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Written Submission of

Leslie Blakey
Executive Director
The Coalition for America's Gateways and Trade Corridors

Before

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on

Goods Movement and the California Ports

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There are 25 million businesses in the United States that all depend on the products delivered by our freight transportation system. Reliable freight and goods movement are essential to American economic success, but demand for goods is outstripping our transportation system's capacity. High standard of living, steady employment, low consumer prices and overall economic prosperity are all elements that rely upon this system.

At the end of the 1990s, US freight carriers moved more than 15 billion tons of goods worth more than $9 trillion. By 2020, the volume of freight is expected to be at least 25 billion tons worth $30 trillion.

This traffic is concentrated on major routes connecting population centers, ports, border crossings and major hubs of activity. Yet, with roads already congested, the percentage of urban Interstates carrying 10,000 or more trucks daily will increase from 27 percent in 1998 to 69 percent in 2020.

According to the Federal Highway Administration, connectors that make intermodal transportation safe and efficient are 50 percent less well maintained than roads on the National Highway System. Furthermore, railroads are not attracting enough long-term investment, and the freight-rail system may not expand apace with the economy if current trends continue.

There are 355 ports in the United States that handle cargo at approximately 4,000 marine terminals.[1] The U.S. port industry annually generates 1.1 million jobs, $44 billion in personal income, $56 billion in transportation service revenue, $729 to the nation's GDP, and almost $16.1 billion in Federal, state and local taxes.

Ships carry goods from foreign countries to the U.S. via containers. Roughly one-quarter of the U.S. imports and one-sixth of its exports – about $423 billion and $139 billion, respectively, of goods in 2004– arrive by container ship. The ports handling these large container ships must be capable, expansive large water ports. The San Pedro Bay Ports of Los Angeles and Long Beach handle the bulk of containerized cargo, particularly from Far East manufacturers. The San Pedro Bay ports alone handle more than two-thirds of all U.S. container traffic, worth about $200 billion.[2] In fact, container traffic more than doubled at these ports from 1994 to 2003.[3] Meanwhile, 50 to 70 percent of this freight is headed for destinations outside the region.[4]

To keep up with demands, ports across the country predict they will spend a record $10.5 billion on modernizing and updating their facilities in the next five years.[5] Problems facing ports range from increases in vessel sizes that require deeper channels to public health impacts, such as air quality issues, to aging infrastructure and traffic congestion.

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[1] House Subcommittee on Coast Guard and Maritime Transportation and Subcommittee on Water Resources and Environment. *Port and Maritime Transportation Congestion Hearing*. (May, 2001).
[2] U.S. Department of Transportation, Maritime Administration. *Top 30 U.S. Container Ports by Direction, CY2003*. (2004)
[3] Ibid.
[4] Estimates from Port of Long Beach and Southern California Associated Governments study on elasticity of port demand, in progress. (Spring, 2005)
[5] U.S. Department of Transportation, Maritime Administration. *United States Port Development Expenditure Report*. (2002)

Additionally, ports like those in San Pedro Bay and others in the U.S. have intermodal yards that are either at or near capacity.

While the ports are moving an unprecedented amount of goods, there are problems in the timeliness and efficiency of moving goods from the ships to other modes of transportation. These problems have far-reaching impacts. For example, in the fall of 2004, bottlenecks in the San Pedro Bay ports caused ships to wait days before entering with goods for the holiday season bound for stores in California and beyond.[6] Unexpected halts to container traffic through our country's two largest ports caused significant disruption to the nation's economy.

The Congressional Budget Office report released on March 29, 2006 respectively examined the effects of a week-long and three year-long breakdown in the San Pedro ports as it relates to the overall U.S. supply chain network and the economy as a whole. This analysis found that for the week-long halt, the costs would be between $65 million and $150 million per day and the three year-long closure would range daily from $125 million and $200 million. This would prompt a substantial decline in both consumer and business spending. Employment would reflect an average of minus 1 million jobs during the three years of the close. Overall, the shutdown of the Ports of Long Beach and Los Angeles would have significant detrimental impacts to the U.S. economic well-being.

Imports and exports are doubling every ten years and containerized cargo is projected to increase by more than 350 percent by 2020. Truck traffic will increase by 200 billion miles and rail shipments of freight are projected to grow by one billion tons. With this unprecedented growth in freight traffic, improved intermodal gateway and trade corridor infrastructure is needed to keep the traffic from stalling in gridlock and nearby populations from suffocating in air pollution.

Although the importance of a transportation system that moves $7.8 trillion in goods for America's population is hard to underestimate, it seems as though it has been easy to underfund, maintain and improve, historically speaking. But looking ahead, neither the public nor private sector alone has the resources to invest sufficiently for the forecasted growth of freight. According to the U.S. Chamber Foundation, transportation funding for the coming ten year period (2005 to 2015) will be $1 trillion short of documented needs. To keep up with maintenance and necessary improvements to the system, we should be spending $83 billion more each year than currently projected.

The last federal transportation bill, SAFETEA-LU, was deficient when measured by our country's burgeoning needs and in comparison to our trading partners' transportation investments. SAFETEA-LU reflects a more than four-fold increase in freight funding and provides a policy foundation to support freight's future. However, it is merely a down payment. Failure to invest in our transportation system is, in fact, failure to invest in America's economy. China is investing in transportation, particularly goods movement infrastructure, at twice the rate of the United States overall. It is the immediate responsibility of federal agencies and private businesses to mutually identify ways to finance needed projects critical to maintaining the U.S. freight transportation system.

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[6] Southern California Associated Governments, *Southern California Regional Strategy for Goods Movement: A Plan for Action.* (March, 2005).

Freight and goods movement are our nation's lifeblood and is embedded in the very fabric of our economy. Fundamental concerns rest on its every aspect – commercial vitality, employment rates, cost of materials, military readiness, trade balances, global competitiveness, consumer choice, and overall standard of living - ripple effects from a breakdown in our goods movement system would be felt in every corner of the country. A modern, efficient, seamless transportation network that interweaves the country and connects it competitively to the world cannot be achieved on a parochial basis.

The network's perilous under-funding will be $1 trillion short of documented needs for the coming ten year period (2005 to 2015) according to the U.S. Chamber Foundation. To keep up with maintenance and necessary improvements to the system, we should be spending $83 billion more each year than currently projected. Therefore, the U.S. needs to begin solving the challenges facing freight transportation through strong solution-oriented plans involving policy initiatives, new legislative opportunities with real dollars, public-private partnerships for freight planning, finance, operations and security, and an overall strengthened national understanding of the benefits and significance of freight and goods movement.

<u>Only through a unified national effort will we be able to tap the political will and vision our freight transportation system needs.</u>

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<u>About the Coalition</u>

The Coalition for America's Gateways and Trade Corridors (CAGTC) was established to bring national attention to the need to significantly expand U.S. freight transportation capabilities and to work toward solutions for this growing national challenge.

CAGTC is comprised of over thirty representative organizations, including motor carriers, railroads, ports, engineering firms, and freight corridors that have come together to improve national freight efficiency.

Our sole purpose is to raise public recognition and Congressional awareness of this need and to promote sufficient funding in federal legislation for trade corridors and gateways.