

**American Association of Port Authorities  
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**Prepared Remarks**

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Officials**

No doubt, 2009 is shaping up as a historic year for transportation in America. And from our perspective, all the interest is most welcome, and perhaps will be a harbinger of evolving solutions to the pressing issues we face.

The decision by President Obama and Congress to include \$48 billion for transportation infrastructure in the American Recovery and Reinvestment Act was a victory for us and the American people.

We in transportation are well positioned to deliver improvements quickly, and we will not squander the faith placed in us. By the same token, we will be a powerful engine to help jump start the economy.

But another challenge looms:

Signs point to a shortfall in money coming into the federal Highway Trust Fund – perhaps as soon as this summer. President Obama and Congress may be faced with shoring up the fund – as did President Bush and Congress last fall.

The larger issue on the horizon is the new surface transportation law that is needed to replace SAFETEA-LU as of September 30<sup>th</sup>. Frankly, if past experience is any guide, the chances are very long that Congress can agree on a replacement by that deadline.

## **Stimulus**

One benefit of the sequence of stimulus coming just ahead of the reauthorization debate is that we in transportation can show what we can accomplish.

Nearly \$48 billion has been allocated to the U.S. DOT for investment in all modes. The states are committed and capable of moving quickly to put these funds to good use. We intend to do this job well, do it fast, create thousands of

jobs and build the foundation for increased, long-term investment through Authorization.

## **Authorization**

The National Surface Transportation Policy and Revenue Study Commission recommended that the federal program be consolidated from its current 108 authorized programs and reformed to address “objectives of genuine national interest.” We support the idea of program and process reform to address the national objectives recommended by AASHTO, which are

- Preservation
- Freight/Economic Development
- Safety
- Congestion (mobility and accessibility in rural and urban areas)
- System Operations
- Environment

Without a national focus, we are unlikely to gain support for addressing critical transportation issues:

- We need to restore purchasing power. We have lost 80% of the real value of the gas tax, from the last point of increase in 1993.
- Investment levels over the long-term must correlate with **documented needs**, based on the U.S. DOT Conditions and Performance report, the work of the two federal commissions, and AASHTO's bottom line report.
- The on-going **impact of inflation** on commodities and construction costs must be addressed in setting investment levels.

To achieve these objectives, AASHTO has proposed six-year funding for highways at \$375 billion and for transit at \$93 billion. These levels will restore the purchasing power of the program by 2015.

AASHTO also has proposed \$42 billion for freight and \$35 billion for intercity passenger rail from sources outside the Highway Trust Fund.

But to get to the long-term we have to make it through the short-term.

## **Trust Fund Shortfall**

We project that the economic downturn will cut revenues for the highway program below the level needed to support authorized spending levels. This could mean a 50 percent program cut. However, getting Congress to act on this will not be easy. We are looking to you and all of our friends for support.

## **Freight**

An area that often seems lost in the national priority setting is rail freight. When I became AASHTO's President last October, I declared freight transportation to be one of my emphasis areas. This mode is too crucial to be ignored as we shape the next chapter in the nation's transportation story. I have and continue to urge that we develop a "multi-modal freight strategic business plan" as the basis for a world-class freight and goods movement system for the U.S.

Those of us in Pennsylvania deeply appreciate the importance of investment in freight movement.

Pennsylvania has:

- A major deep water port
- 3 class 1 railroads
- More short line and regional railroads than any other state
- Ports on the Great Lakes
- Ports on the Ohio River
- Rapidly growing trucking and intermodal centers
- And through traffic to and from the East and the West.

Pennsylvania Governor Ed Rendell is a national transportation champion. During his tenure, he has boosted spending for rail freight from **\$14.25 Million in FY 2003 to \$67.865 Million in FY 2009.**

The Governor believes Pennsylvania should join with CSX Transportation and Norfolk Southern Railway Company in their visionary plans for improved rail freight service.

**CSX** has asked for a **\$35 million** state commitment to join its National Gateway project. This is a multi-state project to improve capacity of CSX's mainline between North Carolina and Ohio through Pennsylvania. This would entail increasing bridge clearances on the route through Pennsylvania to allow double stacked trains.

**Norfolk Southern** seeks a **\$45 million** commitment from Pennsylvania for the first phase of its Crescent Corridor, which parallels Interstate 81. NS is looking to a make a \$450 million investment in Pennsylvania to revamp three intermodal terminals (Bethlehem, Harrisburg and Philadelphia) and construct a new terminal in Franklin County, Pa. The project will also double track several portions of their main line in Pennsylvania.

As part of my AASHTO emphasis areas, I have called for a multi-modal freight strategic business plan, in cooperation with all the freight modal interests. I believe that the strength or weakness of our economy is closely linked to the strength or weakness of our freight transportation system.

State transportation officials are not freight movers, but in many ways we hold the keys to the freight movers' ability to transport goods by highway, rail, water or air. Industry decisions on distribution centers, transfer facilities and capacity expansions can have a significant impact on our ability to provide an efficient transportation system. So we are in this thing together and need to work together to develop solutions.

We need to develop a strategic plan of investments and initiatives to solve them. We have to create a truly "national" system that reaches into all parts of the country and makes the benefits of an efficient national freight transportation system available to all of the nation's producers and consumers.

You know the numbers better than I do, certainly for your industry. The current economic travail may extend the timelines, but not the direction of the trends, giving us a little time to catch up.

- In 20 years, the number of trucks traveling our Interstate system will be twice that of today, and as



much as 2,500 miles of the system will carry 50,000 trucks a day.

- Rail freight is expected to increase by 60% by 2035, putting important segments of the main lines over capacity.
- The volume of international containers coming into our ports is forecast to increase from 40 million in 2005 to 100 million in the same time frame—with significant impact on the Pacific, Atlantic and Gulf coasts.
- FHWA estimated in 2005 that highway freight bottlenecks alone cost users over \$7 Billion annually.

Our global economic success depends on an integrated solution to problems such as:

- Rail chokepoints such as the Baltimore tunnels and the Chicago rail interchanges that affect large parts of the nation for both passenger and freight movement.
- Highway and rail capacity constraints on moving cargo from the Port of Los Angeles and Long Beach and other

major ports impact our ability to compete in a global marketplace.

- Aging and obsolete locks and dams on the Mississippi and Ohio River systems

AASHTO's Board of Directors has adopted an ambitious set of recommendations for the next transportation authorization. Included is a total of \$60 billion for freight transportation investment over the next 6 years. But spending without direction, focus, or accountability won't get the job done.

The starting point is to work with the ports and the rest of the freight community to better define the **National Freight Transportation System**—all modes. This will allow us to establish a framework for freight policy, planning, operations, and investment.

Freight moves globally, nationally, multi-state, regionally, and locally without respect to governmental boundaries. But, our transportation programs are organized within those boundaries. We are proposing federal support for **Freight**

**Corridor Organizations** that would encourage coordinated multistate, multimodal corridor planning and investment. Certain corridors collect and carry volumes of freight that make them especially critical to competitiveness and national prosperity. AASHTO proposes the creation of **National Freight Corridors Investment Fund** totaling \$42 billion over six years (from new sources of revenue) for freight related projects on these corridors.

A freight program that addresses only the biggest projects in the country is not truly “national.” Freight moves on and off the national corridors, and we must invest in regional elements. To that end, AASHTO proposes the establishment of a **State Freight Transportation Program** totaling \$18 billion over six years and funded within the Highway Trust Fund.

We have looked at a number of possibilities for new sources of revenue for the \$42 billion National Freight Corridors Investment Fund. Among them are a share of the customs revenues, tax credit bonds, and a tax on the value of freight moved.

We have worked closely with the AAPA and other organizations representing freight carriers and shippers on these and other financing alternatives. It is encouraging that there is widespread agreement on the need for new revenues, and on the legitimacy of drawing them from the freight industry directly, and indirectly. But we aren't there yet.

Getting there will require a consensus on the importance of freight transportation and the need to undertake concerted action. Finding that consensus has been elusive. The public and private sectors do not always agree. Carriers and shippers do not always agree. Different carrier modes do not always agree. Today, we must all agree that we must work together to achieve objectives that are in our collective interest and in the public interest.

Since I became President of AASHTO, I have met with and made this case to representatives of the Freight Stakeholders Coalition, which must play an active, effective role in the Authorization effort, and to the heads of many of the major freight transportation organizations. I heard no disagreement. AAPA has been a leader in these

discussions, and I very much appreciate the efforts of **Geraldine Knatz, the current Chair, and Kurt Nagle, your President.**

One important agreement was the need to establish or re-establish a Multimodal Freight Transportation Office within the Office of the Secretary of Transportation.

I convened a plenary session at our Washington Briefing several weeks ago, featuring the heads of the Association of American Railroads, the American Trucking Associations, and Kurt. They agreed that a united front will be necessary.

AAPA has adopted an authorization policy consistent with AASHTO's, for which I would like to thank **Kurt and Jean Godwin, who also co-chairs the Freight Stakeholders Coalition.** Other organizations have expressed general agreement as well. But we are not there yet.

But we can get to where we want to go. We can do so if, together, we make the case to the public and the political decision-makers that investment in freight transportation is essential for global competitiveness and economic

prosperity. We can do so if we are unified in purpose and coordinated in our efforts.

Let us go forward together.