



Highway and Rail Perspectives

January 24, 2014

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CAGTC

Coalition for America's
Gateways and Trade Corridors

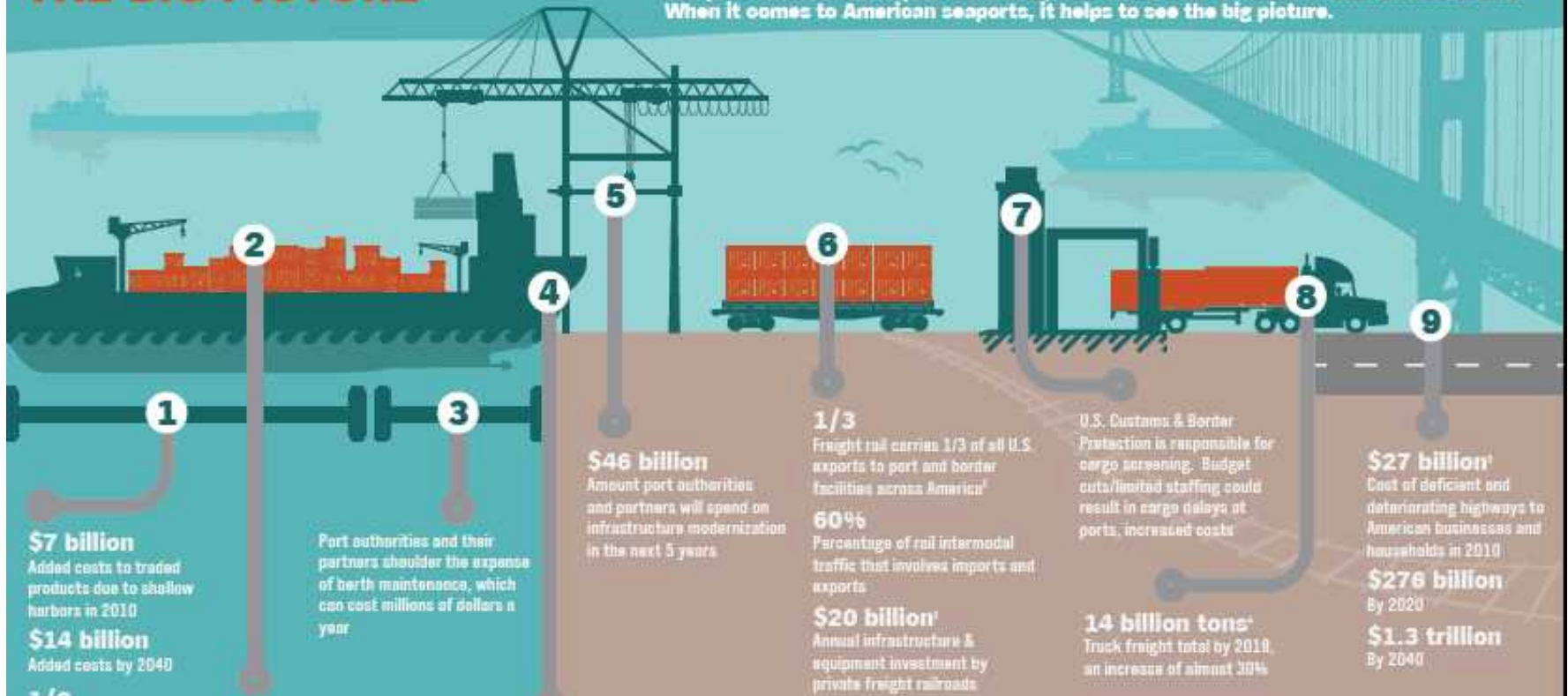


What is CAGTC?

- Coalition for America's Gateways and Trade Corridors: Founded in 2001 as a national advocacy organization for freight infrastructure
- Mission: Raise public recognition and Congressional awareness of the nation's freight needs and to promote sufficient funding in federal legislation for our multimodal goods movement system
- Composition: 60+ member organizations that are geographically and politically diverse from the public & private sectors

ENDANGERED SEAPORTS: THE BIG PICTURE

A \$46 billion investment gap by 2040 threatens U.S. seaports – critical economic lifelines that rely on connecting transportation infrastructure to deliver prosperity for millions of Americans. With America's trade volume expected to quadruple after 2030, and port connections in poor condition, now is the time to invest in vital infrastructure. When it comes to American seaports, it helps to see the big picture.



\$7 billion
Added costs to traded products due to shallow harbors in 2010

\$14 billion
Added costs by 2040

1/2
Amount of Harbor Maintenance Tax revenue utilized, resulting in channel dimensions available <35% of the time

Port authorities and their partners shoulder the expense of berth maintenance, which can cost millions of dollars a year

60 million
Containers¹ imported annually to the U.S. by 2037, nearly 3x current container imports

52 million
Containers exported annually by 2037, nearly 3x current exports

-\$9.3 billion
Projected U.S. trade loss from use of undersized vessels in shallow harbors and narrow channels by 2020. As vessels get larger, U.S. trade competitiveness declines

\$46 billion
Amount port authorities and partners will spend on infrastructure modernization in the next 5 years

1/3
Freight rail carries 1/3 of all U.S. exports to port and border facilities across America²

60%
Percentage of rail intermodal traffic that involves imports and exports

\$20 billion
Annual infrastructure & equipment investment by private freight railroads

U.S. Customs & Border Protection is responsible for cargo screening. Budget cuts/limited staffing could result in cargo delays at ports, increased costs

14 billion tons
Truck freight total by 2010, an increase of almost 30%

\$27 billion
Cost of deficient and deteriorating highways to American businesses and households in 2010

\$276 billion
By 2020

\$1.3 trillion
By 2040

A \$4 trillion loss to U.S. GDP by 2040 is projected for failure to invest in America's crumbling transportation infrastructure.

Urge Congress to support federal investment in seaports today.

- 1 FEDERAL CHANNEL**
(Funded by Harbor Maintenance Tax)
- 2 CARGO**
- 3 BERTH**
- 4 OCEAN-GOING VESSEL**
- 5 PORT FACILITIES**
- 6 FREIGHT RAIL**
- 7 SECURITY SCREENING EQUIPMENT**
- 8 TRUCKS**
- 9 FEDERAL/STATE HIGHWAYS & CONNECTORS**
(Funded by gas taxes)

Statistical source cited where indicated. The American Society of Civil Engineers (ASCE), Future in Sight: The Economic Impact of Current Investment Trends in Airports, Seaports, Waterways, and Marine Ports Infrastructure, 2012 (Greater Text).
¹The Association of American Railroads, www.aar.org
²U.S. Customs and Border Protection, Washington Post, February 24, 2013
³The American Trucking Associations, www.ATAA.com
⁴ASCE, Future in Sight: The Economic Impact of Current Investment Trends in Surface Transportation Infrastructure, 2011



Our Priorities

- National Freight Policy & Strategic Plan
- Dedicated Freight Infrastructure Fund
 - TIGER
 - Projects of Regional & National Significance
- Partnership with the Private Sector
 - Advice & counsel
 - Leveraging federal \$ with public-private partnerships & other innovative finance

Surface Reauthorization is Upon Us



MAP-21 Expires on September 30, 2014.

There are 3 factors to everything that happens in Washington:

1. Legislation
2. Regulation
3. Speculation

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Legislation

The T&I Freight Panel Report: A Reauthorization Preview?

- Establish a comprehensive, multimodal freight policy and network
- Ensure robust public investment in all modes
- Authorize sustainable freight PNRs
- Identify and recommend revenue sources

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Regulation

A 2-year bill, many of MAP-21's rulemakings will remain in progress as a new bill is written:

- Truck Size & Weight Study
 - Anticipated completion: Late Fall 2014
- PNRS Survey
 - Anticipated completion: Fall 2014
- Highway Primary Freight Network/ National Freight Network
 - Anticipated completion: Summer 2014
- National Freight Strategic Plan
 - Anticipated completion: Fall 2015

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Draft Highway Primary Freight Network



Speculation



Obstacles to Reauthorization

- Money: The HTF is scheduled to become insolvent in October 2014
- Money: Unlikely to see gas tax increase before midterm elections
- Money: Inability to fund a long-term bill costs more money in the long run
- Money: The HTF does not fund multimodal freight

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Speculation (Continued)

Reauthorization Driving Forces

- Money: The HTF is scheduled to become insolvent in October 2014 – action is unavoidable
- Personalities: Highly motivated leadership
 - House T&I Chairman Shuster savvy and able to build consensus, demonstrated by WRRDA
 - Senate EPW Chairman Boxer demonstrated tenacity during MAP-21 development
 - White House: Big Changes at DOT

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Increased Trade Ahead: Dialogue is Needed

- How does U.S. infrastructure capacity influence the global economy?
- What impact does investment in U.S. infrastructure have on international trade patterns?
- What role do environmental standards play in transportation decision making?
- How do changes in commodities transported shape infrastructure investment needs and decisions?

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The NAFTA**NEXT** Summit



NAFTANEXT:

Energizing Sustainable Trade Corridors Across North America

Where: The Palmer House Hilton, Chicago, IL

When: April 22 – 25, 2014

What: Tri-national forum for public and private sectors to develop a long-term vision for freight transportation, encompassing mobility, energy, and the environment.

www.NAFTANEXT.com

The NAFTANEXT Summit



Why: In the 20 years since NAFTA's implementation, trade has tripled and 40 million jobs have been added within the three partnering countries.

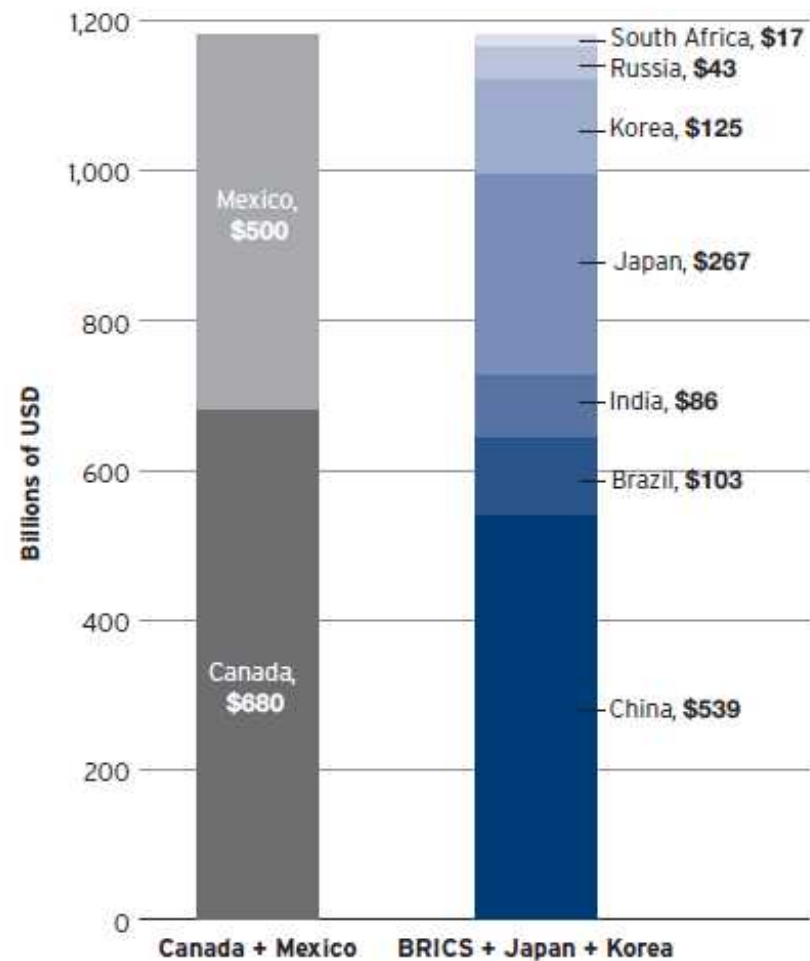
These benefits bring challenges that must be addressed – by all three nations – to foster continued success:

- How is energy sustainability improved?
- How is supply chain network capacity expanded?
- How are associated environmental impacts reduced?

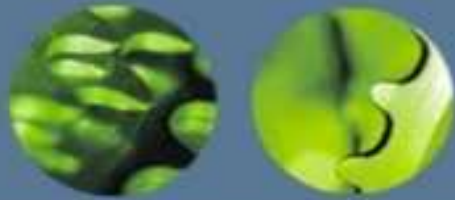
We Make Things Together!

- 25% of U.S. Imports from Canada and Mexico have U.S. Content
- A very unique Relationship

Figure 1. Total U.S. Trade with Canada/Mexico vs. BRICS/Japan/Korea, 2011



Source: Brookings analysis of U.S. Census data, 2011.



General context

- **For every dollar** of trade between the two countries, **Mexico imports 42%** from the U.S.
- For instance, **China only bought about 19%.**

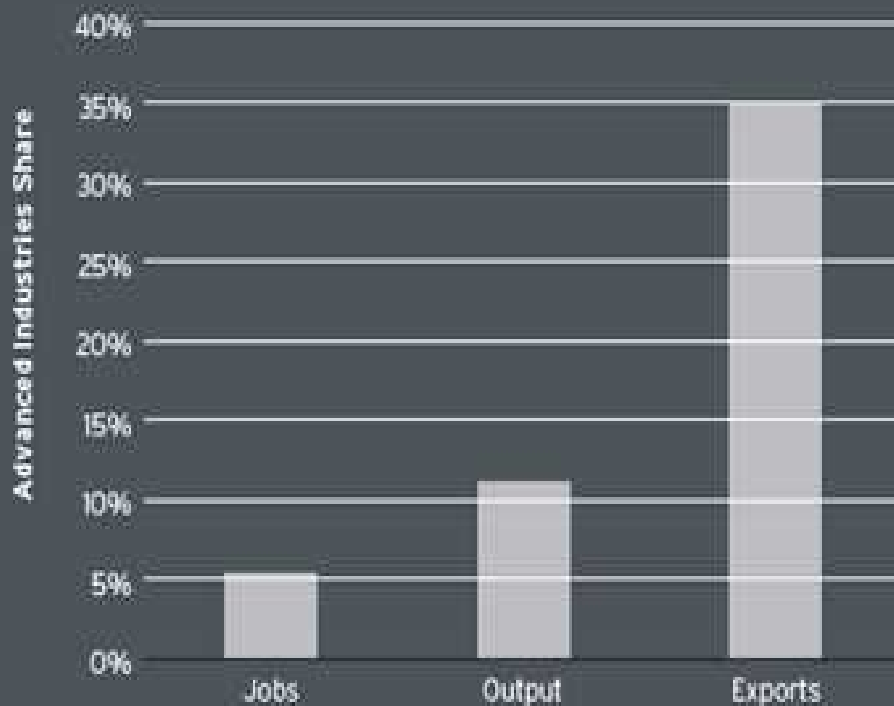
Rank	Country	U.S. Imports			U.S. Exports		
		2007	2008	2009	2007	2008	2009
1	CHINA	321,443	337,773	296,402	62,937	69,733	69,576
2	Canada	317,057	339,491		248,888	261,150	204,599
3	MEXICO	210,714	215,542	176,537	135,918	151,220	128,998
4	Japan	145,453	139,262	95,949	61,160	65,142	51,180
5	Germany	94,154	97,497	71,253	49,420	54,505	43,299

U.S. Census Bureau, 2011 4

Source: Gaston Cedillo, Engineer at Mexican Logistics & Supply Chain Association

Advanced Industry

Figure 2. Advanced Industry Share of U.S. Employment, Output, and Exports, 2012



Source: Brookings analysis of Moody's Analytics and ExportNation data.

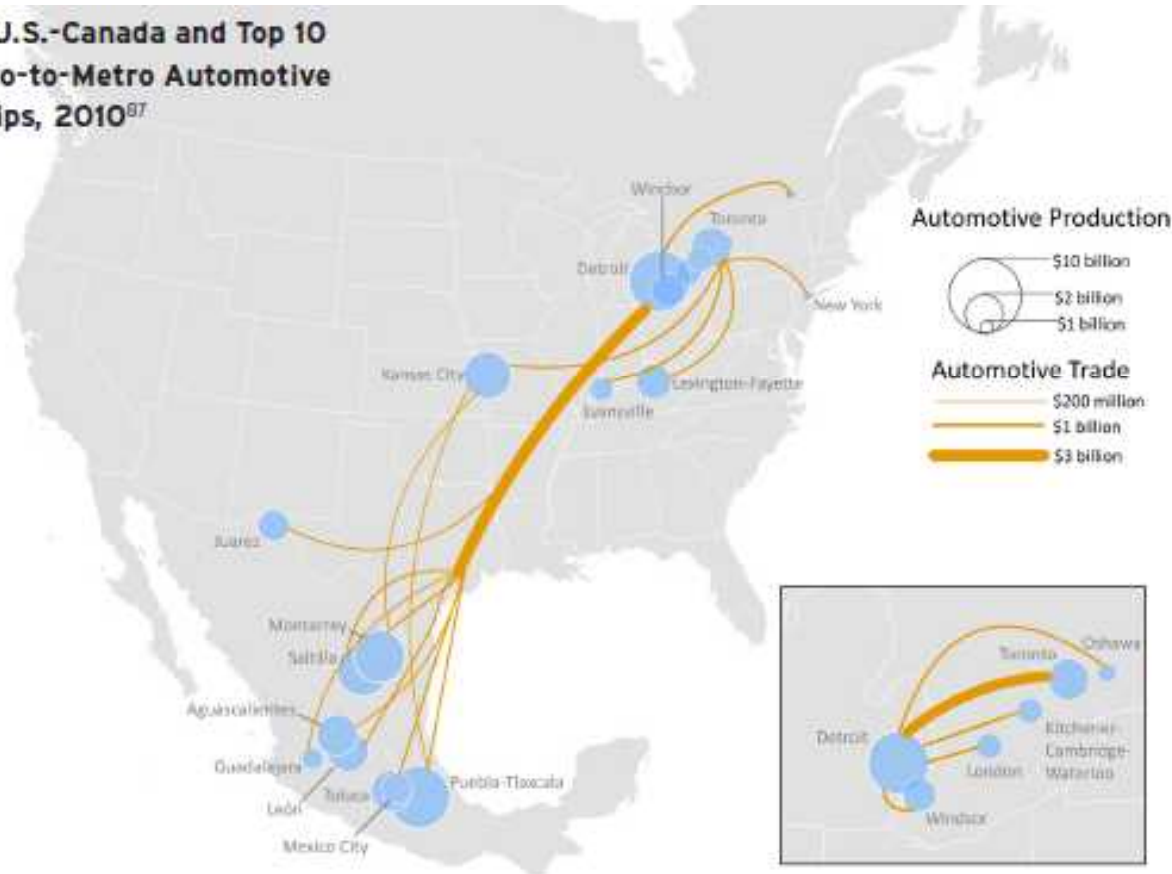
- Aerospace
 - Automotive
 - Electronics
 - Machinery
 - Pharmaceutical
 - Precision Instruments
- Amount to 69% of traded products

Top Trade Lanes – Important Corridor Implications



Auto Flows

Figure 6. Top 10 U.S.-Canada and Top 10 U.S.-Mexico Metro-to-Metro Automotive Trade Relationships, 2010⁸⁷

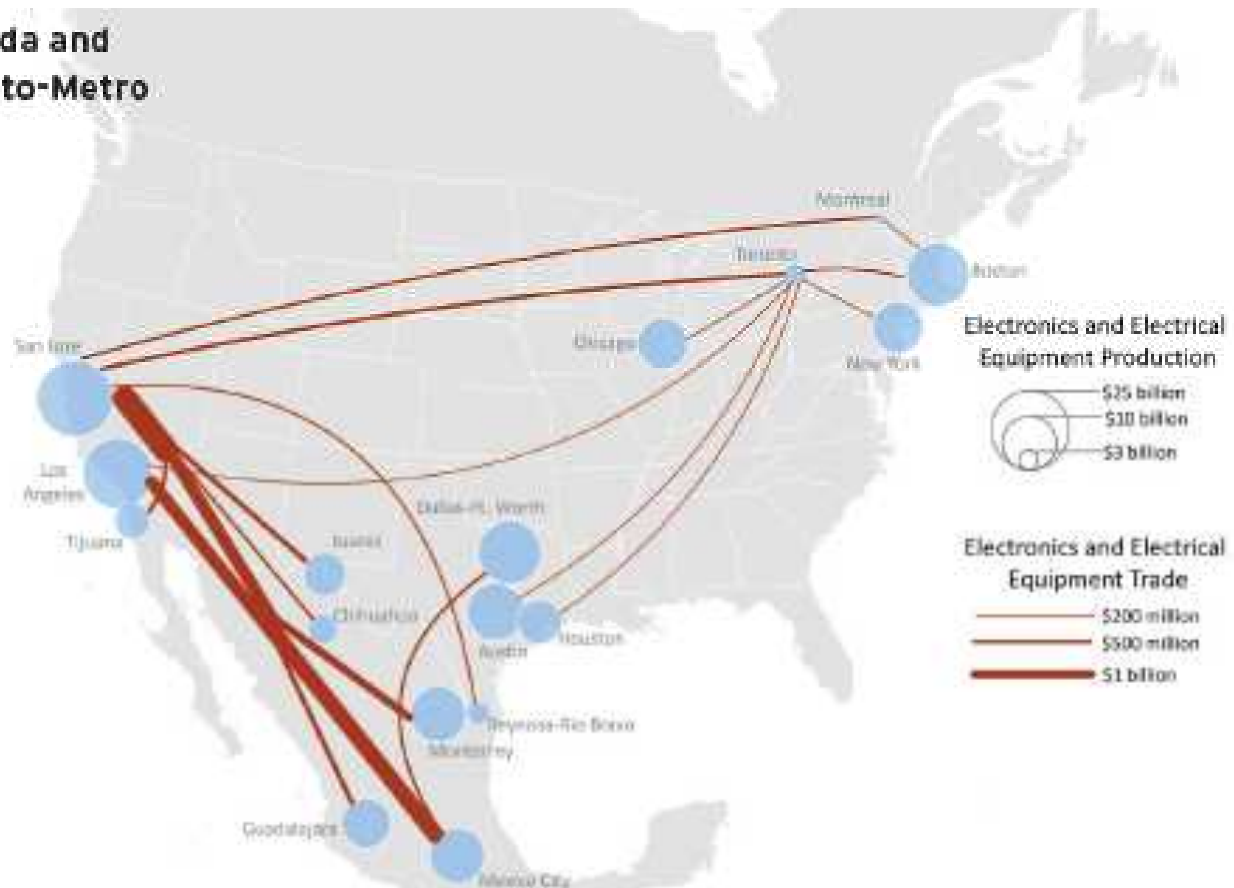


Source: Brookings analysis of Economic Development Research Group, Moody's Analytics, INEGI, and Statistics Canada data.



Electronic Flows

Figure 7. Top 10 U.S.-Canada and Top 10 U.S.-Mexico Metro-to-Metro Electronics Trade Relationships, 2010¹⁰²



Source: Brookings analysis of Economic Development Research Group, Moody's Analytics, INEGI, and Statistics Canada data.

Aerospace Flows

Figure 8. Top 10 U.S.-Canada and Top 10 U.S.-Mexico Metro-to-Metro Aerospace Trade Relationships, 2010^{III}



Source: Brookings analysis of Economic Development Research Group, Moody's Analytics, INEGI, and Statistics Canada data.



Energy – the North American Game Changer

The combination of hydraulic fracturing, or fracking, and horizontal drilling now lets energy firms reach deposits locked in shale and other rock layers once thought too difficult to exploit. As a result, domestic oil output is up 50% since 2008, and the U.S. has become the world's top natural gas producer.

<http://www.kiplinger.com/article/business/T019-C021-S010-new-shale-oil-gas-sites-in-north-america.html#Xi1F8cM4TWutzOld.99>

Gas' downstream by-products have world class competitiveness in the US and are the “building blocks of manufacturing”

Chemicals

Resins

Compounds



North American Prosperity and Competitiveness Requires:

- Investments in Transportation Infrastructure
- Harmonized transportation policies
- Collaboration

The NAFTA NEXT Summit



Who:



West Coast Corridor Coalition
Alaska · Washington · Oregon · California



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*For more information,
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Tel: 202.828.9100

Or visit:

www.tradecorridors.org

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