

Intermodal Transportation Challenges of the 21st Century

Brigham A. McCown
Acting Administrator
U.S. Department of Transportation
Pipeline and Hazardous Material Safety Administration

Organization of Women in International Trade
D/FW Marriot Hotel
Dallas/Fort Worth, Texas

June 2005

Introduction

On behalf of President Bush and Transportation Secretary Mineta, please allow me to express my gratitude for the opportunity to be here with you all today at the 2005 second quarterly meeting of the Organization of Women in International Trade (OWIT).

I hear your chapter has been growing and strongly believe in the goals of OWIT and know your organization has been working diligently to promote leadership in the trade industry. When I first came to DOT, I recall Secretary Mineta telling me that President Bush had charged him with finding the best-qualified people to serve in this Administration. Secretary Mineta was quick to point out that often, the right man for the job is not a man at all, as four of DOT's modal Administrators are women. It should also be pointed out they are among the largest modes being: The Federal Aviation Administration (FAA), The Federal Highway Administration (FHWA), The Federal Motor Carrier Safety Administration (FMCSA), and The Federal Transit Administration (FTA).

I know that when Texans decide to take on projects, well, they are usually some of the largest, and the most challenging. Whether it is the promise of NAFTA, the High-5 interchange just up the road, or thinking about running new rail from the Port of Houston to Ellis County, Texans turns big ideas into reality.

Being among friends here tonight, please allow me to quote the great Sam Houston, who back in 1858, said that "[Transportation] is ... of vital importance, and we must all lay our hands to it as a great and mighty work of National interest and concernment, divested of everything sectional or local in its character. If its accomplishment is to be secured, it must be done with united hands and united hearts, with reference alone to the public good and its accomplishment on the most reasonable terms that the National resources will justify."

Sam Houston's transportation vision understood the importance of regional cooperation in developing a transportation infrastructure. We, at the Department of Transportation,

also believe in this philosophy. Efficient, reliable transportation is essential to public safety, economic vitality, and quality of life.

I appreciate your kind invitation to speak about port and intermodal congestion, so please allow me to first inform you what DOT is doing to address these concerns. Then I would like to focus on a few specific issues in Texas, and some very positive steps this State has taken in order to address port and intermodal issues.

Transportation in a Global Economy

The stakeholders represented here today are at the forefront in serving our Nation's economy, which is evolving rapidly and growing more interconnected by the day. Each day we must adapt to rapidly changing patterns in global logistics, light-speed advances in information technology, double-digit annual trade growth, and transformational changes in overseas markets. All these factors have altered forever the way in which we conduct business.

Our economy relies on seamless connections between all modes of transportation. Port facilities and the domestic transportation networks serving them are critical elements in our transportation system. Unfortunately, more often than ever, they are stretched to their very limits as our infrastructure deals with steadily mounting cargo volumes, ever-larger ships, and increased land side congestion. Those of us in government with responsibility for national transportation policy must be cognizant of your requirements and creative in our approaches to developing increased capacity across our transportation system.

The U.S. economy has been transformed in recent years – from an economy predicated on domestic commerce to one driven by global trade. In 1970, overseas trade accounted for only 13 percent of U.S. GDP; today it accounts for nearly 30 percent, and that percentage is expected to escalate further in the years ahead. The dramatic growth in international trade has created new demands on our ports and other parts of our national transportation system. Our domestic system is carrying more than 15 billion tons of freight annually, valued at over \$9 trillion, and even the most conservative forecasts suggest the overall freight volumes will grow by another 60 percent by 2020.

In Texas terms, approximately 130.4 million short tons of goods valued at \$49.9 billion moved in foreign trade through the Port of Houston in 2003. Not surprisingly, the Port has been instrumental in the city's development as a center of international trade. Approximately 88 steamship lines offer service, linking Houston with 1,053 ports in 203 countries. It is also home to the Nation's largest \$15 billion petrochemical complex.

A Renewed Focus on Trade and Logistics

Before outlining some of the Administration's ideas, a few words on the need for more robust transportation infrastructure and services is in order. Global trade liberalization has been a major pursuit of President Bush and this Administration. Over the last three years, the Bush Administration has negotiated a dozen new free trade agreements; opening markets for a wide range of American exports bringing significant economic benefits all across our country. We have also breathed new life into the World Trade Organization's

Doha Round of multilateral negotiations and we have pursued regional trade agreements in places close to home like Central America.

However, all that market-opening activity has produced a problem. While our successful trade agenda will bring enormous economic benefits to consumers and economies both here and abroad, it poses a difficult question: Will we possess the necessary transportation infrastructure to manage the increased flow of commerce these agreements bring? Embedded in this simple question, of course, are some very difficult fiscal, environmental, and technological challenges.

Addressing these challenges in an effective way will require stakeholders and government agencies to cooperate in new ways, and develop new approaches. Secretary Mineta has insisted that we examine this question not through a series of mode-specific proposals, but rather as a comprehensive, intermodal freight distribution system. This is the basic principle that has guided us in working to develop federal programs that address the challenges at port gateways, as well as the equally important interior transportation system. By working together, we can keep goods moving efficiently and safely throughout an integrated, intermodal transportation system.

One major opportunity to enhance the efficiency of freight movements is the reauthorization of our surface transportation programs currently under consideration in the congress. We will continue to promote the reauthorization of essential programs through the Safe, Accountable, Flexible, and Efficient Transportation Equity Act, or SAFETEA, which calls of investing \$284 billion dollars in transportation spending in the next 6 years. This funding request is 30 percent higher than the amounts currently authorized under TEA-21.

One of the strengths about his new bill is the funding flexibility it offers our States and localities to meet their transportation needs. Such flexibility includes using pricing as a market-based tool for respond to capacity needs more quickly. An example of an innovative pricing structure can be seen in California's PierPass Program. To provide incentives for cargo owners to move containers during off-peak hours and to defray the cost of significantly increasing the capacity of terminal operations, varying fee structures have been instituted in order to encourage the movement of cargo during off-peak hours. This variable pricing structure is expected to facilitate a shift of a significant volume of truck-borne cargo to off-peak hours. In addition to reducing daytime truck traffic on area roads and freeways, PierPass is expected to reduce air pollution generated by idling trucks.

SAFETEA helps the further effort of reducing port and intermodal congestion by focusing on intermodal connections between our roads, rail yards, container transfer facilities, ports, and airports. In particular, we are investigating what options are available to alleviate congestion in the last mile road connections from the National Highway System to the intermodal terminals. SAFETEA includes dedicating funding for intermodal connectors and establishing freight coordinators in each of the 50 states. The Department's Freight Action Agenda includes initiatives that will help us better utilize

freight tools and data, advance freight research and technology, and educate the next generation of freight professionals. We are coordinating with the Department of Homeland Security to investigate technologies that would help the U.S. Customs and Border Protection create a layered approach to preventing terrorism while still facilitating the flow of legitimate travel and trade.

“SEA-21”: Strengthening the Maritime Portfolio

I would be remiss if I did not mention one very important piece of this puzzle has been missing up to now: our maritime sector, which too often is overlooked as we debate aviation or highway reauthorization bills. Secretary Mineta is changing all that, primarily through a comprehensive program that would put the maritime sector on the national policy agenda more prominently than ever before. Perhaps President Bush said it best: “To compete in the global economy of the 21st century,” he said, “the United States needs a maritime policy tailored to 21st century needs.”

The “SEA-21” review the department launched earlier this year began with a comprehensive assessment of how we could improve the way our maritime transportation system might move commercial goods more effectively. A number of outside groups have all called for such a review and have urged DOT to take the lead in pursuing a more robust maritime policy. The U.S. Commission on Ocean Policy has also served up a powerful menu of maritime policy recommendations for the Administration to consider. Congressional passage of the SAFETEA provisions I mentioned earlier, of course, would go a long way in helping to jump-start what we are trying to accomplish in the maritime context by facilitating much improved landside links to our major ports and inland waterways.

As it is currently envisioned, a SEA-21 package would help pave the way for a far more competitive and efficient maritime sector, and improve connections between the various modes. SEA-21 will also focus on leveraging funds from federal, state, and local governments, as well as the private sector, to address the capital needs of the Maritime Transportation System. We are carefully examining the tax burdens on our maritime sector with the goal of improving our ability to compete internationally.

Finally, SEA-21 will also facilitate greater use of “short sea shipping.” By making better use of our coastal and inland waterways, we can provide some relief to our nation’s congested highways. As part of our SEA-21 review, we are actively promoting industry efforts to establish short sea shipping operations.

Texas Specific Issues

Let me now speak about some specific regional issues with Texas’ prosperity and growth, starting with the Port of Houston. The Port is an important economic catalyst for Texas and the Nation. It ranked first in the United States in foreign waterborne commerce, and second in total tonnage. About 190 million tons of cargo moved through the Port of Houston in 2003. A total of 6,301 vessel calls were recorded at the Port of Houston during 2003. The Port is significant sources of jobs and revenue in the Texas community.

To illustrate this point, there were 287,454 direct and related jobs in Texas associated with port activity and another 714,000 jobs Nation-wide in 2000 (related jobs being those created due to purchases of goods and services by those directly associated with port activity). The Port's public and private marine terminals generated about \$10.9 billion in business revenues annually. Currently, the Bayport Container and Cruise Terminal construction is underway. The project is on course for completion of the first phase in mid-2006. It promises to provide much-needed support for the waterborne freight activity in Texas.

Texas has 11 Port of Entries (POEs), more than a quarter of all of the Port of Entries in the United States. In 2003, Laredo alone accounted for 12 percent of the total vehicle crossings coming into the United States. As many of you know, El Paso and Hidalgo account for another 6 and 4 percent of the incoming vehicle border crossings, respectively. Almost half the trucks that crossed into the United States from Mexico entered through these three border crossings in 2003.

The growth of Mexico's maquiladora program, entry into General Agreement on Tariffs and Trade (GATT), economic reforms, and NAFTA combined to spur the growth of Laredo's transportation industry, trade, and overall economy. Recent U.S. Census Bureau reports that Laredo's Metropolitan Statistical Area was the fastest growing in Texas and the second fastest growing in the U.S. With over 650,000 people living just across the river in Nuevo Laredo, the Los Laredos area now has a combined population of more than one million.

Of course, much closer to home we have D/FW and Alliance, which serve as major inland ports for the state and the nation.

We are aware of the transportation challenges facing Texas, and one thing is for certain: New transportation corridors must be built with public/private partnerships in order to minimize costs to taxpayers. What this means is that despite a major increase by the president in public funding for our infrastructure, more will be needed. Additional help means not only the use of private funds, but it also means the development of new trade and cooperative agreements are needed. Finding sources of revenue to invest in our infrastructure is important, but we must also seek out and eliminate inefficiencies in our transportation system. These are areas where your involvement and assistance can make a difference.

The Trans Texas Corridor

The Department is well aware of the efforts being made for the Trans-Texas Corridor plan and believes that it provides a new vision for transportation in Texas. We believe this proposed multi-use, statewide network of transportation routes will make driving safer, sustain, and enhance economic development in Texas.

One of the things, which impresses me the most about this project is the progressive, forward thinking transportation planning which is envisioned.

The TTC will move people and goods more safely by providing separate lanes for cars and large trucks, re-routing the movement of hazardous materials away from highly populated areas, and using highway designs that reduce the number of possible crash locations such as intersections and off-ramps. In the long term, we may look back and realize that TTC was the right choice for providing a solution to our traffic congestion problems as well. The TTC will provide additional driving lanes, options for different modes of travel, and routes, which separate long distance and local traffic. The TCC is truly a visionary concept that takes into consideration economic enhancement opportunities, mobility, and safety strategic goals of our Department. The TCC will turn transportation policy into Texas reality.

In a world that is increasingly becoming lumped into the “European Union,” the “Americas,” or the “Asias,” we realize that tremendous achievements are possible when we build bridges among our bi-national partners and glean the best from various groups. Taking this concept of gleaning from the best scenarios, in mid-December of 2004, the Texas Transportation Commission selected a proposal by Cintra, to develop the Oklahoma-to-Mexico portion of the Trans-Texas Corridor (TTC-35). Cintra proposes to invest \$6 billion in a toll road between Dallas and San Antonio by 2010, providing the state with \$1.2 billion for additional transportation improvements between Oklahoma and Mexico, and ultimately into the Lower Rio Grande Valley to Mexico.

Closing

Freight issues have finally taken their rightful place on the national policy agenda. Washington understands the impact of congestion on the national economy, and it understands the importance of efficient, interconnected transport to the way business is done today. However, so too does Texas.

Texas has always led the nation with innovative financing beginning when the state traded public land in order to fund the construction of the capitol building in the 19th Century. As in building infrastructure or financing visionary transportation corridors, the keys to ultimate success in the 21st Century include early cooperation, a new approach to addressing regulatory requirements, streamlining environmental decision-making, and successful preservation of the transportation corridor. We have every confidence that the State of Texas will be a champion in advancing the concept of transportation corridors for our future generations. Thank you for the opportunity to speak before you today.