 widening improvements across the State. This  
20 year, with that same \$100 million, the  
21 Department could only construct 17 miles or just  
22 12 percent of what we could have accomplished in  
23 1977. The projects being delayed, potentially  
24 unsafe conditions will continue putting the

2 the improvements in a timely manner. Public and  
3 private partnerships have been proposed and  
4 often also as options for funding transportation  
5 improvements. We have examined the tolling  
6 possibilities in over 50 studies in the last 50  
7 years. And in Arkansas only 2 of 25 segments  
8 that we studied were appropriate for further  
9 consideration for tolling. Nineteen of those  
10 studies wouldn't even generate 20 percent of the  
11 coverage from tolls. Meaning that, they  
12 wouldn't even provide an adequate income for the  
13 normal match of federal funds. The toll is not  
14 physically attracted option, it's not likely it  
15 will be attractive for investment purposes for  
16 -- in a public and private partnership. This an  
17 issue that may be parts for the real estate such  
18 as Arkansas will face.

19           We do want to present to you  
20 today not just issues and problems, but some of  
21 the strategies that helped correct those  
22 problems. First, it's imperative that  
23 additional funds be directed to the highway  
24 trust funds. The current revenue source of

1 federal gasoline tax is inadequate as evidenced

2 by the reported shortfall in 2009. The growth  
3 and revenue from this tax is flat and is not  
4 keeping up with inflation. An increase in the  
5 gas tax is necessary to maintain integrity of  
6 the trust funds in the short term. For the long  
7 term, we must consider options such as indexing  
8 the gas tax and the sales tax on road user  
9 items.

10           Second, we propose that a  
11 number of categories in the programs be reduced  
12 to a reasonable number so that the state's can  
13 have true flexibility. Funding increases at  
14 SAFETEA-LU actually decreases in what we  
15 consider to be our discretionary funds. There  
16 are either projects and categories that we don't  
17 qualify for, funds that are impounded because of  
18 obligation limitation or funds that have been  
19 rescinded, I guess this has resulted in over  
20 half of the federal funds to Arkansas being  
21 essentially beyond our control.

22           Third, reduce the number of  
23 earmarks, something Commissioner Nicely  
24 mentioned. Nationwide, 10 earmarks in 1982 to

1 almost 6,400 in SAFETEA-LU. The result is that  
2 the gap between the total funds received by

3 Arkansas and other states and the funds of over  
4 which we have. Over which we have a discretion  
5 15 year growth. It's not to say that we're  
6 against all earmarks, but they do need to go  
7 through our planning process. And that's our  
8 final suggestion is, that the earmarking process  
9 needs to have the endorsement of the state  
10 departments of transportation. These don't need  
11 to be just local priorities that haven't been  
12 identified through our federally mandated  
13 planning process. As example, during our  
14 SAFETEA-LU reauthorization process, our  
15 department rested \$900 billion to the earmarking  
16 process. We received 400 billion. Two hundred  
17 million dollars of that were not for highway  
18 improvements. Of the \$200 million for the  
19 highway improvements, only \$100 billion came  
20 from our request.

21           Congress is essentially  
22 circumventing the federally mandated planning  
23 process and many times have to redirect other  
24 federal and state funds to fully fund those

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1 projects.

2           We have to talk about states

3 taking on more responsibilities. But with more  
4 responsibility, we have to have some incentive  
5 for award. Increasing the funds, reducing the  
6 number of categories. Making the remaining  
7 categories truly flexible, reducing the number  
8 of earmarks and returning the decision-making  
9 process to the states. We have to do what's  
10 right for the nation, the states, and the good  
11 of our share of transportation system. Thank  
12 you.

13           CHAIRMAN PETERS: Thank you so  
14 much, Scott. Appreciate that. Dave, please,  
15 come.

16           MR. HUNERYAGER: Thank you.  
17 Good afternoon. I really appreciate the  
18 opportunity to be part of this presentation  
19 panel today.

20           The trucking industry delivers  
21 69 percent of all freight tonnage in the United  
22 States. In Tennessee, the total percentage of  
23 all manufactured tonnage the trucks delivered  
24 rises to 81 percent. There are over 16,000

1 registered motor carriers and 225,000 commercial  
2 driver's license holders in the State of  
3 Tennessee. One in every 14 jobs in our State

4 are trucking industry related. Over the next 12  
5 years, the freight volume hauled by the trucking  
6 industry will increase by 30 percent. From 15.5  
7 billion tons in 2005 to more than 20 billion  
8 tons in 2017. This growth and the demand for  
9 trucking will put nearly two million more trucks  
10 on the road and truck miles traveled will rise  
11 by about 50 percent.

12           The trucking industry in the  
13 State of Tennessee paid 40 percent of all taxes  
14 and fees paid by all motorists while accounting  
15 for just 12 percent of the vehicle miles  
16 traveled in the state. The numerous truck  
17 driver service and the actual people who use our  
18 roads, Tennessee roads are consistently ranked  
19 among the top five best to drive on in the  
20 country. The credit for this goes directly to  
21 the Tennessee Department of Transportation.  
22 Their work with their road building partners in  
23 their diligence in maintaining the road system  
24 financed to a pay as you go system that has

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1 served us very well.

2           Given the projected population  
3 growth expected in our country and the actual

4 passenger miles that will result, it's difficult  
5 to envision how the current system could sustain  
6 the necessary level of mobility, safety, and  
7 reliability that our nation's economy has grown  
8 and depended on. But depend on it they do.

9           This evening you're going to  
10 witness a remarkable logistical accomplishment  
11 that takes place at FedEx's sort facility 24  
12 hours a day, seven days a week. It is one  
13 example of the highly sophisticated operation  
14 that takes place and freight docks, at  
15 warehouses, and at manufacturing plants  
16 throughout the nation. It's a process that  
17 saves our country hundreds of billions of  
18 dollars each year and its helped make American  
19 businesses the most productive and efficient in  
20 the world. It's a delivery system that is  
21 driven by the ultimate consumers expectation  
22 that he or she can get the product they want,  
23 when they want it, at a price they're willing to  
24 pay for it.

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1           I didn't realize that Pete was  
2 going to quote me this morning, but while there  
3 are variations on this just in time delivery  
4 theme, they all share a common thread. None of

5 it works without a reliable highway system, and  
6 when the highway system breaks down, these types  
7 of strategies cannot continue and our economy  
8 suffers as a result.

9           Today we are facing the  
10 on-ramp. We already starting to see rethinking  
11 of supply chain strategies due to reliability  
12 issues on the highways. We've heard several  
13 examples of that today. More and more  
14 manufacturers are building warehouse facilities  
15 closer and closer to their end-user. The  
16 trucking company is changing the way they  
17 operate to maximize their efficiency in serving  
18 that customer. The status quo for both of them  
19 is not an option. We need to find a way to deal  
20 with the immediate problems muffling our highway  
21 system and plan for future challenges. The  
22 trucking industry in Tennessee recognized the  
23 need to find additional revenues and maintain  
24 and expand the highway network. With respect to

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1 how these revenues should be collected, we  
2 believe that the source of funding must be  
3 reasonably uniform in application among all  
4 classes of users. It should be based primarily

5 on the extent of highway use. It should not  
6 provide opportunities for evasion. It should be  
7 inexpensive and simple to enforce and comply  
8 with, and it should not create barriers to  
9 interstate commerce. While the trucking  
10 industry in Tennessee is willing to consider  
11 other options, at the moment the fuel tax is the  
12 only source of funding that meets all of those  
13 criteria. Tolls, even electronic tolling are a  
14 less efficient rather than the method and causes  
15 highway users to chose which route to use based  
16 on cost rather than on safety or efficiencies.  
17 Privatization of toll facilities is an approach  
18 that does not address long-term highway needs.  
19 Leasing of a facility is inevitably accompanied  
20 by toll increases that essentially put toll road  
21 users in a position of subsidizing other  
22 transportation facilities or even unrelated  
23 government functions.  
24 We in Tennessee are not at all

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1 comfortable with the scenario that would  
2 inevitably replace profitability ahead of the  
3 public interest.

4 While I understand the  
5 Commission is looking for the long-term and

6 wants to come up with innovative solutions that  
7 would carry our transportation system into the  
8 next century, we are also confronted with  
9 challenges that require immediate attention and  
10 whose solutions are quite apparent. We urge you  
11 to recommend over the short and immediate term  
12 and targeted federal program that addresses the  
13 most troublesome bottlenecks in our nation's  
14 critical highways funded by an increase in the  
15 federal fuel tax. That's a simple and effective  
16 approach for our most pressing needs over the  
17 next couple of decades. Thank you.

18           CHAIRMAN PETERS: Thank you so  
19 much. Paul, please. We've heard a lot of about  
20 the logistics of goods moving today, tell us  
21 about the logistics of people movement.

22           MR. SMITH: Thank you, Madam  
23 Secretary and members of the Commission of  
24 public transportation. I appreciate you

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1 inviting us to participate in these proceedings  
2 today. We like to think of ourselves as the  
3 glue that holds everything else together.  
4 Without the transportation, so many of the  
5 employees and the witnesses we've heard from

6 today would not be able to get to work.

7 I'm here today representing

8 the Tennessee Public Transportation Association,

9 an organization that represents providers and

10 users of public transportation services which

11 are provided in all 95 counties in the state of

12 Tennessee. In addition to my duties at the

13 Metropolitan Transit Authority, I also represent

14 Governor Bredesen on the Board of Directors of

15 the Regional Transportation Authority where I

16 serve as Chairman of the Commuter Rail

17 Committee.

18 Public transportation in

19 Tennessee is booming. New bus transit systems

20 have opened or are opening in several cities,

21 including Franklin, Murfreesboro, Sevierville,

22 and Morristown. New rail services have opened

23 in Memphis and Nashville, including Tennessee's

24 newest rail service, Nashville's Music City

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1 Star, the first of several commuter rail runs

2 planned for middle Tennessee. This service

3 began on September 18th and served six stations

4 between Nashville and Lebanon, Tennessee. Which

5 is 32 miles east of Nashville. This route

6 parallels a crowded Interstate 40 and is winning

7 new riders every day. MTA bus can quickly  
8 provide the final link to work or play for the  
9 commuters.

10           World transportation in  
11 advance services to the elderly and persons with  
12 disabilities are the fastest growing segments of  
13 the services we provide. In Nashville, we are  
14 seeing a 30 percent annual growth in passenger  
15 trips on our services with people with  
16 disabilities. MTA's overall ridership has  
17 increased from less than seven million in fiscal  
18 year 2005, to over eight million in fiscal year  
19 2006. All of this growth and progress in bus,  
20 rail, and rural transportation is a direct  
21 result of the three six-year transportation  
22 bills starting with -- through 1991, TEA 21 in  
23 1998 and now SAFETEA-LU in 2005. The  
24 coordination and joint planning these three

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1 bills require have focused attention on the  
2 contributions of public transit and other  
3 alternative forms of transportation can make to  
4 break down the barriers to effective Surface  
5 Transportation activities.

6           Unfortunately, while the funds

7 provided under the federal legislation are  
8 increasing, the demands for services and the  
9 cost to provide those services are far outpacing  
10 the available federal funds. Our fuel cost as  
11 an example, at the MTA have increased at an even  
12 greater rate than our ridership. And we have  
13 increased our line item budget for the current  
14 fiscal year budget for fuel by \$1.4 million,  
15 that's just the increase to an all time high of  
16 \$4 million or more than 10 percent of our  
17 operating budget.

18           The projected downward trend  
19 and the cash balance available in the mass  
20 transit account of the Highway Trust Fund is  
21 particularly troublesome, as even the basic  
22 funding we have found on which has been written  
23 into law might not be available. While efforts  
24 are underway to convince our state legislature

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1 to increase funding for public transportation,  
2 that revenue source has been largely status quo  
3 for the last two years. Commissioner Nicely and  
4 his staff have worked very closely with us in  
5 the state association to provide an additional  
6 support for public transportation. However, the  
7 jury is still out on the results of those

8 efforts.

9           Public transportation

10 providers in Tennessee have responded to these

11 fiscal pressures in a variety of ways. The

12 traditional approaches of raising affairs and

13 eliminating the services are ongoing. This has

14 resulted in passengers having to stand on some

15 bus routes and in some cases, turning passengers

16 away from crowded buses. It's also encouraged

17 that we were creative in pricing and selling our

18 services. New partnerships with governmental

19 entities and private institutions have resulted

20 in new revenues and new passengers. As an

21 example, the State of Tennessee now pays for all

22 of its employees in the state capitol to ride

23 buses to work and MTA sends one invoice at the

24 end of the month to the state government for all

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1 our ridership. On the capital side, metro

2 national government has been paying almost 100

3 percent of the cost of the rolling stock for the

4 past few years. One hundred new full size buses

5 have been bought with local funds of almost \$28

6 million because federal and state funds have not

7 been available for that purpose. In the current

8 fiscal year 2007 capital budget, metro will once  
9 again be paying for all of the costs of new  
10 buses and include \$640 million for these capital  
11 items. Those buses will most likely be hybrids  
12 and will join other alternate fuel vehicles in  
13 the state's transit fleet including biodiesel in  
14 Nashville, Knoxville, and Franklin from electric  
15 battery powered vehicles.

16 In closing, I encourage this  
17 panel to recommend the substantially federal  
18 funding for service transportation so not only  
19 the projected funding gap can be bridged, but  
20 the available funding can be expanded to allow  
21 public transportation services to grow at least  
22 as fast as the demand for them. I believe that  
23 future funding growth in the Highway Trust Fund  
24 and its mass transit account should be

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1 accomplished through any combination in the  
2 fall. Indexing the federal tax and motor  
3 vehicle inflation, encouraging innovative  
4 financing mechanisms including private and  
5 public partnerships, tolling, congestion  
6 charging, and preserving the guarantees to all  
7 funds authorized by SAFETEA-LU are, in fact,  
8 invested in transportation improvements. Thank

9 you once again for the opportunity to offer my  
10 thoughts on this important matter. I look  
11 forward to addressing along with my fellow panel  
12 members any questions you might have.

13 CHAIRMAN PETERS. Paul, thank  
14 you so much. And thanks to all the panel  
15 members for your presentations. I now open it  
16 up the Commission for questions for the  
17 panelists.

18 COMMISSIONER ROSE: If I could  
19 use your first name, Dave.

20 MR. HUNERYAGER: Yeah. That's  
21 fine.

22 COMMISSIONER ROSE: Dave, if  
23 all of Paul's buses become hybrids and all the  
24 nation's cars become hybrids, how do we deal

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1 with the taxing them on just the gasoline tax?  
2 Obviously it won't be representative and it's  
3 not going to happen for a long time, but at some  
4 point in time it will definitely work, right?

5 MR. HUNERYAGER: I agree with  
6 that. And I tell you one of the things that the  
7 trucking industry is doing in the state of  
8 Tennessee. We work closely with the air board,

9 and as a matter of fact, I'm on a diesel working  
10 group that helps with working through a lot of  
11 those particular issues. I recognize the loss  
12 of that, and as I said, I think we would be  
13 willing to evaluate other funding mechanisms.  
14 My personal opinion is that the fuel tax is the  
15 way to deal with it right now. But I understand  
16 it's going to be a short fall. I know  
17 Chattanooga has gone to it, Knoxville has gone  
18 to hybrids. Many of the, Commissioner, many of  
19 the DOT vehicles are going that way, too. We've  
20 seen an awful lot of movement in support of  
21 alternative fuels in our state. And we've been  
22 a part of that. I think we recognized that  
23 there would be a short fall and some other  
24 mechanism to make that up.

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1 COMMISSIONER ROSE: Then the  
2 other question I have. In your five points in  
3 respect to the revenue, not making sure it's  
4 inexpensive and simple to enforce, not barriers,  
5 highway usage, at the end of the day, do you  
6 believe the trucking industry ought to pay for  
7 their fully allocated costs?

8 MR. HUNERYAGER: We do now.

9 COMMISSIONER ROSE: Pardon me?

10 MR. HUNERYAGER: I think we do

11 now.

12 COMMISSIONER ROSE: Whatever

13 mechanism you feel like the trucking industry

14 ought to pay fully for their cost that they

15 bear?

16 MR. HUNERYAGER: When you look

17 at just the state of Tennessee alone, we pay 40

18 percent of the taxes and user fees in the state

19 of Tennessee as it is now, and only travel 12

20 percent of the miles. I think we pay a fair

21 share of it now. So I guess the answer would

22 be, yes.

23 COMMISSIONER ROSE: Fair share

24 and fully allocated cost are two different

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1 things. I'm just trying to make sure -- when we

2 think about it, who should pay for all this

3 stuff? You can make an argument with it just

4 like on the trade side, the government ought to

5 just pay for it, just to pay for it, right? And

6 we could make an argument that one of the great

7 part of our economy is global trade and the

8 federal government ought to pay for the

9 infrastructure. You make another argument on

10 the other spectrum that really to get down to  
11 very activity based costs in terms of who is  
12 traveling and adjust the price of -- I'm just  
13 trying to understand where you guys sit on this.

14 MR. HUNERYAGER: I think where  
15 we sit is, you know, we've certainly have made  
16 our -- we certainly paid our way as we've gone  
17 along the first 50 years. I think we could  
18 continue to do that and be interested in, you  
19 know, paying an additional. At least our  
20 position, we would add to the federal fuel tax.

21 COMMISSIONER ROSE: Okay.  
22 Thanks.

23 COMMISSIONER ODLAND: I can't  
24 believe you didn't say allocated to the rail

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1 costs.

2 MR. HUNERYAGER: We're one of  
3 his biggest customers.

4 COMMISSIONER ROSE: They are  
5 our biggest customer.

6 MR. HUNERYAGER: Twenty years  
7 ago, rail and road were like this. But they  
8 view us as are -- we are their best customers.  
9 And trucking companies can make -- can be  
10 profitable by running traders on the rail. And

11 it would not be a win-win sit -- it would not be  
12 going the way it is, that relationship would not  
13 be where it is today was it not a win-win  
14 situation for both parties.

15           COMMISSIONER ODLAND: Just to  
16 follow-up on the gas tax. Back to the gas tax  
17 for a minute. I mean, it would seemingly be a  
18 long time before hybrids took over and albeit  
19 the need for gas, right? So part of it is the  
20 short run, you know, you could still do it. But  
21 in the long run, wouldn't you be able to cover  
22 the needs if we shifted to a per unit per  
23 vehicle tax rather than using the gas tax?

24           MR. HUNERYAGER: I don't -- I

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1 really don't know how that would impact us here  
2 in Tennessee. I have not looked at that.

3           COMMISSIONER ODLAND: Would  
4 the trucking industry support going to a vehicle  
5 tax, essentially, rather than gas tax, which is,  
6 you know, obviously hit the trucks harder, I  
7 think, than cars.

8           MR. HUNERYAGER: We've  
9 certainly been hit pretty hard as it goes now.  
10 Again, in Tennessee, we have not -- you know, we

11 have not taken a position on that, either. So  
12 we're just -- our position here is -- our  
13 support is for increase in the fuel tax. I  
14 guess I'm trying to -- I've seen a lot of  
15 different presentations here today go from a  
16 40,000 foot level to a 20,000 foot level to a  
17 10,000. I guess where the rubber meets the road  
18 for us is interstate Tennessee we would like to  
19 see it, you know, be dealt with it from a fuel  
20 tax issue.  
21           COMMISSIONER ODLAND: And,  
22 Scott, you said the same thing that the fund  
23 needs to be funded essentially. And do you --  
24 what's your view on gas tax versus other sources

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1 of revenue?

2           MR. BENNETT: In the short  
3 term, I agree that the gas tax is the way to  
4 go. We've got a crisis that's coming up in just  
5 a matter of a couple of years. That's the best  
6 way to fully fund SAFETEA-LU. In the future,  
7 something different is going to have to happen.  
8 In Arkansas, I'll give you an example, the state  
9 gas tax has grown at about 1.4 percent a year,  
10 meaning our revenues really are growing at about  
11 1.4 percent per year. Construction costs index

12 has been growing at about six percent a year.  
13 So it's not keeping up. In the future, if more  
14 go to hybrids, which is really is long-term, we  
15 would have do give consideration to a mileage  
16 base fee. I know the organ part of the  
17 transportation is conducting a pilot program  
18 with that right now and it will have a lot of  
19 refinements. Indexing may work for a little  
20 while. But, eventually, you'll price yourself  
21 out of the market. I think some of the states  
22 that have indexing saw that in only this last  
23 year when gas prices really started to rise.  
24 They started to consider doing away with their

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1 indexing just because the price gets so high.  
2           The one source that seems to  
3 keep up with inflation is sales tax. In  
4 Arkansas, we have been talking about the sales  
5 tax on new vehicles. It's a direct road user  
6 related fee. It's something that does keep up  
7 with inflation. It's something that grows a lot  
8 more over time. I don't know what the  
9 feasibility of that is at the federal level, but  
10 most states have some sort of sales tax and it  
11 does keep up with inflation a little bit better.

12 COMMISSIONER ODLAND: But go  
13 over to tolling now. You said tolling won't  
14 work, you've done the studies and so forth. But  
15 realistically, you ask people if they want a  
16 toll and they say, no. I mean, we heard that  
17 earlier, it's just human nature, right? I mean,  
18 let's hope that they don't add anymore costs.  
19 But at the same time those can control all your  
20 highways. I mean, what are they going to do?  
21 So why couldn't it work?

22 MR. BENNETT: The issue really  
23 is the issue of up front cost. And I'll give  
24 you an example. If we have a \$100 million

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1 project that we have to build, you have to have  
2 all \$100 million up front to be able to build  
3 it. If tolls are only going to cover 20 percent  
4 of the costs, you're only going to get be able  
5 to bond \$20 million of that \$100 million that  
6 you need to build that piece of road. So you  
7 still have to come up with \$80 million up front  
8 of your own money. And it's not there. That's  
9 the real issue, it's not there. You're talking  
10 about longer corridors that are higher costs.  
11 And if tolls don't cover a substantial amount of  
12 the construction costs, then they're not really

13 feasible because you don't have the up front  
14 money to build it.  
15           CHAIRMAN PETERS: Steve, could  
16 I maybe jump in this conversation a little bit.  
17 I think what was done in Indiana and Chicago was  
18 leveraging the asset value, the infrastructure  
19 value and obtaining up-front payment and using  
20 that for roads that might not be able to pencil  
21 out on their own. So, basically, you're  
22 leveraging the asset value which hadn't been  
23 done much in the United States. Which has only  
24 been done in New York and Australia and New

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1 Zealand. What are your thoughts on that? And  
2 Scott, I want to pin you down first and the rest  
3 of the panel as well. Leveraging the asset  
4 value?  
5           MR. BENNETT: And that's a  
6 possibility and it's something that we discussed  
7 recently. We told them our situation for  
8 Interstate 69, for Interstate 49. Interstate 69  
9 is going to cost almost \$2 billion in Arkansas  
10 to build. Interstate 49 will cost almost that  
11 much, about a billion and a half dollars to  
12 build. We gave them traffic numbers, we gave

13 them the results of our previous toll study, and  
14 we gave the cost figures. And their response  
15 was, you probably need to hire a financial  
16 advisor. They weren't really interested because  
17 you would have to charge such high tolls to  
18 really give them any value to make them  
19 interested in being -- us being able to leverage  
20 that future value of that corridor.

21 MR. HUNERYAGER: If I could  
22 piggyback on what Scott was saying. I talked to  
23 Lane Gage (phonetic), who's the Arkansas  
24 director of the association. The coalition is

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1 looking at I-49 tolling trucks at 62 cents a  
2 mile. Well, if you convert that, or if someone  
3 is running six miles to a gallon, the equation  
4 is about \$3.60. Fuel tax in Tennessee is about  
5 under 19 cents. That's about a buck twenty. So  
6 it's three times the cost for someone to run on  
7 a road. And if you've got road capability like  
8 we do in the State of Tennessee, that -- we  
9 talked about those 16,000 motor carriers  
10 earlier, 85 percent of those motor carriers have  
11 five trucks or less. It comes down to a cost  
12 decision for them, whether or not they're going  
13 to stay in business. And if you got road

14 capability like we have in the State of  
15 Tennessee, and you toll an interstate that has a  
16 road that someone can run on right next to it,  
17 that operator is going to run on that road next  
18 to it. He's not paying a toll. He's going to  
19 make that choice to go off that road. And that  
20 brings in a complete different set of  
21 circumstances from a safety standpoint, from a  
22 eventual maintenance standpoint. Commissioner  
23 Nicely and the folks would have -- those roads  
24 weren't built for trucks. The interstates were

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1 built for trucks. They would certainly be cost  
2 prohibitive. That amount of money per mile to  
3 run.

4           COMMISSIONER QUINN: Just in  
5 response to Commissioner Odland's question that  
6 he asked about cost of vehicle or trucks.

7 Basically, the registration fee that only exists  
8 has a lot of zeros in it. I'm not --

9           CHAIRMAN PETERS: It's not big  
10 enough is it, Gerald?

11           COMMISSIONER QUINN: That  
12 already exists. That's already there in the  
13 registration.

14 COMMISSIONER ROSE: What do  
15 you make when you all look at the differences  
16 for Tennessee and Arkansas of the -- you know,  
17 the federal matches a little different by each  
18 state. The state taxes are dramatically  
19 different across the country. What do you make  
20 of that? When you see somebody like California  
21 and their state fuel tax verse perhaps Arkansas  
22 or Tennessee, what's striking about that?

23 MR. BENNETT: Well, I think  
24 the fuel tax is only one part of the puzzle. If

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1 you compare just fuel taxes only, that's true.  
2 There are a lot of states that have dramatically  
3 different fuel taxes. The thing that you have  
4 to consider is, what other sources of revenue  
5 they have that they're using for highway  
6 improvements. Some states do have toll roads  
7 that are very successful toll roads. They  
8 actually generate excess revenue. They're using  
9 that excess revenue to build more roads. Some  
10 states have gaming. Mississippi, for instance.  
11 There are a lot of different things. Some  
12 states do get some sort of general fund. Some  
13 sort of sales tax. Some states have more volume  
14 capacity. So it's not just the fuel tax that

15 you have to look at. I think you have to look  
16 at the whole picture of all the sources of  
17 revenue that are available to the different  
18 State Department's of Transportation. That's  
19 one thing that's tough on us, because the first  
20 thing that our state legislature will do is  
21 compare our rates to the surrounding states.  
22 Not necessarily nationally, but the surrounding  
23 states. I mean, we want to stay competitive  
24 with the surrounding states. We don't want to

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1 price ourselves out of the market. We don't  
2 want to make trucks travel, you know, 100, 200,  
3 300 miles around just to avoid coming through  
4 Arkansas. But we're not fortunate enough to  
5 have any other source of revenue, state revenue,  
6 other than gasoline tax, diesel tax, and a small  
7 enough vehicle registration fees. So I think  
8 that's it. You have to consider all of the  
9 sources of revenue and not just the fuel tax.

10           CHAIRMAN PETERS: Paul, if I  
11 could ask you, I'm looking at alternative  
12 funding sources for transit. Perhaps from your  
13 experience, what's some of the other  
14 organizations are doing for transit funding

15 aside from the funds that come through the

16 federal gas tax?

17 MR. SMITH: Well, I think the

18 answer to that is that the different numbers and

19 transit systems in the country. And a lot of

20 local jurisdictions have developed different

21 approaches. For example, when I was in

22 Birmingham, when I would welcome a convention to

23 town and speak about transportation, I would

24 encourage them to drink plenty of beer while

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1 they were in town because transit got a portion

2 of the beer tax. So it varies from location to

3 location. But I think what we've done in

4 Tennessee and Nashville in particular is, we've

5 tried to be more creative in generating

6 additional revenue. For example, I think the

7 partnerships that we formed in the public and

8 private partnerships, we have institutions like

9 Vanderbilt University and Belmont University,

10 where they pay us or they pay for their

11 employees to use public transportation services,

12 just like I described with the State

13 Government. Vanderbilt University pays for

14 about 48,000 trips a month for their faculty and

15 staff and employees to ride the buses. So that's

16 a nice revenue source for us. We've had the  
17 ability and capacity, so we've been able to  
18 generate that. We've done the same with the  
19 Belmont University and they also pay for their  
20 students. So I think every location just tries  
21 different things. Whatever works locally.  
22 We're trying to do actually a little consulting  
23 on the federal process for some of the other  
24 institutions. Nashville generates some revenue

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1 that way. So there are a lot of different  
2 approaches.

3 CHAIRMAN PETERS: Trans  
4 Gordian development, is that anything that  
5 you've seen used successfully?

6 MR. SMITH: Trans Gordian?  
7 No, it's something that's really coming to  
8 Tennessee. And I think we'll see that with our  
9 first rail line that we just put into service in  
10 Nashville. We're seeing some very good interest  
11 from the developers at the station sites. Some  
12 of the property is owned by the regional  
13 transportation authority and we'll make that  
14 available to the developers who'll share their  
15 revenue with us. That will then be put back

16 into supporting public transit services and  
17 commuter rail. And we're really just on the  
18 start of that at this point.

19 CHAIRMAN PETERS: Thank you.

20 COMMISSIONER ROSE: Scott, go  
21 back to I-69. If you don't -- if you can't toll  
22 it, and if you can't raise the State gas tax to  
23 pay for it, should it be built?

24 MR. BENNETT: That's a good

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1 question. It's a very good question. I'll say  
2 this, if Mr. Caruthers said he's 77 and been  
3 working on I-69 for 15 years, I'm 40 and I've  
4 been working on it for 15 years. That's a case  
5 where I think you have to consider it on a  
6 national level and not just a state by state  
7 level. If you look at just the section from  
8 Memphis to Shreveport that goes right through  
9 southeast Arkansas, right through the Delta  
10 region, there wouldn't be much use. There  
11 wouldn't be enough toll revenue to cover the  
12 cost of it. Where it begins to be feasible is  
13 when you bring in the traffic from Canada, from  
14 Michigan, all the way down to Texas and all the  
15 way to Mexico. Our studies have shown that the  
16 benefit cost ratio of building I-69 is 1.57.

17 1.57 dollars in economic benefit for every  
18 dollar that we spend on it. That's from the  
19 national level. The problem gets to be, you  
20 have to break it down to the state level to be  
21 able to pay for it. Most of the traffic that  
22 will be using I-69 in Arkansas won't be  
23 generated in Arkansas. Probably won't be  
24 destined for Arkansas. It will be through

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1 traffic that will take a lot of congestion off  
2 of other routes. From that standpoint, we have  
3 to look at it from a national perspective. But  
4 then we have to work on a grievance with the  
5 states. I mean, we have to look at Indiana and  
6 say, well, your portion is more than feasible,  
7 so if you can toll it and generate excess  
8 revenue, we can toll our portion and we can  
9 apply your excess revenue to what we can't  
10 cover. That becomes difficult among the states  
11 because we are independent and we do have some  
12 independent needs. But that's what it's going  
13 to have to take is an effort of all the states.  
14 And that's what it's taken to get it this far.  
15 We're the lead state in an eight state steering  
16 committee that's been able to get the

17 development on I-69 this far so far. But the  
18 next step is the really important one. You  
19 know, it's relatively inexpensive to conduct  
20 planning studies and environmental studies and  
21 design. When you get to building it is when the  
22 fighting starts. And, yeah, we'll get an  
23 earmark for I-69 that's \$50 million. When it  
24 comes to us, we have to work with the other

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1 states to distribute it. We all fight about who  
2 gets how much money. Because we all have our  
3 independent needs. And I think we're going to  
4 have to break down those state barriers to be  
5 able to build I-69 from Indiana all the way to  
6 Mexico. It's not going to be easy.

7           CHAIRMAN PETERS: If I can go  
8 back, Gerald, to one of the comments that you  
9 made earlier about integrated multi-modal  
10 planning and funding. And I certainly agree  
11 with you when I sat in a role like yours. And  
12 one of the frustrations was the kind of money we  
13 got and the category or the allocation of money  
14 directed where it had to be spent. It wasn't  
15 necessarily where you wanted it to be spent, but  
16 the money had to be spent based on funding  
17 guidelines. And we have attempted to break

18 those down in the near term, but they still  
19 exist. If -- how would you describe a  
20 successful multi-modal planning and funding?  
21 Where money could be entirely legible based on  
22 the highest and best use, or what would you  
23 say?

24 MR. NICELY: Well, what we're

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1 trying to do now in terms of our knowing our  
2 planning but actually our presentation of the  
3 legislature every year now, we go into rather a  
4 traditional list of highway plays. We go in  
5 with a multi-modal three year program and we try  
6 to fund it within the funding available.

7 I would like to go back a  
8 minute and talk about the indexing thing that  
9 Scott talked about. There's an option as to the  
10 indexing to the gas price itself. The other  
11 option would be the index to the standard  
12 measure of inflation, such as the true price  
13 index which should overcome that problem of the  
14 volatility so quickly pricing yourself out of  
15 the market. I think that's something that's  
16 certainly worth considering. I think they have  
17 cost in Florida they've tried that.

18 COMMISSIONER ODLAND: Let me  
19 just -- I started talking about this earlier  
20 this morning, I don't know if y'all were here,  
21 but we're tasked with developing a strategic  
22 recommendation for the future and recommending  
23 sources of a funding for that. So, you know, if  
24 we came forth, let me try this on you from a,

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1 you know, federal standpoint and how the states  
2 would react to it. If we came forth with a  
3 strategic plan that said there needed to be  
4 north/south corridors on the west coast, east  
5 coast up the I-69 corridor, and then east/west  
6 corridors across the top of the country, the  
7 middle of the country and the southern tier of  
8 the country. So you see this grid system, it's  
9 set out, and we say these are federally  
10 designated transit corridors that we want to  
11 support development of multi-modal  
12 transportation. And then you have nodes on that  
13 development, and we're going to develop the  
14 plans that the nodes ought to look like this.  
15 Forget about how we fund all this for a minute.  
16 But that sort of scheme, you know, laid out that  
17 looks like something that nets the country  
18 together, gets to the ports, gets, you know,

19 connects rails and so forth. So if the federal  
20 government came out and said, this is a plan,  
21 which is almost a new interstate highway system,  
22 it's almost as futuristic as the interstate  
23 system was in 1956. What would be the reaction  
24 of the states to that? Because there's going to

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1 be some states to which this thing could run and  
2 some states through which it wouldn't. How  
3 would you see all of that playing out now in the  
4 process?

5 MR. NICELY: Well, I think,  
6 personally that would be a very good approach.  
7 That's actually what we're trying to do in  
8 Tennessee is actually look at corridors and just  
9 like you say the north/south, east/west  
10 connection, the two main that we're looking at  
11 right now is I-75 and I-40, and trying to tie in  
12 the trucking and the rail and the highway  
13 improvements as well. So I personally think it  
14 would be a very good.

15 MR. BENNETT: And we're the  
16 same in Arkansas. We developed what we call the  
17 Arkansas property and highway network. We got  
18 16,400 miles of highway, which is the 12th

19 largest highway system in the country. It's  
20 really too much for a state the size of Arkansas  
21 to really be able to handle. So we have focused  
22 on that grid system, the north/south,  
23 east/west. And we're saying those need to be  
24 our priorities. So it makes sense from a

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1 national level, too.

2           The other side of that, if  
3 they don't come through Arkansas, then our best  
4 option is to connect some of our priority  
5 corridors to those, then that becomes our  
6 responsibility. You know, the bigger picture  
7 for the nation is the more federal  
8 responsibility. How we connect to those then  
9 becomes our responsibility.

10           COMMISSIONER ODLAND: Would  
11 you align to a federal approach to leadership of  
12 this vision? In other words, you know, you  
13 can't possibly fund all of this with federal  
14 dollars. You can't possibly develop all the  
15 right-of-ways, necessarily. So I know this  
16 isn't practicality. Somebody's got to take a  
17 leadership role in describing what the future of  
18 this country is going to look like, right?

19 Would you agree that that's a role that's worthy

20 of the federal government?

21 MR. BENNETT: Absolutely.

22 COMMISSIONER ODLAND: And

23 then --

24 MR. HUNERYAGER: Dave, could I

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1 comment? To a certain extent, we already deal  
2 with something like that as the corridor system  
3 exists now. Part of Commissioner Nicely's long  
4 range transportation was a freight study. And  
5 fully 70 percent of the truck tonnage that uses  
6 the interstate system in the state of Tennessee  
7 is just passing through. It's just doing that.  
8 It's just using it. So that -- the state of  
9 Tennessee really is dealing with that scenario  
10 from a, at least from a local level already.  
11 Does that make sense?

12 COMMISSIONER ODLAND: Yeah.

13 MR. HUNERYAGER: Because  
14 you're talking about designing a new one. Well,  
15 the existing one, this is a state that deals  
16 really if you call it this way, 70 percent of  
17 somebody else's -- 70 percent of the truck  
18 traffic is causing problems that we're having to  
19 deal with.

20 COMMISSIONER ROSE: I think  
21 that's really different in the state though.  
22 MR. HUNERYAGER: I'm guessing  
23 from a geographic standpoint with the interstate  
24 coming through. Tennessee is probably one of

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1 the largest with that.  
2 MR. BENNETT: And we think  
3 Arkansas is pretty close.  
4 MR. HUNERYAGER: Maybe I'm  
5 not.  
6 COMMISSIONER ROSE: We were in  
7 California, what you hear the California folks  
8 say, listen, we don't consume these containers,  
9 the people in Ohio do, the people in Tennessee  
10 do. It's everywhere I travel I get the same  
11 thing.  
12 MR. HUNERYAGER: My point, I  
13 think we're dealing with that perspective now.  
14 And I guess the answer would be it doesn't  
15 appear to be working as well as it did.  
16 COMMISSIONER ODLAND: Okay.  
17 Dave, let me finish this dream here. So you've  
18 got these corridors up. Now, let's pretend  
19 they're giant conveyer belts, they're not  
20 highways or rails, or waterways. They're just

21 two-way conveyor belts and anyone can put a  
22 container of some sort on this conveyer belt and  
23 it just gets spun around out there like at FedEx  
24 at night and it just comes and spits out. Okay.

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1 So, you know, you got to dream. I live in  
2 Florida, it's Disney World. But as part of that  
3 dream though, you got to have a consistent unit  
4 of measure. You need an operating system that's  
5 consistent across, you know, to run -- you need  
6 to get a standardized unit. A 40 foot container  
7 doesn't work with the current trucking  
8 situation, right? And it doesn't work with the  
9 current rail situations. Rail standards are  
10 different, da, da, da, da. But you got to get  
11 to that and you say, well, let's design. I  
12 don't like the 40 foot container because it  
13 doesn't work in a lot of ways, but the rest of  
14 the world seems to have gotten used to it. And  
15 so, therefore, if we're in a global economy  
16 that's kind of the way it is. So can -- do you  
17 think the trucking industry could adapt to a 40  
18 foot container standard so that, you know, you  
19 could modulate this thing. What would have to  
20 happen to make that work?

21 MR. HUNERYAGER: I'm just  
22 thinking about the trip I made from Nashville  
23 over here to Memphis this week and the number of  
24 different types of equipment that are out

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1 there. It would be a very difficult effort. I  
2 think about running a 40 foot container down  
3 Beale Street or downtown Manhattan, downtown  
4 Nashville.

5 COMMISSIONER ODLAND: Yeah,  
6 but these things don't happened over night.

7 MR. HUNERYAGER: I think what  
8 it depends on is how close you can get those  
9 nodes to the end user. Eighty-one percent of  
10 the truck -- the manufacturer tonnage in the  
11 state of Tennessee is delivered by truck. There  
12 are not railroads in -- up on the plateau.  
13 There are not rail yards up in New Tazno. Not  
14 rail yards in a lot of different cities. The  
15 nodes really have to be close to the end user to  
16 really -- then I think it could create a  
17 different type of different vehicle from there.  
18 Maybe it's --

19 COMMISSIONER ODLAND: So  
20 you're saying the last mile is dealt with rather  
21 than, you know, the --

22 MR. HUNERYAGER: You have to

23 focus on the output.

24 COMMISSIONER ODLAND: But you

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1 could pull doubles and stack them --

2 MR. HUNERYAGER: True.

3 COMMISSIONER ODLAND: So I'm

4 just trying to see how willing, you know, the

5 various players are to play in this. Because in

6 order to get to something that works for

7 everybody, everybody's got to give.

8 MR. HUNERYAGER: I think the

9 willingness that the trucking industry would

10 exhibit is the same thing Commissioner Rose and

11 I talked about here 20 minutes ago. You would

12 never believe that trucking companies would put

13 their customer business on a rail car 20 years

14 ago. But now it's the norm and we're examining

15 new ways to try to make that even more

16 efficient, and spread it even further. I think

17 it's global. But I think the closer you get to

18 the end user, the more unique you can make that.

19 CHAIRMAN PETERS: Go back to a

20 question I asked other panelist and asked you

21 that as well. If you would describe a

22 performance measure that would help us become to  
23 the best of our efforts on this position, what  
24 would that performance measure be? Paul.

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1 MR. SMITH: I think public  
2 transportation is one entity that does that very  
3 well. We don't have, of course, the bottom  
4 line, so to speak, return to shareholders and  
5 that sort of thing. So we've developed public  
6 transportation with a lot of performance  
7 indicators. And I think the primary performance  
8 indicator we look at is, are we carrying more  
9 passengers this year than we did last year? And  
10 then we look at market share. What is our  
11 market share of the commuters coming into the  
12 particular metropolitan area. Then we look at  
13 quality, safety, what is the mean miles between  
14 accidents? Look at reliability. What's the  
15 mean mile between the mechanical failure on  
16 vehicles? So those are some of the things that  
17 we look at primarily. No. 1 is, are we being  
18 more relevant to more people in the services we  
19 provide? That's really what we focus on. And  
20 then we have the other qualitative indicators  
21 that follow-up and support that.

22 CHAIRMAN PETERS: Thank you,  
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23 Paul.

24 MR. HUNERYAGER: I've got a

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1 benefit of listening to this question three

2 times already. But Paul, you can go first.

3 MR. BALLARD: Because I was

4 thinking, you know, there is eight times more

5 automobiles that travel on the interstate system

6 than there are trucks. Consider some sort of

7 incentive to convince people to work at home.

8 Incent them to work at home, incent them to car

9 pool, incent them to ride mass transit. And

10 then track those numbers. That would be an

11 indication -- there's another aspect to

12 transportation and it's human transportation.

13 And the sooner we convince, and I don't think --

14 I don't know how we can convince sooner. The

15 sooner we convince people to give up their, you

16 know, individual automobile ride, perhaps we

17 would deal with a lot of congestion issues. But

18 I don't know that -- how possible that is. But

19 I was thinking, well, how do we flip this around

20 and deal with another aspect of transportation.

21 Is there some part of your plan, could it be all

22 right, we're going to focus on reducing

23 automobile trips, too. A couple of things to do

24 only because I had it asked three times. The

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1 productivity issue Doug said first thing this

2 morning, it's really tripling on a trucking

3 side. And the movement to another mode.

4 Commissioner Rose, you gave a great presentation

5 at the American Trucking Association Convention

6 about the number of containers that have moved

7 from, you know, from zero to thousands to travel

8 on the -- off -- on the rail now. Productivity

9 on freight doubles, triples, LCD's. Any kind

10 of productivity issues I think those would be

11 performance measures.

12 COMMISSIONER ROSE: Can I just

13 follow-up on that question? What would you

14 think about, you know, I always would you do

15 this, if you owned the whole country, would you

16 give the trucking industry a \$200 subsidy for

17 every load they put on over 500 miles?

18 MR. HUNERYAGER: I think it

19 works for some, but it can't work for all. In

20 my old life it was limited by the percentages

21 that you could put on the -- so that could be

22 another issue. I don't know where the, you

23 know, the teachers union sits on this -- on

24 whether or not they're going to come to your --

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1 this party eventually. But that's a  
2 consideration. And when they -- when it's  
3 limited by contract and amount of freight that  
4 you can put on the rail, that's counter-  
5 productive. So something -- as to -- we got --  
6 you could possibly do that. And the number this  
7 morning earlier we were told was over 500 miles  
8 and it makes sense.

9 COMMISSIONER ROSE: It's just  
10 another way to get to your issue of activity off  
11 the highway, right?

12 CHAIRMAN PETERS: Scott, how  
13 about your performance measures?

14 MR. BENNETT: I think first  
15 has to be the improvement in safety. Safety is  
16 something that has a direct impact on the  
17 economy. We talk all the time about the  
18 economic losses due to fatalities and serious  
19 injury crashes in the state. We have to make  
20 our overall transportation system as safe as  
21 possible. It's not just the economy, it's  
22 something personal to everyone of us. One other  
23 thing is decreasing congestion. Whether that's

24 from a change in modes, from trucking to rail,

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1 from passenger car to public transit, whatever  
2 it is, it has to be a decrease in congestion.  
3 Even if it is adding more lane miles in the  
4 system. That leads to increase and reliability  
5 and increase in efficiency. And the other thing  
6 is, probably an increase in jobs and access to  
7 jobs. Construction creates jobs, access creates  
8 jobs. And how is that going to help the economy  
9 of the state, the region, and the nation?

10 CHAIRMAN PETERS: Thank you.

11 MR. NICELY: I guess the one  
12 area that I would really look at is the whole  
13 transportation projects, the development  
14 process, it just takes too long when you fight  
15 your way through the design, right-of-way  
16 acquisition, environmental issues. We -- we've  
17 really got to find ways that we set some  
18 standards on getting product out, get it done in  
19 a timely manner and within cost. We've been  
20 using incentives -- incentive contract, for  
21 example. In Tennessee, we're actually going to  
22 close the interstate in Knoxville in the year  
23 when we're doing a major project over there and  
24 save three years on the job. I just think maybe

1 in terms of federal funding, those -- the  
2 Departments of Transportation could do that,  
3 maybe they should be rewarded. But I think in  
4 terms of public convenience and long term cost,  
5 that's the area we need to make improvement in.

6 CHAIRMAN PETERS: I'm going to  
7 ask one last question of you. If you were king  
8 for a day and you could have this Commission  
9 adopt one recommendation that you made, what  
10 would that be? Not everybody at once now.

11 MR. NICELY: I would -- I  
12 would go back. I would change the four major  
13 point process. That would be mine.

14 MR. BENNETT: I think that  
15 with the increased flexibility to the states  
16 would have to be it. The reforming to earmark  
17 process and the number of categories that the  
18 funds are distributed to.

19 CHAIRMAN PETERS: Thank you.

20 COMMISSIONER ROSE: Scott, I  
21 want to make sure I understand. Give the tax  
22 money to you and let you guys figure it out?

23 MR. BENNETT: Not completely.  
24 I mean, I understand that there has to be a role

1 that the federal government plays. But we're  
2 getting our money from the federal government  
3 and essentially over half of it is earmarked for  
4 programs. Whether they were good programs for  
5 Arkansas or not, I think there is some reform  
6 that's needed. And the federal government does  
7 have a role, and that's something we need to  
8 look at.

9 MR. HUNERYAGER: The State of  
10 Tennessee has restored its highway fund. I  
11 would say the most important thing is their  
12 funds are for transportation that they be used  
13 for transportation.

14 CHAIRMAN PETERS: And Paul.

15 MR. BALLARD: And I've  
16 encouraged the fuel tax approach look with  
17 that. Because that immediate structure exists.  
18 I would encourage the Commission to look at more  
19 creative ways to do that. I think it always has  
20 to be tied to some sort of transportation  
21 funding. But I think that there are creative  
22 things, like I mentioned in my presentation on  
23 suggestion pricing. I think things like vehicle  
24 miles traveled. I think we have the technology

1 today where we can make the users whether they  
2 be trucks, cars, or buses pay for the use and  
3 the system based on how much they use it. And  
4 the technology exists and I would encourage the  
5 Commission to look in that direction for  
6 permanent funding of transportation of the  
7 road.

8           CHAIRMAN PETERS: Thank you.  
9 I would like to ask the audience to join me in  
10 thanking the panelists. Very good panel. We  
11 very much appreciate your time here today and  
12 the information you've given us.

13           We're going to move now to the  
14 public comment part of our session here. And  
15 I'm going to ask those who would like to make a  
16 public comment to please come forward to the  
17 table and use the microphones, so that we can  
18 hear you. And I will attempt in the best of my  
19 ability to do this in alphabetical order for  
20 lack of a better way to do that. So I'll call  
21 the first four who have signed up for public  
22 comment to the table please. And, Robert, I  
23 think if you're in the room somewhere you could  
24 help us. Mayor DeBerry, the city of Holly

1 Springs, first up. Second up would be Richard  
2 Grandish, Harrison, Warner, Webber and Ross,  
3 Incorporated. The third would be Marty  
4 Lipinski, for the University of Memphis. And  
5 the fourth, since we only have four chairs right  
6 now, would be Bob Rogers, Memphis Shelby County  
7 Health Department.

8           The mayor is not here. It  
9 appears that the mayor is currently not here.  
10 So I will call one more person up to the table  
11 and that would be Steven Simon. Will you  
12 please, turn to your far left, please, sir.

13           MR. ROGERS: Yes. My name is  
14 Bob Rogers. This is supposed to be public  
15 comments, but I'm in a semi official capacity, I  
16 suppose. I'm manager of Pollution and Control  
17 of the Memphis, Shelby County Health  
18 Department. We're a local air pollution control  
19 agency. Even though we're local, I still,  
20 because of our location here and some of the  
21 problems that we have to deal with, we work very  
22 closely with the State of Tennessee, the States  
23 of Arkansas and Mississippi.

24           First, I wish to thank all of

1 you for serving on this Commission to address  
2 some of the most complex problems our country is  
3 likely to face in the future. I also want to  
4 thank today's panel members for bringing to you  
5 the immediate options and possible solutions to  
6 those problems and a perspective on the new  
7 nature of transportation issues in this region.

8 I would like to submit these  
9 comments as an addition to panel three's  
10 discussion of regional economic development and  
11 quality of life. Under Section 1909 of SAFETEA-  
12 LU, the Commission has been given several tasks  
13 deemed, related work. One of those tasks is to  
14 explore alternatives for addressing  
15 environmental concerns associated with future  
16 development surface transportation system. This  
17 is in keeping with the congressional declaration  
18 that transportation should play a significant  
19 role in promoting economic growth, improving the  
20 environment and sustaining the quality of life.  
21 Transportation systems have played a major role  
22 in the economic growth and quality of life  
23 around the country. This region, in particular,  
24 has benefited greatly from the central location

1 with the access to all modes of transportation.  
2 Unfortunately, the systems have failed emission  
3 of improving the environment particularly with  
4 regard to air quality. We face alarming problem  
5 for air problem in this region as do any other  
6 organized areas in the country. Research  
7 clearly shows that the majority of air emissions  
8 contributing to those problems come directly  
9 from transportation. Almost equal shares of  
10 those emissions are from on and off road pieces  
11 of equipment in this area. While my counter-  
12 parts across the nation work diligently to  
13 provide clean air for the health and quality of  
14 life for our citizens, the explosive growth and  
15 transportation over the recent decade made a  
16 very, very difficult bill to read.

17           In forming this Commission,  
18 Congress also declared the current urban and  
19 long distance personal travel and freight  
20 movement surpassed the original forecast and are  
21 expected to continue to change. There are more  
22 of us traveling more often and further than ever  
23 before, and more goods are being transported  
24 over greater distances. The great start can

1 make the use of individual source emission,  
2 meaning from the engines of transportation, and  
3 improving transportation infrastructure. If  
4 these trends continue, we will continue to  
5 struggle with increased congestion and poor air  
6 quality. Clean air is also a contributor to  
7 economic growth and quality of life in this  
8 region. I do not bring specific ideas or plans  
9 for you to consider at this time. However, as  
10 you work towards formulating plans that will  
11 have significant impact on the future of the  
12 country, I urge you to constantly keep in mind  
13 your related work of considering alternatives.  
14 Meaning within the scope of your abilities, you  
15 should work towards relieving congestion while  
16 also avoiding more congestion in the future.  
17 Planning for projected increases and  
18 transportation demand is obviously necessary.  
19 But at the same time, there should also be  
20 planning for ways to minimize that demand  
21 growth. I would like to thank you very much for  
22 your time today.

23           CHAIRMAN PETERS: Thank you so  
24 much for your time, Mr. Rogers. And also thank

1 you for being brief. We would ask each you to  
2 limit your comments to three to five minutes.  
3 Questions from any of the Commissioners for  
4 Mr. Rogers? Sir, thank you so much. We  
5 appreciate your comments.

6           Second panelist, and I'm  
7 sorry, I just didn't get the order in which she  
8 said.

9           MR. GRANDISH: Thank you,  
10 Madam Chairman and Commissioners. My name is  
11 Richard Grandish and I'm an almost 40 year  
12 veteran in the rail and freight industry. And I  
13 appreciate the opportunity to speak to you on  
14 behalf of the taxpayer and traveling public that  
15 was mentioned in your last panel several times.  
16 We feel somewhat disenfranchised by some of the  
17 policies that have been made or not been made  
18 over the last few years. Again, going on what  
19 the DOT's have said about earmarks. And one  
20 comes to mind in particular that relates to one  
21 of your fellow Commissioners here that had been  
22 willing to pay as he goes from a private basis  
23 to expanding his capacity to handle this  
24 international growth to what we have been

1 talking about all day today.

2           However, in Virginia we have  
3 seen another railroad take a major earmark well  
4 over \$160 million in SAFETEA-LU to expand their  
5 capacity at the same time. Again, taxpayer  
6 money is being used for the same reasons as  
7 being Santa Fe is using their own private  
8 capital dollars to expand their rail network.

9 What we would ask that you consider is one of  
10 the documents that came out of Washington just  
11 in the last two years and it comes from the  
12 census bureau's survey. And that particular  
13 document that is done every few years highlights  
14 the fact that in most states, most of the  
15 freight as mentioned by the trucking association  
16 and others, moves by truck. And most freight,  
17 when you look at those numbers very closely,  
18 originates and terminates in the same state.  
19 It's intrastate in nature. And most cases when  
20 you look at those numbers you'll see it's  
21 somewhere between 65 to 80 percent of the total  
22 controllable freight that shippers discussed in  
23 this mornings panel is local in nature. And  
24 it's kind of like politics, but I don't say all

1 politics is local. We saw that in Indiana in

2 this last election just a few days ago, that  
3 issues locally, some of which were major  
4 transportation concerns to the taxpayer. We  
5 also dealt with they want to be a franchise in  
6 these decision-making processes.

7           Now, those folks have voted  
8 with their feet. And just in the past couple of  
9 weeks we've seen the State of Illinois take  
10 initiative on their own to work with Amtrak and  
11 double their amount of state supported passenger  
12 train services within Illinois. To that, they  
13 have standing room only on many trains.  
14 Wisconsin, who has done that now for several  
15 years, the same scenarios have it. We've seen  
16 growth all over the national passenger network  
17 as well as these regional systems. Plus the  
18 taxpayers have been willing to vote to tax  
19 themselves to improve transportation by rail in  
20 many municipalities and in commuter authorities  
21 as well as regional state supported programs. I  
22 would ask that you consider when you think of  
23 this policy raising the gas tax, but also  
24 looking at it in terms of allowing the states to

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1 have a program much like the highway program

2 that's been very successful for years. An 80/20  
3 match that allows the states to make decisions  
4 on what is the best priority for all of the  
5 stakeholders, so the passenger component can be  
6 considered at the same time we make these  
7 taxpayer investments in the private freight  
8 industry, whether it be truck or highway  
9 expansion and connectors to the inner modal  
10 network or the rail industry for additional  
11 track capacity. I would also encourage you to  
12 look at one of the other bills, House Bill 1361,  
13 it is a tax credit program that the states have  
14 asked for. Give them the bonding authority so  
15 that they have the sustainability to do multi-  
16 year projects. We've got a lot of political  
17 capital already invested at the state level with  
18 the taxpayers understanding that that is good  
19 because it fits the program that have been in  
20 place for decades. I would also ask that you  
21 look at the major issue of that local freight  
22 movement by highway within each of these nodes.  
23 That what you've heard all day today is that we  
24 have a tremendous growth in rail intermodal

1 service coming from the ports that are  
2 experiencing this tremendous growth moving to

3 several major metropolitan areas. That those  
4 are exactly the same metropolitan areas that are  
5 dealing with air quality issues and highway  
6 congestion issues to a major significant  
7 degree. We do not have a connector system that  
8 allows the movement, as one of the Commissioners  
9 just pointed out, to go that last mile that the  
10 Trucking Association was referring to. Thirty  
11 years ago we did. Prior to the Staggers Act in  
12 1980 we served a lot of small communities with  
13 various types of air mode services.

14 I would hope that in the  
15 process of the policy that you're looking at  
16 suggesting to Congress, that you realize  
17 connectivity of the passenger services that are  
18 being demanded by the taxpayer and the motor  
19 also mirror the needs of the rail industry to  
20 connect that last mile by alternative mode as  
21 much as possible.

22 To that I'll finish by saying,  
23 God bless your efforts and thank you for the  
24 opportunity.

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1 CHAIRMAN PETERS:  
2 Mr. Grandish, thank you so much for your

3 comments and we appreciate you being here  
4 today. Before we move to the next panel, I  
5 would like to invite Ken Starwall to join the  
6 others at the table for comment. And your name,  
7 I'm sorry?

8 MR. LIPINSKI: Marty Lipinski.

9 CHAIRMAN PETERS:

10 Mr. Lipinski, please.

11 MR. LIPINSKI: Good afternoon,  
12 Chairman Peters, Commissioners. I'm Marty  
13 Lipinski, I'm the chairman of the Civil  
14 Engineering Department at the University of  
15 Memphis. And we are the recipient of two of  
16 these earmarks that people have been talking  
17 about. So I don't know if I ought to duck or  
18 what. But I want to kind of change the argument  
19 and say that both of our earmarks are directed  
20 at performing intermodal transportation  
21 studies. And that we should look at the  
22 opportunities that the academic community and  
23 the universities can provide to the intermodal  
24 industry. We can bring to the table researchers

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1 that are engineering, business, law, various  
2 disciplines to look at these very, very complex  
3 programs. We can look at regional issues. We

4 can look at issues that involve the private  
5 sector. We can look at issues that involve the  
6 public sector. So, you know, I think we have a  
7 unique role to play in this study of our  
8 intermodal problems.

9           And right now we realize what  
10 repercussions have or the rebels that have been  
11 through the system as a result of the earmarks.  
12 And we've certainly been in touch with a lot of  
13 people and the US Department of Transportation,  
14 understand their issues. And we are right now  
15 actually doing some research for the Office of  
16 Intermodalism. I'm benchmarking some factors  
17 that they couldn't do because their funding was  
18 cut back. So we are stepping to the table as a  
19 research organization as a transportation center  
20 to perform that kind of work. We've also been  
21 in contact with the office of highway safety  
22 with the maritime administration, et cetera.

23           So what I'm saying is, that we  
24 can provide a great service here and we are

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1 reaching out to our partners in local, state,  
2 government, and private sector to do what we can  
3 to make sure that the young people we are

4 educating today fully understand the nature of  
5 these intermodal problems and we can contribute  
6 to their solutions. So thank you very much.

7 CHAIRMAN PETERS:

8 Mr. Lipinski, thank you so much. Moving now to  
9 Mr. Simon, representing [\*\*] .

10 MR. SIMON: Thank you,  
11 Commissioners and thank you, Secretary Peters.  
12 There's a couple of points I want to make, and  
13 one is, I'm hearing in this whole room a  
14 tremendous movement towards a transportation  
15 build out and an assumption of an ever  
16 increasing global and supply chain and need.  
17 What concerns me is, I don't hear any  
18 consideration of a possible sea level rise, which is  
19 global warming. I don't hear anybody looking at  
20 the possibility that we might have to figure out  
21 how to do more with less. That we might  
22 actually have to gear down our transportation  
23 systems or create it with a new kind of  
24 infrastructure that allows for much more

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1 efficiency, much less long distance travel.  
2 Using technology like what we've heard today,  
3 intermodal. Just being so much more efficient,  
4 including land use control or land use planning

5 where destinations are closer to people, people  
6 are closer to their needs. Maybe instead of,  
7 and I'm thinking long-term here, maybe instead  
8 of shipping things from all over the world to  
9 places, a little bit more local developments,  
10 local goods, local services.

11 I was a supply chain analyst  
12 at FedEx and I was in on all that. It was a  
13 wonderful thing at that point and time. I had a  
14 sense of too darn energy intensive and that we  
15 may very well be facing, not only high energy  
16 costs, but prohibitive carbon output. And we  
17 may get the signal five or ten years from now  
18 that we need to change this whole thing. And I  
19 think we really need to look at that. And I  
20 think the government agencies need to look at  
21 that. In a sense of whether it's energy build  
22 out or transportation build out, that's fine.  
23 As long as they also look themselves at the  
24 effect the impacts on, not only air quality, but

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1 green house gas. If those agencies in charge  
2 can look at both of those at the same time,  
3 instead of having an energy provision and agency  
4 transportation provision agency, and then

5 separate that regulation agencies, the agency in  
6 charge looks at how to provide for our needs at  
7 the same time as complying with or protecting  
8 with our health needs we'll be okay with that  
9 kind of scenario. Okay. Well that's one  
10 comment.

11           The other comment is, I think  
12 that, in some cases, roads like I-69 may no  
13 longer be necessary. These things were  
14 envisioned 20 years ago. I think it deserves  
15 another look. And I think there's a lot of  
16 other things going on with that, which is, for  
17 example, it's good for the long distance travel,  
18 it's also going to create a lot of sprawl. It's  
19 going to create a lot of sprawl around Memphis.  
20 And the mentality now is to go against sprawl  
21 now and to deal more with revitalization of  
22 communities that are there instead of  
23 spreading. So I think some of these long-term  
24 projects need another look.

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1           And one other comment. I  
2 would like to see Commissions like this include  
3 somebody with a perspective from an  
4 environmental standpoint in the future. And I'm  
5 sure there are people there that can do that.

6 Thank you very much.

7 CHAIRMAN PETERS: Thank you

8 for your comments. I appreciate that. I'll

9 invite Pam Smith to join the speakers at the

10 table, please and move now to Ken Starwall.

11 MR. STARWALL: Madam Secretary

12 and Commissioners, than you for the opportunity

13 to speak to y'all today. I'm Kent Starwall, the

14 executive vice president of Tennessee Road

15 Builders Association, it's a statewide

16 organization of highway contractors. We're

17 affiliated nationally with the American Road and

18 Connectorization Builders Association, the

19 National Stone and Sand and Gravel Association

20 and National Pavement Association.

21 We've talked a lot today about

22 congestion. And it's important to understand

23 why our highway system has not kept up with

24 roads in population, drivers, and miles driven.

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1 Those of you have increased 100 percent since

2 1968 and our highway miles have only increased

3 12 percent. And by 2043 our highway capacity is

4 expected to increase by 90 percent in traffic by

5 135 percent. So we appreciate the time and

6 effort this Commission has put into this  
7 effort. It's important for the Commission to  
8 look at short-term revenue needs in addition to  
9 long-term solutions at the federal level. The  
10 Highway Trust Fund is expected to be complete by  
11 the end of the SAFETEA-LU in fiscal year '09.  
12 Collections of the Highway Trust Fund in the  
13 final fiscal year of SAFETEA-LU is projected to  
14 be 4.5 billions less than guaranteed for coming  
15 months.

16           For the short-term funding, we  
17 definitely need to look at the increased in the  
18 federal fuel taxes and other Highway Trust Fund  
19 revenues, index the fuel tax inflation, and  
20 eliminate all the Highway Trust Fund  
21 exemptions. This will provide an additional  
22 \$1.2 billion per year in revenue to the Highway  
23 Trust Fund. This was supported by the Bush  
24 Administration in fiscal 2006 budget.

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1           I believe the exemptions are  
2 tax breaks for Highway Trust Fund. We have the  
3 user fee based system. And everyone, regardless  
4 of the type of vehicle of the fuel they use,  
5 should pay into this system and pay their fair  
6 share into the Highway Trust Fund. We do

7 support tolls, but only on new facilities, not  
8 on existing roads. The long-term -- I'm going  
9 to refer to the testimony that's been given  
10 today in New York by the American Road Builders,  
11 on how they looked at their critical commerce  
12 ports.

13 Others -- some other issues,  
14 one thing we don't support and that's bonding  
15 the program. Generally it takes away the  
16 available revenue for the future projects and  
17 future years. Tennessee is one of 10 states to  
18 have zero bonding indebtedness, and it has  
19 served this state very well. I also believe we  
20 should stop encouraging transportation funding  
21 to non-transportation projects. It has severely  
22 hurt this state as well as many other states  
23 across the country.

24 We talked about performance

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1 measures. The Tennessee Road Builders models  
2 good roads save lives, time, and money. And  
3 those performance roads you look at lives from a  
4 safety standpoint, upgrading two lane roads to  
5 four lanes. Two lane roads are the highest rate  
6 of fatalities we have in our country. Also,

7 emergency response is improved by increasing the  
8 capacity on our road system. Time, obviously,  
9 reduces congestion and environmental pacts that  
10 come along with that. And roads are being the  
11 economic developments, that's all important to  
12 this entire country in official movement of  
13 goods and services.

14 I'd be remiss before I finish  
15 to -- if I did not return the favor to the  
16 Tennessee truckers for rating our roads in  
17 Tennessee some of the best in the country. And  
18 with that, I thank you for your time.

19 CHAIRMAN PETERS: Thank you so  
20 much. Commissioners, any questions for any of  
21 them today, those that have testified. Thank  
22 you so much. We'll move now to Mr. Smythe.

23 MR. ALLEN: I'm Hamilton  
24 Smythe, my business is Premier Transportation

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1 here in Memphis. We do taxicabs, limousines,  
2 executive things, shuttles, buses, and that  
3 kind of thing. I'm also past president of the  
4 Taxi Cab Limousine and Paratransit Association,  
5 which was largely a North American Association,  
6 but we have members in Europe, Asia, Australia,  
7 New Zealand.

8           In the SAFETEA-LU provisions,  
9 there is some excellent mandates for encouraging  
10 private sector participation in public sector  
11 transportation. The -- my industry carries  
12 roughly two billion people a year unsubsidized.  
13 That compares with mass transit carrying roughly  
14 10 billion a year with, of course, heavy subsidy  
15 from the federal government, state and local.  
16 We want to participate in that. We think we're  
17 a very efficient means of using public dollars.  
18 And right now the FTA has not really provided  
19 the guidelines for implementing the mandate and  
20 SAFETEA-LU to encourage these private sector  
21 participations. We would like to see that  
22 happen more. As the population ages, as ADA  
23 becomes a more important part of mass transit,  
24 we think we're a solution to providing those

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1 services in an efficient tax wise manner. So we  
2 encourage you to look at that. And thank you  
3 for your patience. I know it's the end of day  
4 and thank you for coming to Memphis.  
5           CHAIRMAN PETERS: Mr. Smythe,  
6 thank you so much. Commissioners, any  
7 questions? Thank you so much to all of you for

8 those public comments. Just a let reminder that  
9 we will put the proceedings of this hearing on  
10 the web site. And again, the web address is  
11 www.SurfaceCommission.gov. And we will close  
12 the proceeding and the papers from this field  
13 hearing, as well as the one that's occurring  
14 concurrently today in New York City and the  
15 other field hearing. The first field hearing  
16 was in Dallas, Texas in September. Following  
17 today's hearing, we will in February have field  
18 hearings in Los Angeles, California; Atlanta,  
19 Georgia. And in April Minneapolis, Minnesota  
20 and Chicago, Illinois. And a yet to be  
21 determined date in Washington, DC, so that  
22 others who might want to have the opportunity to  
23 communicate with the Commission, they have the  
24 opportunity to do so.

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1 Again, I thank all of the  
2 presenters today. I thank my fellow  
3 Commissioners for being here with us. And I  
4 wanted to conclude by thanking the staff who  
5 very ably made it possible for us to be here in  
6 Memphis today on both the local and regional  
7 transportation authority, as well as the  
8 agencies who came with them.

9           And to one last time, thank  
10 our sponsors, the Memphis Regional Chamber and  
11 the Memphis Regional Logistic Counsel. And I  
12 wanted to thank Adams Reese, LLP, FedEx, the  
13 University of Memphis, the Delta Regional  
14 Authority, TVA, Technical Tech, Incorporated,  
15 Memphis Regional Economic Development Counsel,  
16 Buckheart Horn, Incorporated, Memphis Tomorrow,  
17 the Arkansas State University, and the Counsel  
18 of State Government Office. I hope I have not  
19 forgotten anyone who contributed to our sessions  
20 here today. Thank you very much to both the  
21 panelists and the testimony provided by the  
22 public comments. It's very meaningful to us in  
23 forming our recommendations. And unless the  
24 Commissioners have anything further, we stand

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1 adjourned. Thank you.

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C E R T I F I C A T E

STATE OF TENNESSEE:  
COUNTY OF SHELBY:

I, SHERI ALLEN, Court Reporter and  
Notary Public, Shelby County, Tennessee,  
CERTIFY:

The foregoing proceedings were  
taken before me at the time and place stated in  
the foregoing styled cause with the appearances  
as noted.

Being a Court Reporter, I then  
reported the proceeding in Stenotype, and the  
foregoing pages contain a true and correct

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transcript of my said Stenotype notes then and there taken.

I am not in the employ of and am not related to any of the parties or their counsel, and I have no interest in the matter involved.

I further certify that in order for this document to be considered a true and correct copy, it must bear my signature seal, and that any reproduction in whole or in part of this document is not authorized and not to be considered authentic.

Witness my signature, this the  
day of                      , 2006.

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For the State of Tennessee  
My Commission  
Expires:                      August 21, 2007