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**Panel on Intermodal Freight Policies in the Western Hemisphere**  
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First, Kurt, I want to thank you and your members for this kind invitation today. It is a particular pleasure to be on this panel with my respected colleagues Kristine Burr and Cesar Patricio Reyes Roel.

I appreciate the opportunity to speak to you this morning about the Department of Transportation's vision for intermodal opportunities in the future. A large part of my duties require consideration of intermodal issues, including the highest and best use of modes at the national level as they are employed in what has become a global transportation system.

***Issues Underpinning the Bush Administration's Policy Approach to Intermodalism***

- Without question, deregulation of the freight industry in the 1970s was a resounding success. Having witnessed that success with many of you in this room, the Administration recognizes the importance of continuing to allow private sector innovation to blossom.
- Without a doubt, NAFTA has also been a resounding success for all three national economies. Not only have the trade flow increases been impressive, we are now witnessing a relatively smooth integration of a NAFTA trade infrastructure network.
- The business approach to moving goods intermodally has relied upon a supply chain perspective, which crucially elevates the significance of freight transportation in commerce and the economy. Managing the supply chain is essentially a private sector function, BUT the efficiency of that private sector function has significant dependencies on informed intermodal policies from government. Sometimes we think in terms of the Hippocratic Oath...*"first, do no harm."*
- The economy of the United States is increasingly linked to the rest of the world through international trade. Since 1970, U.S. imports have tripled and exports doubled measured against the value of U.S. Gross Domestic Product. An increasingly liberalized global market for many products has expanded opportunities for U.S. producers to sell their products overseas, while U.S. consumers and businesses have been able to take advantage of lower production costs overseas, importing products and components at low prices. The upward trend in foreign trade's share of the economy is projected to continue, linking an increasing number of U.S. jobs and business activity to international trade. Though the path of growth for imports and exports has diverged at times, due to relative economic performance of our trade partners, the U.S. dollar exchange rate, and world commodity prices, the long-term

trends are unmistakable. The increasing dependence on trade in the U.S. economy makes facilitation of trade more important each year as a greater share of our economy becomes at risk from trade disruption. The greater role of trade in the U.S. economy also means that policy decisions affecting trade facilitation on the part of our trade partners can affect a greater proportion of our economy.

- Foreign policy-- especially trade and transportation policy-- and foreign infrastructure capacity and performance are increasing in importance to the performance of the U.S. economy. Therefore, monitoring US port capacity, and increasingly NAFTA Port and border capacity issues is becoming an area of increased attention for the USDOT. The proportion of traffic on the U.S. transportation system that facilitates international trade to and from the country's borders therefore takes on increasing importance for the national economy.
- The same forces that transformed business are supplanting manufacturing with wholesale distribution, which is steadily becoming the prime driver of freight demand. Traffic concentrations are shifting toward port centers and distribution hubs on the coasts and at key inland points, and this is forcing the Department to sharpen our focus on key distribution corridors, borders and gateways (your ports).
- These logistical trends favor much more trucking and strong growth in intermodal rail.
- A core network of intercity, urban, and transfer infrastructure is vital to maintain freight performance and safeguard the nation's competitiveness.
- The carrier industry is adjusting by forming its own networks, primarily to add flexibility and fulfill its integrative role in supply chains.

### ***How USDOT Defines Intermodalism***

Immediately following the passage of ISTEA in 1991, the Department's Office of Intermodalism defined the term "intermodal" as covering all of the issues and activities which may affect or involve more than one mode of transportation. It was thought to have three main characteristics:

- **Connections:** the convenient, rapid, efficient, and safe transfer of people or goods from one mode to another during a single journey to provide the highest quality, comprehensive and cost-effective transportation service.
- **Choices:** the provision of transportation options through the fair and healthy competition between different modes, independently or in combination.
- **Coordination and Cooperation:** collaboration among transportation professionals and organizations to improve transportation service, safety, and economy for all modes or combinations of modes in an environmentally sound manner.

These core objectives remain the same. Much of the Department's success in promoting intermodalism has come through cooperative participation with national associations and organizations such as the American Association of Port Authorities, the Freight Stakeholders Coalition, the American Association of State Highway and Transportation Officials, and the

Association of American Railroads. We rely on groups like AAPA to keep us focused on key port issues, and to also help us understand what is helpful and what is NOT (sometimes a decentralized approach, as we have in the US, is the favored approach).

### ***Intermodalism Embedded within the Department***

The Department's efforts to promote greater consideration of intermodal transportation needs have become embedded in the operating practices of the Operating Administrations. This is perhaps most evident in the intermodal, multi-agency attention that is given to projects involving major transportation hubs like Los Angeles/Long Beach, Seattle, Chicago, and the New York City metropolitan area. In the Ports of LA/Long Beach, the Department has created a field-based "Gateway Office and Ombudsman", supported by a multi-agency and multi-disciplinary "Intermodal Gateway Group" here in Washington. This multi-modal task force structure has been replicated in other cities where major intermodal projects are under development.

### ***The Intermodal Council***

As a result of recent discussions with Secretary Peters, I was able to initiate a new Intermodal Policy Council (IPC) comprised of Operating Administrators and Secretarial Officers. The mission of the IPC is three-fold:

1. It will serve as a forum for addressing specific cross-cutting issues – both substantive and administrative -- that arise in the conduct of the Department's programs and for formulating recommendations for action that can be presented to me for decision;
2. It will ensure that the Department remains focused on Secretarial priorities, most immediately the three themes that Secretary Peters has spelled out for the remainder of the Bush Administration -- making travel safer, improving system performance and reliability, and finding 21st century solutions for 21st century transportation problems; and
3. It will facilitate, to the maximum extent possible, an intermodal approach to program management and problem solving across the entire range of the Department's activities.

The Intermodal Council is up and running. There have been two meetings thus far and a schedule has been established for the next several months. Two projects are being staffed at the moment. One relates to whether there should be more consistency in the Department's approach to human factors in regulating transportation safety; the second is an effort to formulate a more effective program for supporting transportation in rural areas.

### ***New Intermodal Challenges and Responses***

- MARAD - Because Canada and Mexico are part of the North American Free Trade Agreement, MARAD has signed cooperative agreements with our NAFTA partners to mitigate border congestion with maritime alternatives. Our Canadian and Mexican neighbors are considered part of MARAD's America's Marine Highway Initiative.

- MARAD and OST – Closely monitor port issues in the US, although we believe that the autonomous port system we have in the United States functions very well, and responds to market pressures as well as adjustments in the global supply chain. We are mindful of port capacity coming on line in both Mexico (Mexico's main Pacific ports are Manzanillo, Lazaro Cardenas, Veracruz and Altamira on the Gulf of Mexico, with a new port being discussed in Punta Colonet) and in Canada (with significant new capacity in Prince Rupert on the Pacific and in Halifax on the Atlantic). Let me be clear -- yes, there are competitive concerns with the new Canadian and Mexican capacity...but at the same time, I think we are also overseeing a basically healthy integration of a NAFTA transportation network. Our Freight Analysis Framework forecast for waterborne commerce suggests that there is more than sufficient demand for this additional port capacity.
- FHWA- To facilitate highway linkages between the three nations the FHWA Office of Planning Programs has four robust border crossing initiatives:
  - FHWA Border Infrastructure Program
  - FHWA National Corridor Planning & Development Program/Coordinated Border Infrastructure Program (CORBOR Program)
  - U.S./Mexico Binational Border Transportation Planning
  - U.S./Canada Border Transportation Planning
- FRA- The Federal Railroad Administration, Transport Canada (TC) and Mexico's Secretariat for Communications and Transportation (SCT) continue to work cooperatively, through the Rail Safety and Economics Working Group, part of the trilateral Transportation Consultative Group (TWG) established under NAFTA. FRA's Office of Safety has the lead in consulting with Mexico and Canada and their private railroads on ongoing safety and operating issues with our NAFTA counterparts.

Senior management from FRA, SCT, and Transport Canada regularly communicate on issues of mutual concern, such as proposed safety regulations which may have cross-border implications. Additionally, the Railroad Safety Advisory Committee (RSAC), which provides advice and recommendations on the development of the United States' railroad safety regulatory program, includes two associate non-voting representatives from Mexico and Canada

- OST - Office of Freight and Logistics – This Office was created about two years ago to direct the Department's freight policy coordination, and to lead private sector outreach on behalf of the Secretary's Office. One of the most important functions of this Office involves leading the USDOT's Freight Policy Working Group. In this group, representatives from operating administrations with responsibilities affecting freight mobility meet to address emerging intermodal freight issues, legislative implementation, and departmental outreach on freight-focused topics.

- Through this working group and the activities of the Operating Administrations, the Secretary's Office of Freight and Logistics has engaged the private sector to develop the Department's National Freight Policy Framework, which identifies the respective responsibilities of Federal, State, and local agencies in supporting commercial goods movements, and the objectives, strategies, actions, and tasks that can sustain and advance freight transportation and its associated services. The Freight Policy Framework remains a work in progress as we continue to work with our counterparts in government and stakeholders in industry.
- The OST Office of Freight and Logistics also asked TRB to establish a Freight Transportation Industry Roundtable as a forum to discuss the context and underlying issues that are important for future U.S. freight transportation initiatives. The Roundtable held four invitational workshops where public-sector officials, industry representatives, experts in related fields discussed national freight transportation needs. Shippers, carriers, and leaders in public-sector infrastructure finance and organizational development continue to work with the Department to identify how freight transportation system improvements might be pursued. Great thanks again go to AAPA for helping on this effort.
- FMCSA- Chassis safety in and around the ports is on our radar screen as well. SAFETEA-LU directed the Department's Federal Motor Carrier Safety Administration (FMCSA) to carry out a rulemaking on chassis roadability, and FMCSA recent posted a Notice of Proposed Rulemaking on this topic. This is a major safety initiative led by USDOT, and of critical importance for safe cargo carriage in and around the port complex. Several field hearing on this topic are being planned.
- FMCSA- The Department just announced a new pilot to allow Mexican trucks into the US beyond the commercial zone. The details are as follows:
  - Trade between the United States and Mexico is of critical importance to the U.S. economy. Pilot details are:
    - Every day, nearly **2.4 billion dollars in trade** flows between the United States, Mexico and Canada
    - U.S. merchandise exports to Mexico and Canada are up **157** percent.
    - The economies of all three countries have grown by more than 40 percent since the NAFTA was signed.
  - 75 percent of this commerce is carried by commercial trucks, but the current system of transferring products from the truck of one country to that of the other costs consumers \$400 million a year.
  - Until 1982, trucks from Mexico could drive anywhere in the United States. Since 1982, they have been able to drive only in the roughly 25-mile commercial zone along the U.S. border and can make deliveries in U.S. cities like San Diego, El Paso and Brownsville.

- Cargo destined beyond the commercial zone must be off-loaded and transferred, which has given rise to a highly inefficient international supply chain on our southern border.
- Long-haul trucking to and from Mexico will allow goods to get to the marketplace as efficiently as possible on both sides of the border, which translates into cost savings to the consumer.
- In 1993 Congress approved a limited demonstration program to test implementation of the trucking provisions of the North American Free Trade Agreement by allowing a small number of Mexican trucking companies to make deliveries beyond the commercial zones for one year. The proposal had been supported by Presidents George H.W. Bush and Bill Clinton. DOT's new pilot is the implementation of this program.
- Since 1995, the **federal government has spent more than \$500 million** to improve border inspection stations and hire more than 600 new federal and state truck inspectors.
- Mexico's **trucks and their drivers must meet all U.S. safety and security requirements** before they will be allowed to drive beyond the border region.
  - Since the mid-1990s, the rate of Mexican trucks taken off the road for **safety violations** has **dropped** 64 percent, from 59 percent to 21 percent (comparable to the U.S. average).
  - The companies **must pass** a safety audit by U.S. inspectors, including a complete review of driver records, insurance policies, drug and alcohol testing programs and vehicle inspection records.
  - **Every truck** that crosses the border as part of the pilot **will be checked – every truck, every time.**
  - **Any truck** with a **safety violation** that poses a risk to the traveling public – no matter how small or large - **will be stopped** until the problem is fixed.
  - Drivers **must** have a valid commercial license, proof of medical fitness, and comply with hours-of-service rules.
  - Drivers **must** be able to understand and respond to questions and directions from inspectors.
  - Drivers **may not** be sick, tired or under the influence of drugs or alcohol.
  - Trucks **must be** insured and meet rigorous U.S. safety standards for the entire vehicle, including brakes, steering systems, tires, axles, hoses, fuel tanks, head and tail lamps, turn signals, suspension systems, frame integrity and cargo securing equipment.

- No trucks hauling **hazardous materials** or buses carrying **passengers** will be involved in the test program.
- All trucks and all drivers entering the U.S. are **screened by U.S. Customs and Border Protection Officers**, which could include radiation portal monitoring and x-ray inspections of high risk cargo.
- All drivers must **provide advanced cargo information**, must **meet immigration entry requirements** and are subject to the U.S. import requirements.
- In two months, Mexico will have published its final application procedures and will begin processing applications from U.S. companies for authority to operate throughout Mexico.

***The CMTS- Improving Coordination Among Federal Agencies:*** The purpose of the Committee is to create a partnership of Federal agencies with responsibility for the Marine Transportation System (MTS) – waterways, ports, and their intermodal connections – to ensure the development and implementation of national MTS policies, consistent with national needs, and report to the President its views and recommendations for improving the MTS. According to the Charter, the Committee on the Marine Transportation System and its constituent sub-organizations will be responsible for the following:

- improving federal MTS coordination and policies;
- promoting the environmentally sound integration of marine transportation with other modes of transportation and with other ocean, coastal, and Great Lakes uses;
- developing outcome based goals and strategic objectives for the safety, security, efficiency, economic vitality, environmental health, and reliability of the MTS for commercial and national defense requirements, as well as, a method for monitoring progress towards those goals;
- coordinating budget and regulatory activities that impact the MTS; and
- recommending strategies and implement plans to maintain and improve the MTS.

The CMTS's charter went into effect in August 2005. There are two other organizational bodies under the CMTS. These are the Coordinating Board and the Executive Secretariat. The Coordinating Board is made up of the heads of MTS-related agencies under the CMTS such as the US Coast Guard, National Oceanic and Atmospheric Administration, US Army Corps of Engineers, Maritime Administration, Office of Management and Budget, and the Counsel on Environmental Quality, among others.

***The Congestion Initiative: The USDOT Response to Declining System Performance***

Growing congestion in U.S. transportation systems poses a threat to the U.S. economy and to the quality of life for millions of Americans. Among the Congestion Initiative's six components, we have included a focus on responding to congestion at the Southern California freight gateway and at our NAFTA border crossings.

### **Reducing Southern California freight congestion**

- USDOT is working to bring together Federal, State, local, and private-sector officials to forge consensus on solutions (both immediate and long-term) to reduce freight congestion at vital trade gateways, including most importantly, Southern California
- As part of these efforts, the Department is also working to address related community and environmental challenges

### **Reducing border congestion**

- USDOT is working to find and implement solutions to border congestion that facilitate trade and travel without compromising either motor vehicle safety or the vital mission of securing America's borders
- In recognition of the public-private nature of these solutions, the Department is coordinating with State and local governments and private sector stakeholders.

### ***Concluding Thoughts***

I have just given you an upbeat perspective on how the US approaches intermodal policy. I described a very healthy public-private transportation alliance that makes our domestic freight system an enviable model. **And, of course that enviable model works so well, due to the day to day efforts of the fine port leaders in this room.** I have described how we oversee a robust, integrated network of ports, highways and railroads that not only serve the US economy, but also knit together our economy with those of our neighbors and trading partners. **This is not to say that there are no problems.** The private rails aggressively compete, the ports aggressively compete, and the environment issues are demanding more attention as you well know. Slowly, but prudently we are also opening up the trucking and rail network to build a seamless NAFTA transportation network. So at the bottom line:

- Flawless intermodal integration without a spirited public debate? No
- Successful long-term intermodal integration? Yes.