



**Remarks of
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“Keeping America Moving: The Importance of Freight”

**National Transportation Week
Transportation & Travel Conference and NDTA Exposition**

**Washington, DC
May 18, 2004**

It is a pleasure to be back at the Washington Convention Center to celebrate National Transportation Week once again. Our annual NTW observance furnishes a valuable opportunity to acknowledge transportation's contribution to our economy and our way of life, and to take stock of where we are and where we need to be. I would like to provide you with an overview of some of the innovative things that Secretary Norm Mineta and his team at DOT have been doing in the area of freight and goods movement and to discuss some of the major challenges that the transportation industry will face in the years ahead. We will then explore many of these issues in more detail during the panel that comes next on our agenda for this afternoon.

The U.S. enjoys a transportation system today that is the envy of much of the world. We have some impressive achievements to look back on – the completion of the Interstate Highway System; deregulation of the airline, trucking and rail industries; and the transition to containerization. These accomplishments helped ensure that our system could accommodate the huge passenger and freight transportation growth that has occurred over the last few decades. Whether the system can sustain its contribution to our economic well being in the future will be a function of decisions we make today about our stewardship of the system.

Since 1970 the U.S. population has grown by 40 percent and vehicle miles traveled have doubled. The Texas Transportation Institute tells us that, as a result, the costs associated with congestion in the 75 urban areas they studied totaled \$69.5 billion in 2001, including 3.5 billion hours of extra travel time and 5.7 billion gallons of fuel burned by vehicles sitting in traffic. Of course, no effort at quantification can do justice to the cumulative frustration of millions of America's workers whose quality of life is being significantly diminished by the worsening capacity shortfall.

Also in 2001, the U.S. transportation system carried nearly 16 billion tons of freight valued at almost \$12 trillion. About \$10 trillion of that value was attributable to domestic movements, with the other \$2 trillion ascribed to international trade. Forecasts indicate that this growth will continue, representing an encouraging rate of economic growth to be sure, but also exacerbating the congestion that we already see on our Nation's highways and railways and in our ports and airports. Some estimates indicate that, by the year 2020, the 16 billion tons of cargo carried in 2001 will increase to 23 billion tons.

Surface Reauthorization

Figures of that magnitude are predicated, of course, on a naïve assumption: the assumption that our transport system will have sufficient capacity to accommodate the projected growth in demand. I know it sounds much too parochial coming from a DOT policy wonk like me, and especially in times like these, but I believe the single most important challenge to the quality of America's future is whether we will have the wherewithal to handle efficiently the huge anticipated increases in freight movements that economists anticipate. If not, we clearly will not realize the economic growth that we might otherwise have enjoyed, and the future of our society will be less robust. It's as simple as that.

One current measure of our seriousness about this challenge is whether we will reauthorize our federal surface transportation programs this year, and whether we will do so in a six-year statute that furnishes the stability and predictability that are essential to planning and growth in the transportation sector.

I hope you will forgive me if I sound a little frustrated. TEA-21 – the monumental surface transportation authorization act passed by Congress in 1998 – was scheduled to expire at the end of September 2003. Although the Administration sent Congress a new bill a year ago, Congress has not yet enacted replacement legislation. In order to keep these essential programs going, Congress has had to extend TEA-21 on three separate occasions. State governments, transportation stakeholders, contractors, and our employees at DOT are operating in a state of tremendous uncertainty. Congress's failure to legislate has made it impossible for states to plan their highway and transit infrastructure projects and has prevented us from implementing innovative and exciting safety programs that we feel can make a real difference in terms of saving lives on our highways. We don't want any more extensions. We want a completed, six-year bill.

The Administration's bill is fiscally responsible – one that doesn't place excessive new burdens on taxpayers, doesn't mortgage our future, and doesn't take money away from critical priorities. At a record \$256 billion – a 21 percent increase over the previous record level established in TEA-21 – the Bush Administration's proposal strikes exactly the right balance between the need for substantial Federal infrastructure investment and the need to maintain fiscal discipline.

There is one salient feature of the Administration's bill that you need to understand clearly: It would give states and communities much more flexibility and control over the way in which they spend their highway and transit dollars than we have ever seen before. These critical investment decisions should not be dictated by Washington, but by local leaders who are best positioned to address local transportation needs. The most troubling thing about the bill that passed the House earlier this year is that it would take us 180 degrees in the opposite direction. It would reverse

years of progress we have made in moving towards more state and local control and keep a much larger portion of funds here in Washington. It would use that money to fund a host of new, Congressionally mandated programs and a record number of earmarked projects. It would be a huge setback.

Despite all the public focus on funding, this legislation is about much more than just numbers. There are real policy issues at stake whose resolution will have a tremendous impact on all of us. Our proposal -- the Safe Accountable Flexible and Efficient Transportation Equity Act, or SAFETEA -- would make important changes in the way America invests in its transportation infrastructure, and is a much needed first step towards injecting more private capital, and private initiative, into our system. For example, it would include strategic initiatives to develop and support public-private partnerships to improve freight flows, especially at international gateways and along our most critical multi-state trade corridors.

We are advocating a split of the Federal Highway Administration's existing Corridors and Borders Program in order to ensure proper focus on planning and provide dedicated funds to critical border infrastructure projects. This will allow the Corridors program to encourage multi-state and multi-modal planning along these key trade corridors, while helping the Borders program to facilitate more effective bi-national planning that will enhance the movement of both goods and people at our land border crossings.

SAFETEA also would place new focus on the intermodal connections between our roads, ports, railways, and airports – critically important links in the international trade network. It would target investment in the critical “last-mile” road connections from the National Highway System to often-overlooked intermodal freight facilities. Too often, the connections between trucks and trains and merchant ships are neglected, causing needless congestion and slowing the efficiency of the entire transportation system. It's not too late for Congress to adopt these innovations and get these essential connectors up to standard.

We also proposed new financing tools to support our infrastructure investments and do a better job of leveraging every dollar in gas tax revenue that comes into the Highway Trust Fund. One innovation would extend a financing method called Private Activity Bonds to highway and freight transfer facilities in a way that will encourage much more private investment in highway infrastructure. These bonds can already be used to fund ports, airports and many other infrastructure projects, so the change we have proposed would only remedy an anomaly in our Nation's tax code. We would also make TEA-21's successful innovative financing program – TIFIA – more accessible to smaller freight projects by reducing the minimum eligible project cost to \$50 million and expand TIFIA eligibility to include publicly owned intermodal freight projects.

We drafted language in SAFETEA to encourage more effective integration of national and regional freight requirements into state and metropolitan planning processes, something that too often does not occur because of the greater visibility of near-term passenger needs. We included a requirement in SAFETEA that each state designate a Freight Transportation Coordinator who will serve as a focus for providing freight information and work closely with other states to coordinate planning efforts in major freight corridors to address future demand.

We designed all of these provisions to encourage new investments and to improve planning in pursuit of a transportation system that will keep the American economy moving. Our economy

depends on transportation. That is why it is so critical that Congress complete its work on SAFETEA as soon as possible.

Integrating Maritime Transportation into a Multi-Modal System

Another way in which Secretary Mineta has brought new thinking to the Department is through an ongoing project called “SEA-21.” From the day he arrived, the Secretary has challenged his team to think creatively about how we can integrate the maritime component of our transportation infrastructure into the system in a much more comprehensive way. While the need to respond to the 9/11 attacks and the reauthorization of our aviation and surface programs necessarily delayed active work on this program, it is now well underway. As part of the SEA-21 initiative, the Bush Administration is taking a serious look at how the Nation’s marine transportation system can help move commercial goods more effectively.

Some of the SAFETEA provisions I mentioned earlier were designed to jump start this process, facilitating much improved landside links to our Nation’s major ports and inland waterways. A SEA-21 package would do much more: It would do for the maritime transportation system what ISTEA did for surface transportation back in the early ‘90s. In this way, we would be empowered at last to develop a much more competitive and efficient maritime sector and improve connections between the various modes.

As Secretary Mineta noted in a speech earlier this year, our SEA-21 proposal will emphasize leadership and coordination within the Department of Transportation and across the federal government. It will 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 will also carefully examine the tax burdens on our maritime sector with the goal of improving our fleets’ and crews’ ability to compete internationally.

One example of an intermodal approach to freight movement is “short sea shipping.” Through short sea shipping we can make better use of our coastal and inland waterways and provide some relief to our nation’s congested highways. That is why we are actively promoting industry efforts to establish short sea shipping operations and looking carefully at current federal policies that may inhibit such operations. Only by using all available options to move freight along our most congested corridors can we ensure that we have the capacity we need to address future demand.

In addition to SEA-21, the Department is also working closely with our colleagues at the Department of Homeland Security to improve security in the maritime sector. One good example of that joint work is in the Operation Safe Commerce (OSC) program – a collection of pilot projects that brings together private business, ports, and local, state, and federal representatives to test security technologies and information awareness for container shipments entering the U.S. OSC is funding research and development for emerging technologies that are being developed to monitor the movement and integrity of containers throughout the supply chain.

Through Operation Safe Commerce, \$58 million in funding will help build on a range of other port security enhancements that the Administration has underway, many of which are directed by the Maritime Transportation Security Act, or MTSA. OSC will fund operational tests through

the major load center ports at Seattle/Tacoma, New York/New Jersey, and Los Angeles/Long Beach. A portion of OSC funds is also being used to conduct security gap analyses of international trade lanes and an independent evaluation of the test results, to be done by the Transportation Security Lab.

DOT has been an active partner with DHS in developing the criteria for these awards and overseeing the program. As the primary federal agency responsible for transportation mobility, DOT has played a critical role in ensuring that OSC projects not only deliver security benefits, but also enhance the efficiency of the supply chains selected for awards under the program.

It's impossible to overstate the importance of that last objective. For most people in the transportation sector, the goal of our security agencies at DHS should be "to minimize the adverse effects of security measures on the mobility of people and goods." Defining the challenge in that way does nothing more than ensure that DHS and DOT are thought by stakeholders to be suspended in a kind of eternal tension. The objective shouldn't be to "minimize adverse effects"; that's not ambitious enough. The goal must be to establish a regime for transportation security that actually *enhances* mobility and efficiency.

Freight Action Agenda

As you all know, we talk a great deal at DOT about the importance of taking an "intermodal" approach to addressing freight needs. Therefore, in addition to the SAFETEA and SEA-21 initiatives outlined above, we have taken this intermodal approach a step further. For much of the past year, our Office of Intermodalism has coordinated an effort to look comprehensively at our work in the area of freight and goods movement and to develop integrated solutions wherever possible. In this respect, we are not waiting for passage of a surface transportation bill but are instead forging ahead wherever we can within our existing statutory and budget authority.

The result of this work is what we call our *Freight Action Agenda*. It incorporates many of the recommendations you and other stakeholders have shared with us, including the suggestion that we work hard to identify and support nationally significant freight projects at our major transportation gateways. To tackle such projects, the Department is creating Intermodal Project Facilitation Teams to ensure sustained focus on large, complex projects of this kind while providing cross-modal expertise and coordination.

One example is the work we have done on the Chicago Regional Environmental and Transportation Efficiency – or CREATE – program. Working closely with state and city officials, members of Congress, the major railroads, and other stakeholders, we are providing important technical assistance regarding how to best handle what is a very complex project. This entails helping the participants coordinate numerous environmental reviews that must be done for different facets of the program and identify all available sources of federal funding across our current highway, rail and transit programs. Through successful implementation of CREATE we hope to alleviate what has at times served as a significant obstacle to the efficient movement of freight across this country, and make lasting improvements to our national freight rail system in the process.

In addition to our work on large projects of national significance, we are also working to develop freight-focused performance measures for our national transportation system, supported by

ongoing cooperation with national and international partners to improve the quality of our freight data. We are also developing seminars and programs that will provide training to public sector professionals so they better understand why freight is so important to the future success of our transportation system.

A new provision in the aviation reauthorization bill signed by the President in December requires airport planners to notify local MPOs and provide details of their plans when they intend to make infrastructure investments. In this way, we can explore ways of improving the coordination of airport, transit and highway investments to ensure better intermodal connectivity.

Finally, we are taking advantage of new technologies in a whole host of areas, for example by using positive train control technologies to ensure safer, more efficient rail shipments throughout the country. We will continue our work in improving coordination among our modes on freight issues, and appreciate the support that our stakeholders have provided thus far.

Conclusion

Let me close by suggesting that, in today's competitive global market, congestion delays can make or break a company's ability to compete. Successful businesses depend on their ability to distribute products into domestic and international markets rapidly and efficiently. The same can be said for our Nation as a whole. America's place in the global economy will be determined as much by the efficiency of our transportation system as by any other factor I can think of.

Thank you for allowing me to share these thoughts with you today.

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